PATENTQUARTERS™

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Trying to Keep Up with Changes to Patent Laws

Patents are interesting for several reasons. First, patent practice is inherently a fascinating mix of technology, the law, and business. One can make good arguments for any of these three aspects as most important; we believe that all three are essential. Second, as patent practitioners, we work with the best and brightest engineers and scientists with new contributions (i.e., inventions) over the state of the art. This makes patent work a lot of fun every day. Third, patent law is challenging because it is constantly changing. There are always new cases being decided by the USPTO, the Federal Circuit, and even the U.S. Supreme Court (see page 2). Each new piece of case law must be understood for its implications in patent drafting and examination (if we are doing our jobs).

Furthermore, at this point in time, an extraordinary number of changes to patent laws and rules have either already been promulgated or are pending in Congress. Some observers have commented that the patent laws are about to be modified more than any time in the last half *century*. There are two prongs to the potential changes: (1) USPTO rule changes impacting patent prosecution (see below); and (2) Congressional patent reform that has been passed in the U.S. House of Representatives and is likely to be considered by the Senate soon (see page 3). ***PQ***

USPTO Rule Changes Blocked on Eve of Implementation!

On Halloween, literally just hours before significant new patent rules were to be implemented effective November 1, 2007, the U.S. District Court for the Eastern District of Virginia issued a Preliminary Injunction enjoining the USPTO from implementing the rule changes.

The controversial patent rules relate to continuing patent applications and requests for continued examination, and to the examination of claims. Specifically, the rules would have placed limits on the number of claims in patent applications, and limits on the number of continuation or divisional applications which derive from an initial application. It is standard practice to file these "add-on" patent applications which can benefit from an early filing date to avoid prior art.

The preliminary injunction enjoining the USPTO was issued on October 31, 2007 following a hearing of complaints lodged by Triantafyllos Tafas (an independent inventor) and GlaxoSmithKline (GSK, a pharmaceutical company). Judge Cacheris granted a temporary restraining order and preliminary injunction staying implementation of the rules until the Court considers the full merits.

This surprising news is certainly welcomed by many IP practitioners concerned about the impact of the new rules on their patenting strategies. Stay tuned to see if this injunction is permanent! ***PQ***

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Patently Obvious or Obviously Patentable?

The Supreme Court's *KSR* decision (*KSR Int'l Co. v. Teleflex, Inc.*, 127 S. Ct. 1727, April 30, 2007) has caused concern in relation to obviousness (cf. Q1-2007 *PatentQuarters* for case background).

The U.S. patent law at 35 U.S.C. §103 requires that in order for a patent to be granted for an invention, the invention must have been "non-obvious" at the time of filing. The non-obviousness doctrine requires an examination of what would be available to a person having ordinary skill in the art ("PHOSITA"). That inquiry is premised on a definition of a PHOSITA, who is a mythical person.

Historically, the actual skill level of a PHOSITA has not been argued in patent cases, whether prosecution or litigation. After *KSR*, however, the level of ordinary skill may become paramount: there is expected to be a greater correlation between the applicable level of skill and the ease in finding obviousness. As the PHOSITA skill level rises, more inventions become obvious and therefore unpatentable. On the other hand, a PHOSITA with little education or training would have more difficulty in making connections and finding obviousness.

But the Supreme Court seems to have gone further here. They said:

> A person of ordinary skill will be able to fit the teachings of multiple patents together like pieces of a puzzle…. *A person of ordinary skill is also a person of* ***ordinary creativity****, not an automaton.* (emphasis added)

Ordinary creativity? What is that? The big danger is that a court may search for a PHOSITA capable of making the invention rather than simply searching for the level of a skilled worker in the area. The even bigger danger is that a court asks whether the inventor himself or herself is a PHOSITA. That methodology is similar to asking whether any steps that the inventor took included non-obvious leaps—a legally impermissible question. Under 35 U.S.C. §103(a), patentability of an invention shall not depend on the manner in which the invention was made. The "flash of creative genius" requirement has long since been abolished in the U.S. patent laws.

If you follow this line of reasoning, you also must ask whether a person of ordinary skill in an art could ever actually be an inventor of anything. This is scary. Put another way, is a PHOSITA also a person of "ordinary inventiveness?" How do we distinguish between creativity and inventiveness? Inventing is intimately linked with an inventor's skill/education level as well as his or her creativity.

"Inventions" cannot be reserved for persons having *exceptional skill* in the art. That was never the intention of the patent system. There are certainly exceptional inventions: truly groundbreaking patents that begin new industries. But these are less than 1% of all patents. Most (actually, all) patents are indeed combinations of old elements assembled in a new and non-obvious way. ***PQ***

> "The fact is that one new idea leads to another, that to a third, and so on through a course of time until someone, with whom no one of these ideas was original, combines all together, and produces what is justly called a new invention."
>
> —**Thomas Jefferson**,
> Director of the 1st U.S. Patent Board

Source: *Managing IP* (2007)

Is Patent-Law Reform Necessary?

In the United States, our Founding Fathers had the providential foresight to grant a right unprecedented in history—the right of every citizen to own property. This includes a right to own a patent: **"Congress shall have the power to promote the progress of science and the useful arts, by securing for limited times, to authors and inventors, the exclusive right to their respective writings and discoveries." [Article 1, Section 8, The U.S. Constitution]**

Patent reform, usually an obscure, complicated topic, has become a hot issue on Capitol Hill this year. There is a crisis in the U.S. Patent Office, with a backlog of about a half million applications, concern about patent quality, and the recently imposed injunction on rule changes (page 1). And there is a crisis in the courts, with widespread concern over abusive patent practices, growing backlash against "patent trolls," and skyrocketing costs of patent litigation.

Among many significant reforms, the bill would create a "first-to-file" patent system. The U.S. system is the only one in the world that still grants patents to the first inventor rather than the first to file an application. The bill also creates a more streamlined way of challenging the validity and enforceability of patents after they are granted, a process that could be a viable and lower-cost alternative to full-blown litigation. Other proposed law changes relate to determining infringement damages (a controversial aspect of the bill), location of lawsuits, appeals, and inequitable conduct.

The Patent Reform Act of 2007 passed the House (220 to 175) on Sept. 7 and is now under consideration in the Senate. In an Oct. 23 letter to Senate leaders, more than 400 organizations ranging across diverse sectors urged lawmakers to make significant changes to this legislation.

The following table highlights some of the most important patents in U.S. history. ***PQ***

INVENTION	INDUSTRY FOUNDED	ANNUAL REVENUES*
THE TELEPHONE *Alexander Graham Bell, US Patent # 174, 465, Feb. 14, 1876*	TELEPHONE/TELECOMMUNICATIONS	$358 BILLION
THE ELECTRIC LIGHT *Thomas A. Edison, US Patent # 223,898, Jan. 27, 1880*	ELECTRIC LIGHT	$12 BILLION
HOUSEHOLD ELECTRICITY *Nikola Tesla, US Patent # 381,968, May 1, 1888; US Patent 382,281, May 1, 1888*	ELECTRICITY DISTRIBUTION	$337 BILLION
MODERN COMPUTING *Herman Hollerith, US Patent # 395,782, Jan. 8, 1889*	COMPUTERS	$209 BILLION
AIRPLANE *Wilbur and Orville Wright, US Patent # 821,393, May 22, 1906*	AVIATION	$248 BILLION
TELEVISION *Vladimir Zworykin, US Patent # 2,141,059, Dec. 20, 1938; Philo T. Farnsworth, US Patent # 1,773,980, Aug. 26, 1930*	TELEVISION	$143 BILLION
MRI *Raymond V. Damadian, US Patent # 3,789,832, filed March 17, 1972; issued Feb 5, 1974*	MRI	$18 BILLION
TRANSISTORS, INTEGRATED CIRCUITS ("CHIPS"), MICROPROCESSORS *Transistor, William Shockley, US Patent # 2,569,347, Sept. 25, 1951; Integrated Circuits ("Chips"), Jack Kilby, US Patent # 3,138,743, June 23,1964; Robert Noyce, US Patent # 2,981,877, April 25, 1961; Microprocessors (Multi- Chip Computers, "CPU"), Marian Edward (Ted) Hoff, Jr., Stanley Mazor, Federico Faggin: US Patent # 3,821,715, June 28, 1974*	IC'S /MICROPROCESSORS	$78.3 BILLION
ANTIBIOTICS *Lloyd H. Conover (Tetracycline), US Patent # 2,624,354, 1950; Selman Waksman and Andrew Schatz (Streptomycin), US Patent # 2,448,866, Sept. 21, 1948*	DRUG INDUSTRY	$261 BILLION
		TOTAL: $1.66 TRILLION

*Domestic only

Source: Dimasi et al., *J. Health Economics* 22, 2003; as appearing in *The New York Times*, October 2007

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Client Locations

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