




UTEN Workshop #1
Patent Processes for Technology Commercialization & U.S. Patent Law Update

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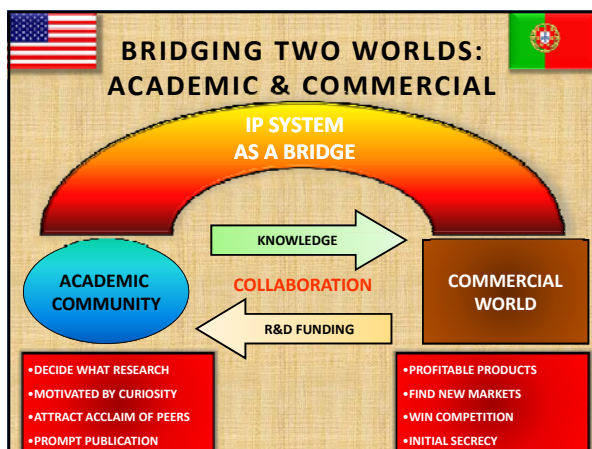



PRESENTATION OUTLINE

- IP: Issues in managing a “Bridge” between academic and commercial communities.
- The IP model for technology commercialization: A “Just-In-Time” Approach
- The IP Attorney-Client Relationship: “Stewardship in Action”
- Changes in U.S. Patent Law: The “Pendulum” Swings back
- Consider the Obama Administration’s Patent Office
- U.S. Patent Reform: Clearly not a Sisyphusian Effort

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- IP: Issues in managing a “Bridge” between academic and commercial communities.
- **The IP model for technology commercialization: A “Just-In-Time” Approach**





IP DEVELOPMENT & MANAGEMENT AS A PRODUCTION & SALES BUSINESS

“Producing” the Products:

- Inputs: Invention disclosures and legal fees;
- Output: Patents and patent applications

“Selling” the Products:

- Inputs: Patents and patent applications, plus licensing efforts & legal fees;
- Outputs: Licenses and spin-out companies.

These are SEPARATE processes!






OPERATING MODELS FOR MANUFACTURING & SALES BUSINESSES

“Inventory” Sales Model

- Production is decoupled from sales
- Warehouse is a giant product buffer
- Large “sunk capital”
- Large risk of “dead inventory”

“Just in Time” Sales Model

- Rate of production is closely matched to expected rate of sales
- No warehouse needed
- Minimal “sunk capital”
- Minimal risk of “dead inventory”

SUNK CAPITAL AND DEAD INVENTORY

Sunk Capital in Inventory Sales Model

- Money spent to make product that is sitting idle → inventory stored in the warehouse
- **Patenting costs on inventions that haven’t been licensed**

“Dead” Assets in Inventory Model

- Inventory that cannot or will not be sold (e.g., out-of-date drugs, spoiled food)
- **Patents and patent applications that either cover inventions that are not marketable or would result in a low licensing revenue**

ECONOMIC REALITIES OF INVENTORY SALES MODEL

- ***Dead inventory causes frustration*** when financial results do not come directly and over a brief time period
- ***Sunk patent costs and complaints*** from technology commercialization stakeholders ***erode confidence in the process***
- There is the ***need to minimize sunk costs and dead inventory*** to improve the financial results
- This suggests considering a ***"Just-In-Time" Sales Model*** as an alternative

SEPARATE TIMELINES CONTROL TECHNOLOGY COMMERCIALIZATION

Patenting → Schedule Dictated By Law

Licensing → Schedule dictated by policy and resources

EARLY LICENSING "JUST IN TIME" FOR LOWEST SUNK CAPITAL

Patenting

Licensing

Marketing Negotiating Closing

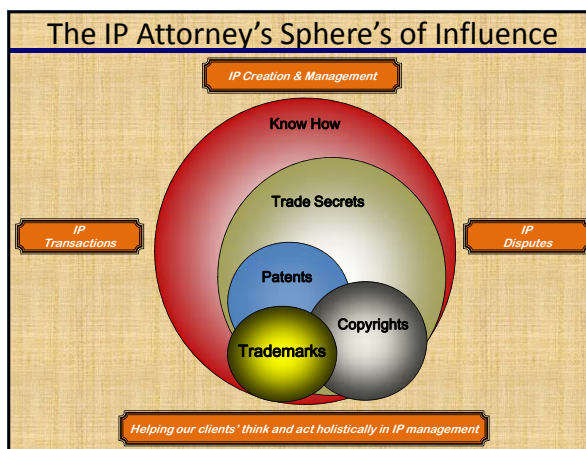
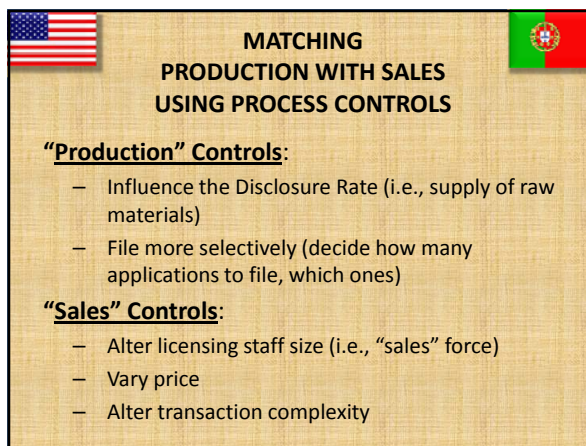
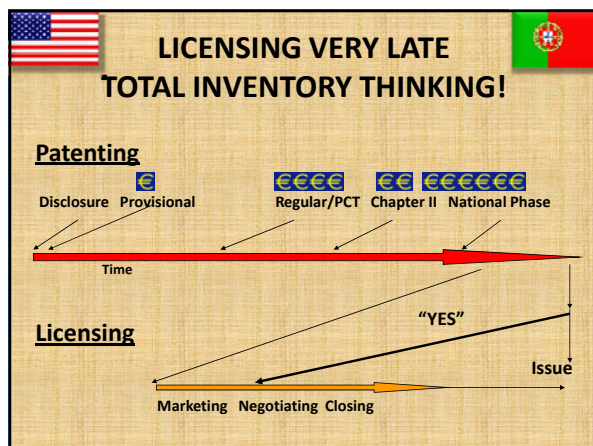
Extra Bonus:
Direct Bill = Minimum Cash Flow Burden



LICENSING LATE DOMESTIC INVENTORY, FOREIGN "JUST IN TIME"

Patenting

Licensing


Marketing Negotiating Closing





THE ATTORNEY RELATIONSHIP IN TECHNOLOGY COMMERCIALIZATION

- **An Evolving Relationship:** What may begin with a single provisional patent application filing may result in one or more multi-national patent, trademark & copyright portfolios, including license, disclosure, employee, and other commercialization agreements and relationships.
- **A Parallel Relationship:** The patent process runs in parallel with the other relationships.
- **A Long-Term Relationship:** May last from one year to several decades.
- **An International Relationship:** Patent attorneys influence decisions in all national markets of relevance to their clients.
- **An Integrated Technological, Financial, Legal & Strategic Relationship:** Patent counsel may make contributions in relating to inventions of others, and new technologies for clients,






Harry Truman Statue
Springfield, Ohio

Patent Attorney for
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U.S. PATENT LAW CHANGES —NOW AND YET TO COME—


- The U.S. Courts have recently made substantive changes in patent law:
 - **eBay v. MercExchange** (May 15 2006): Permanent injunctions in patent infringement cases.
 - **KSR v. Teleflex** (April 30, 2007): Analysis of Obviousness—U.S. version of Inventive Step analysis—in patent claim reviews.
 - **In Re Seagate Technology** (Aug 20, 2007): Requirements for Willful Patent Infringement.
 - **In Re Bilski** (October 30, 2008): Patentability of software inventions.


eBay v. MercExchange

(May 15 2006)

- U.S. Supreme Court **ended “general rule”** that a **permanent injunction** should follow a finding of infringement of a valid patent.
- **New Rule:** The decision of “whether an injunction should issue” is within the trial court’s discretion.
- Decision relies on “**Four-Factor Test**” for determining whether to issue a permanent injunction.




eBay v. MercExchange
(May 15 2006)




Four-Factor Test

- Plaintiff has suffered an **irreparable injury**
- **Remedies available at law** (e.g., monetary damages) are **inadequate** to compensate for that injury
- **Balance of hardships** between the plaintiff and defendant concludes that a remedy in equity is warranted
- **Public interest not be disserved** by a permanent injunction.




eBay v. MercExchange
(May 15 2006)




Effects of New Rule

- Result in perhaps **more licenses & patent transfers**
- **Industry competitor may show irreparable injury more easily** than would a university or individual inventor who has no plans to manufacture product
- Substantially **limits power of "Patent Trolls"**
– Equity decision may be against Patent Troll




KSR v. Teleflex
(April 30, 2007)




• U.S. Supreme Court set new determination of **"obviousness"** as applied to patent claims

• Teleflex, Inc. sued KSR International claiming infringement of **patent on connecting an adjustable vehicle control pedal to an electronic throttle control.**

• KSR argument: **merely combining these two elements was obvious** → CLAIM NOT PATENTABLE.



KSR v. Teleflex
(April 30, 2007)



New Rule

- **Test: Claim is obvious if** there existed at the time of invention a **known problem for which there was an obvious solution** encompassed by the patent's claims.
- **Proper question: Whether a pedal designer** of ordinary skill, facing the wide range of needs created by developments in the field of endeavor, **would have seen a benefit to upgrading [a prior art patent] with a sensor.**



In Re Seagate Technology 
(Aug 20, 2007)


- The U.S. Federal Circuit overturned rule for **enhanced damages** (up to 3 times actual damages, + attorneys' fees) **in patent willful infringement.**
- **New Rule:** willful infringement requires **"OBJECTIVE RECKLESSNESS."**
- **No longer** affirmative **obligation to obtain opinion advice** from counsel regarding infringement and invalidity.



In Re Seagate Technology 
(Aug 20, 2007)

New Standard: Clear & Convincing Evidence

- (1) Infringer **acted despite an objectively high likelihood** that its actions constituted infringement of a **valid patent.**
- (2) **"Objectively-defined risk"** was **known, or should have been known,** to the infringer



In Re Bilski 
(October 30, 2008)

- United States Federal Circuit (CAFC) decision on the **patenting of method claims, particularly business methods.**
- **Affirmed the rejection** of the patent claims involving a method of hedging risks in commodities trading.
- **Reiterated the machine-or-transformation test** for patent-eligible subject matter
- Stated that **State Street Bank v. Signature Financial Group** should **no longer** be relied upon.




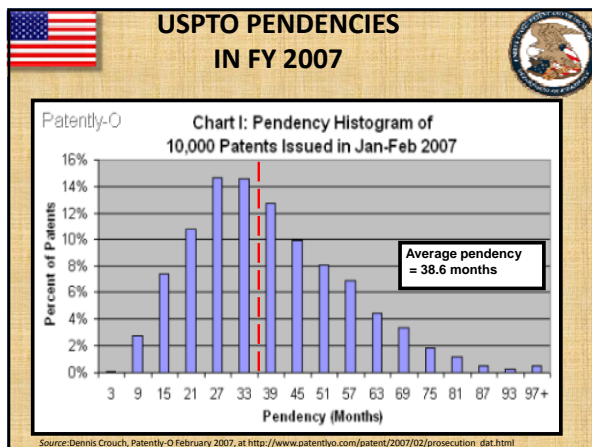
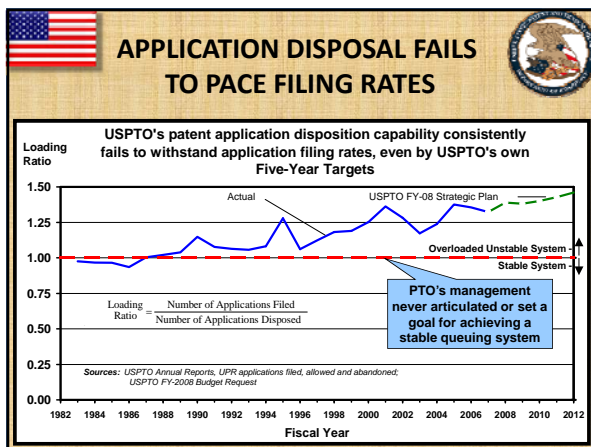
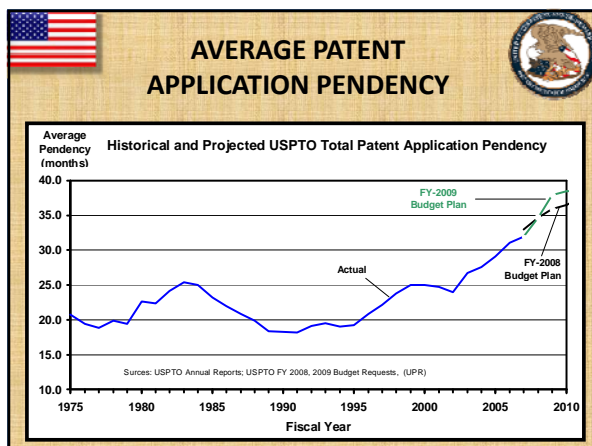
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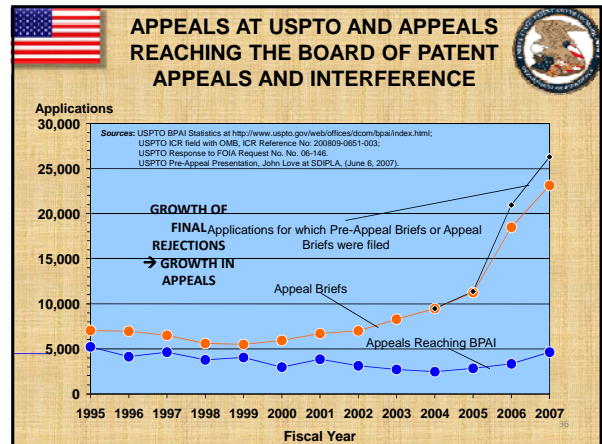
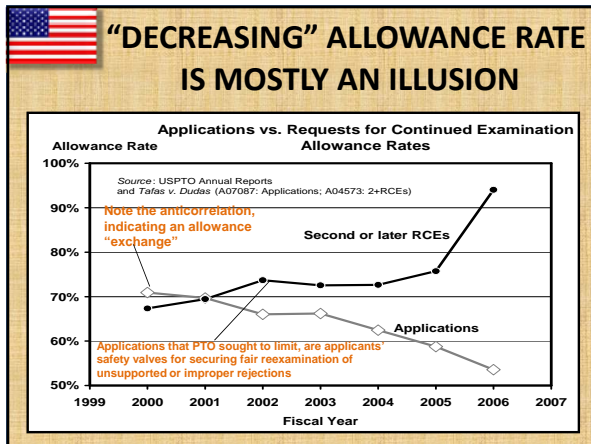
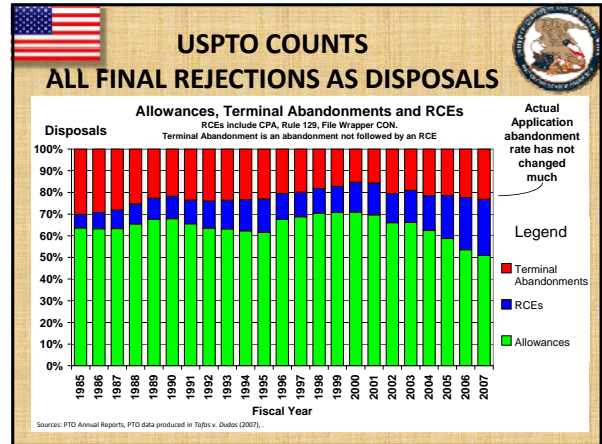
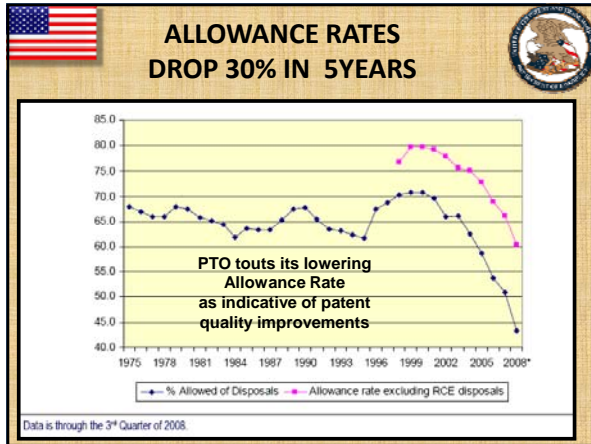
New Rule



- **Method claim** is patentable if
 - (1) **Tied to** a particular **machine** or apparatus, or
 - (2) **Transforms article** into a **different state** or thing.
- Bilski decision **calls into question** the validity of many **already issued business method patents.**
- **New claim drafting and disclosure strategies** and processes required.

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“DECREASING” ALLOWANCE RATE AN EXPENSIVE ILLUSION

- Disposal followed by an RCE an abandonment → reported allowance rate can be manipulated downwards
- “Transferring” substantive examination into induced RCE prosecution are rooted in its metrics:
 - Early “freebee” disposals disallowing original applications reduce reported “Allowance” Rate
 - Reduce reported Average Pendency by adding early disposals
 - Generate an additional RCE filing fee revenue
 - Increase examiner “Count” towards performance quota.

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A NEW USPTO IS DAY DAWNING

“Yes We Can” Fix the USPTO

- Former Under Secretary of Commerce & Director of the USPTO resigned on January 12, 2009.
- President Obama has nominated as new Secretary of Commerce, Senator Judd Gregg as of February 3, 2009.
- The new Director of the USPTO will have experience in patent prosecution.
- The new USPTO will likely be much more cooperative and collaborative with inventors and emerging growth companies.



USPTO Director
John Dudas

New
USPTO
Director??





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Patent Reform in The U.S. Congress




- 2009 will ***likely see a repeat of the same patent reform*** measures of 2008.
- A Senate bill that would make ***sweeping changes in the U.S. patent system*** is moving closer to reintroduction
- Judiciary Chairman **Patrick Leahy** and Sen. **Orrin Hatch**, R-Utah, have resumed negotiations on legislation
- Leahy and Specter have indicated that ***patent legislation is the top priority on their intellectual property agendas***
- Bill is expected early in the first session of this Congress, with possible hearings scheduled for March or April.

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