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Carlson, Gaskey & Olds
Intellectual Property Developments

**PROPOSED RULE CHANGES TO LIMIT
CONTINUATIONS AND NUMBER OF CLAIMS TO BE
EXAMINED**

The proposed rule changes would limit some applications to one continuation and would require applicants to designate ten representative claims for examination. The PTO hopes this will combat the growing backlog of pending applications.

Changes regarding continuation practice will require that “second or subsequent filings, whether a continuation application, a continuation-in-part application, or a request for continued examination, be supported by a showing as to why the amendment, argument, or evidence presented could not have been previously submitted.” The PTO maintains that these revisions should “improve the quality of issued patents, making them easier to evaluate, enforce, and litigate.” In addition, the PTO maintains that under the revised continuation rules, “patents should issue sooner.”

Changes regarding examination will require that an applicant designate a set of ten “representative claims” when submitting an application. According to the PTO, the examiner’s initial examination will focus on these representative claims. Other claims will be evaluated after the representative claims are considered allowable. This will purportedly allow the examiner to

provide a more effective and efficient evaluation. The set of representative claims will include all of the independent claims and dependent claims expressly designated by the applicant. If the applicant wishes to have an initial examination of more than ten representative claims, the applicant must provide an examination support document.

The proposed examination support document must include (1) a statement that a preexamination search was conducted, (2) an IDS, (3) an identification of the limitations of the designated claims, (4) a detailed explanation of how each designated claim is patentable over the cited references, (5) a concise statement of the utility of each independent claim, and (6) a showing of where in the specification each designated claim finds § 112 support.

Comments relating to the proposed continuation practice changes should be emailed to AB93Comments@PTO.gov. Comments relating to the changes in claim examination practice should be mailed to AB94Comments@PTO.gov. Any comments must be submitted prior to May 3, 2006. Further details relating to these changes can be found in the Tuesday, January 3, 2006 edition of the [Federal Register](#).

PTO LAUNCHES PILOT PROJECT TO OUTSOURCE INTERNATIONAL SEARCH AND EXAMINATION

The PTO and IP Australia (Australia's national patent office) have initiated a pilot program to test the feasibility of IP Australia performing search and examination services for the PTO on international applications filed under the Patent Cooperation Treaty. The goal of the pilot program is to reduce the growing backlog of U.S. national patent applications. The PTO is testing whether, by having international applications processed elsewhere, the

PTO will be able to dedicate more resources to examining the 600,000 national applications currently in the pipeline. Under the pilot program, IP Australia will process 100 PCT applications. The PTO will review IP Australia's work to ensure that it meets PTO standards for quality and accuracy. Further information can be found on the PTO website by clicking on the following [link](#).

PTO RECEIVES RECORD NUMBER OF PATENT AND TRADEMARK APPLICATIONS IN 2005

In fiscal year 2005, the PTO received a record number of patent and trademark applications. The agency received 406,302 patent applications, and 323,501 applications for trademark registration as reported in its fiscal year 2005 [Performance and Accountability Report](#).

The PTO granted 165,485 patents, including 151,079 utility, 13,395 design, and 816 plant patents.

U.S. resident inventors received 85,238 U.S. patents in fiscal year 2005. California resident inventors received the highest share (23 percent, 19,928

patents) of these patents, followed by inventors from New York (7 percent, 5,631 patents), Texas (7 percent, 5,660 patents), Michigan (5 percent, 3,907 patents), and Massachusetts (4 percent, 3,443 patents).

The PTO registered 143,396 trademarks and renewed 32,279 registrations in fiscal year 2005. Over 3 million trademarks have been registered since 1870. At the end of fiscal year 2005, there were 1,255,570 active trademark registrations. Further information can be found on the PTO [website](#).

CONGRESS CONSIDERING SIGNIFICANT PATENT LAW CHANGES

Representative Lamar Smith (R-TX) introduced the **Patent Reform Act of 2005** to Congress in June, 2005. The Bill is currently only a draft that is under discussion. The proposed changes include:

- That the right to a patent will be awarded to the first inventor to file for a patent who provides an adequate disclosure for the claimed invention.
- Deletion of the best mode requirement from §112.
- Clarification of the rights of an inventor to damages for patent infringement, including royalties and willfulness.
- Allowance of an assignee of a patent to file on behalf of the inventor.

- Elimination of current interference practice replacing that with a post-grant opposition practice in which the validity of the issued claims is challenged by a third party.
- Codification of the laws related to inequitable conduct in connection with patent proceedings before the PTO.

These proposed changes are potentially significant; however, as stated above, they are only under discussion with Congress at this time. We will provide further information of the proposed changes and the status of the Bill as it becomes available.

REVISION OF FEES FOR PCT APPLICATIONS ENTERING NATIONAL STAGE

As part of the Consolidated Appropriations Act of 2005, the national fee for PCT applications entering the national stage has been split into a separate national fee, search fee and examination fee, during the fiscal years 2005 and 2006. As such, the PTO has reduced the search fee and the examination fee for certain PCT applications.

The PTO issued a final rule changing the search and examination fees associated with PCT applications entering the national phase in the United States. The rule is effective as of July 1, 2005 and applies to any search fee paid on or after

July 1, 2005 and to an examination fee paid on or after July 1, 2005, in an international application entering the national stage under 35 U.S.C. § 371 for which the basic national fee specified in 35 U.S.C. § 41 was paid on or after December 8, 2004.

The following fees are affected:

1. The National Stage Search Fee
 - a. Where the United States was designated as the International Searching Authority (ISA) or the International Preliminary Examining Authority (IPEA) *and* all claims

- satisfy PCT Article 33(1)-(4), the National Stage Search Fee is reduced from \$500.00 to \$0.00.
- b. Where the United States was designated as the ISA, the National Stage Search Fee is reduced from \$500.00 to \$100.00.
 - c. Where a search report was prepared by an ISA other than the United States and provided to the PTO, the National Stage Search Fee is reduced from \$500.00 to \$400.00.
 - d. In all other situations, the National Stage Search Fee remains \$500.00.
2. The National Stage Examination Fee
 - a. Where the United States was designated as the ISA or the IPEA *and* all claims satisfy PCT Article 33(1)-(4), the National Stage Examination Fee is reduced from \$200.00 to \$0.00.
 - b. In all other situations, the National Stage Examination Fee remains \$200.00.

(More information is available by clicking on the following [link](#))

PTO OPENS ELECTRONIC FACILITY TO HEAR APPEALS

In 2005, the PTO launched a new state of the art electronic facility for hearing patent appeals before the Board of Patent Appeals and Interferences. The new facility allows hearings for *ex parte* or *inter parte* appeals from remote locations throughout the world. In practice, three administrative patent or trademark judges conduct the appeal from the new facility in Alexandria, Virginia and an attorney can present an appeal case from a remote location. The

new facility includes a large plasma screen as well as hardware and software that allow the judges and the attorney to electronically present evidentiary documents. Several patent and trademark depository libraries located across the United States are equipped for communication with the new facility. Further information can be found on the PTO website by clicking on the following [link](#).

SUPREME COURT APPLIES PATENT LAW INDUCEMENT OF INFRINGEMENT IN COPYRIGHT SUIT

Grokster, Ltd., distributes free software products that allow computer users to share electronic files through peer-to-

peer networks. A group of copyright holders sued Grokster alleging that they knowingly and intentionally distributed

their software to enable users to reproduce and distribute copyrighted works in violation of the Copyright Act.

The Supreme Court rejected the 9th Circuit's holding that Grokster was not liable for copyright infringement of users utilizing Grokster software. *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 125 S.Ct. 2764 (2005). Instead, the Supreme Court applied the concept of inducement of infringement from the Patent Law.

Under inducement of infringement, active steps taken to encourage direct infringement show an affirmative intent that the product be used to infringe. Mere knowledge of infringing potential or of actual infringing uses is not enough to subject a distributor to liability. Inducement of infringement premises liability on purposeful, culpable

expression and conduct. Thus, where evidence shows that statements or actions are directed at promoting infringement, liability may be found.

In Grokster, the Supreme Court remanded for reconsideration of whether Grokster's words and deeds show a purpose to profit from third party infringement.

The holding of the Supreme Court represents a significant step in copyright law beyond the precedential holding in *Sony Corp. v. Universal city Studios, Inc.*, 464 U.S. 417 (1984), in which Sony was found not to be a contributory copyright infringer because the video tape recorder had substantial non-infringing uses, and there was no evidence presented that Sony took steps to encourage direct infringement (unlike Grokster).

GREEN PAPER CONCERNING RESTRICTION PRACTICE

As part of the PTO's 21st Century Strategic Plan, the PTO is conducting a study of changes needed to implement a Patent Cooperation Treaty (PCT) style Unity of Invention standard in the United States by reforming its restriction practice. As part of this study, the PTO requested public comments to guide the study. Four options for restriction practice reform were developed for further study based upon the comments received. The PTO performed a detailed business-case analysis on two of them.

The four options are as follows:

1. Current Practice with Option to Pay for Additional Inventions

2. Modified PCT Unity of Invention
3. Three-Tiered Fee Structure
4. "Independent and Distinct" Inventions

Under the first option, the current 35 U.S.C. § 121 "independent or distinct" standard for restriction would be retained and applicants would be given the option to request and pay for examination of up to two (2) additional independent or distinct inventions beyond that which would be examined under the current practice. Applicants would also have the option to request and pay for examination of up to ten (10) species separately claimed, or claimed

within a genus or Markush group, at an additional cost per species.

Under the second option, the current PCT “unity of invention” standard, modified to require that any special technical/common features comply with 35 U.S.C. § 112, 1st paragraph, in addition to being novel and non-obvious, would be applied to all U.S. applications. Applicants would be given the option of concurrent examination of up to two (2) additional inventions that lack unity of invention for an additional fee.

Under the third option, the standard would be based upon whether inventions are “related or unrelated” and the amount of fees would be determined by the search burden associated with, and the presence of different patentability issues between, the various inventions, claimed in the application based upon a three-tiered structure.

Under the fourth option, the current 35 U.S.C. § 121 standard would be re-interpreted to require that inventions subject to restriction be both “independent *and* distinct” rather than “independent *or* distinct” as required by the current restriction practice. Applicants would be required to pay an additional fee upon election to offset the potential search and examination burden.

One goal of this study was to achieve an appropriate balance between needs of the PTO and applicants. According to the business-case analysis, a new standard should be easy to understand and implement. Unfortunately, the analysis concludes that the standards embodied in Options 3 and 4 provide neither, and Options 1 and 2 are somewhat more promising but do not satisfactorily achieve the desired balance. As such, the Office is looking at additional comments on the desirability of conducting further study on Options 1 and 2.

The information contained in this publication is provided for information purposes only and does not constitute legal advice.

Carlson, Gaskey & Olds is a law firm dedicated to promoting the maximum profitability and market share of our clients by providing counsel and protecting their intellectual property rights. From our offices in Birmingham, Michigan we serve clients from various industries having diverse technology portfolios across the United States and around the world.

Carlson, Gaskey & Olds	Karin Butchko	988.8688	Matthew Koziarz	988.8695
400 West Maple Road	John Carlson	988.8681	Kerrie Laba	988.8691
Suite 350	Anthony Cho	988.8687	Christine Mackiewicz	988.8683
Birmingham, MI 48009	David Gaskey	988.8690	Theodore Olds	988.8692
248.988.8360	William Gottschalk	988.8685	John Siragusa	988.8689
248.988.8363 (fax)			David Wisz	988.8684
