PATENTQUARTERS™

The Newsletter of O'CONNOR & COMPANY • First Quarter, 2006

Welcome to *PatentQuarters*!

We are pleased to introduce O'Connor & Company and our quarterly newsletter, *PatentQuarters*. O'Connor & Company is a patent-law and intellectual-property consulting firm founded in January 2006 to serve global clients in the chemicals, materials, energy, and biotechnology industries. See page 4 for our contact information.

The name of this newsletter derives from the topic (patents) and frequency (quarterly), and from the idea that our clients can consider us their "*patent* head*quarters*." This short newsletter is designed to:

- Alert you of important news from the U.S. Patent and Trademark Office (USPTO).
- Discuss intellectual-property (IP) strategies that add value to your business.
- Present interesting short articles from leaders within the industries we serve.

Enjoy the newsletter and feel free to forward it to anyone that might benefit from the information. We welcome feedback or questions. Simply send an e-mail to us at PatentQuarters@mchsi.com with your questions! ***PQ***

U.S. Patent Number 7,000,000 Coming Soon

The United States Patent and Trademark Office will soon issue U.S. Utility Patent No. 7,000,000. Every week, the Patent Office issues approximately 2,500 utility patents. At this rate, the seven-millionth utility patent will very likely issue within the first quarter of 2006.

Here is a look back at the other million-milestone patents:

U.S. Patent No. 6,000,000, issued December 7, 1999 to 3Com Corporation, was directed to a synchronization system for handheld computer devices.

U.S. Patent No. 5,000,000, entitled "Ethanol Production By Escherichia Coli Strains Co-Expressing Zymomonas *PDC* and *ADH* Genes," issued March 19, 1991 to the University of Florida.

U.S. Patent No. 4,000,000, issued December 28, 1976 to Robert Mendenhall, involved recycled asphalt-aggregate compositions.

U.S. Patent No. 3,000,000 issued September 12, 1961, and was assigned to General Electric. This patent involved an apparatus for reading characters of text.

U.S. Patent No. 2,000,000 issued April 30, 1935, and was titled "Vehicle Wheel Construction." The patent was assigned to Edward G. Budd Manufacturing Company.

U.S. Patent No. 1,000,000 issued August 8, 1911 to Francis H. Holton, and also related to a vehicle tire construction. ***PQ***

This information was compiled by Jeremy R. Kriegel of Marshall, Gerstein & Borun LLP.

Integrating R&D and Patent Strategies

Enormous economic value can be created by properly connecting business, technical, and legal strategies for research and development (R&D) and the creation of intellectual property (IP).

Intellectual property is *created*—it does not just happen. The vision of engineers with light bulbs suddenly lighting up is not reality. Good IP is the result of directed, explicit efforts to achieve strategic business goals through research and development. However, the value of the IP generated is not a direct function of the quality of the R&D. Instead, it is the nature of the integration among business goals, technical drivers, and legal considerations that will ultimately determine how much the IP is worth. Business relevance in a competitive environment, not the genius of engineering, is what drives the pathway to financial rewards from your intellectual property.

We maintain that R&D should be closely, and constantly, integrated with the creation and protection of IP. The opposite scenario, which is far less effective, consists of a chronological flow from business strategy to R&D to IP tactics. IP becomes an afterthought ("what did we do") rather than a guide ("what should we do"). The concept of *patent engineering* is important. Some practice tips for improving your patenting process appear below.

Practical Tips for Patenting Your Inventions

- A patent has value not when *you* want to use it, but when *someone else* does.
- Inventions perceived as technically weak can nevertheless make strong patents. Many scientists and engineers believe the threshold for patentability is much higher than it actually is.
- The invention disclosure and review process is critical. Remember to focus on all inventions, not just those that appear to be patentable—trade secrets are very important too.
- Keep the business opportunities in mind. All decisions to pursue patent protection must be driven by estimated business value.
- Unless something is written down… it does not exist! Proper procedures must be in place to document innovation and ensure the earliest priority date possible for your inventions.

How to Implement the Concept of *Patent Engineering*

1. Make sure that patent strategies tightly (and constantly) integrate R&D, IP, and business functions within projects and across your business.
2. Establish a process to execute #1.
3. Create at least one *patent engineer* position to be accountable for this process. A key responsibility of the patent engineer is to understand the business strategy and competitive landscape, and then define broad claims that would avoid the prior art.
4. Ensure good communication. A good feedback mechanism to quickly adjust R&D efforts will help you be more successful building your IP portfolio.
5. Pursue the *right* patents. Don't waste time filing low-value patents, and make sure to apply for patents that will bring the largest economic return to your organization. ***PQ***

Proposed New U.S. Patent Prosecution Rules are Controversial

The recognized value of patents to innovation has led to enormous increases in the number of applications filed each year. Since the USPTO's resources have not increased at the same rate as filings, it has become much more difficult to provide reliable and prompt patentability decisions. Delays in granting a patent can slow new products coming to market, and issuing patents for inventions that are not novel and nonobvious can impede competition and economic growth.

In FY 2004, almost one-third of the 355,000 new patent applications had already been reviewed and rejected by the USPTO, but applicants resubmitted them mostly with only minor changes. Also, over 40% of new applications in FY 2004 had more than 20 claims. These practices waste the limited time examiners have to review an application and prevent examiners from focusing on the most important issues in an application. For example, current practice allows an applicant to generate an unlimited string of continued-examination filings from an initial application. The exchange between examiners and applicants suffers from diminishing returns as each of the second and subsequent continuing applications or requests for continued examination is filed. "Improving the patent process will take everyone working together—applicants and the USPTO," Director of the U.S. Patent and Trademark Office Jon Dudas noted.

New initiatives now under discussion will prioritize the claims reviewed during the examination process and better focus the agency's examination of patent applications by requiring applicants to identify the **most-important claims to the invention**. This proposal is regarded as a radical idea by many patent practitioners, not the least reason of which is the simple fact that designating certain claims as "important" implies other claims are "less important" or even "not important." Such a designation could have implications for future litigation. Also, if the Patent Office is trying to limit the number of claims in applications, then applicants would stick to broad claims and not include as many (or any) narrow claims that carve our certain embodiments. However, this intent would be in direct contradiction to known best practices in patent law, as asserted even by WIPO (World Intellectual Property Organization) itself: "Better patents tend to include a significantly large number of claims with a mix of broad and narrow claims."

To be fair, the USPTO is trying to become more efficient. It has to try something. The growing backlog (currently about 900,000 pending cases) and time it takes to receive a first response on the merits, particularly for biotechnology applications, are not sustainable for the future of U.S. patent rights. Achieving greater efficiency requires the cooperation of those who provide the input into the process—the applicants and their patent agents or attorneys. Although some practitioners are going crazy with the proposed rule changes, we do see the problem from both sides.

If you want to make your voice heard in the USPTO, written comments must be sent by May 3, 2006. No public hearing will be held, which is surprising given the nature of the proposed changes. The proposed rules can be found at www.uspto.gov/web/offices/com/sol/notices/71fr48.pdf. ***PQ***

What Happened to the Patent Reform Act of 2005?

www.uspto.gov/web/offices/com/annual/2005/040204_intel_policy.html

H.R. 2795, the "Patent Reform Act of 2005," was introduced in the House on June 8, 2005. The bill contains various initiatives intended to address patent quality, limit litigation abuses, and harmonize U.S. patent laws with those of its key trading partners. Some of the major proposals include a shift from a first-to-invent to a first-to-file system, a limitation on treble damages for patent infringement, establishment of a post-grant opposition proceeding at the USPTO, expansion of the *inter partes* reexamination proceeding, allowance of assignee filing, the publication of all patent applications after 18 months, and elimination of the best-mode requirement. Consideration of the bill will continue in FY 2006. O'Connor & Company will keep you updated! ***PQ***

Free Consultation!

O'Connor & Company is happy to provide new clients a free 30-minute initial consultation to discuss your IP-strategy and/or patent-prosecution needs. If we cannot serve your interests, we will gladly refer you to other IP professionals within our network.

To request a free consultation, simply contact our office using the information boxed below.

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