

10 Trends In Patent Law To Watch For

Law360, New York (May 19, 2010) -- The patent industry has been unusually dynamic lately, in response to broader changes in the economy, the law and technology. The following are possible critical developments to watch for in the next 12 months regarding patent strategies for business.

1) Increased Patent Activity

The improving economy and bullish stock market should promote increased patent activity across all fronts, including patent litigation and enforcement, patent-sensitive transactions, and new patent applications at the Patent Office. Intellectual property budgets that have been prepared over the last two bad business years are being reevaluated and in many cases increased by technology companies to maintain competitiveness in the improving economy.

2) Bilski

The Supreme Court decision in *Bilski v. Kappos* will be handed down, perhaps soon, but in any case before the beginning of the next U.S. Supreme Court term in October 2010. Regardless of the content of this opinion, it will remove the uncertainty that precedes the case, which will tend to increase activity in patents regarding software, computers, telecom, financial business methods, and biotech and pharma industries.

It is impossible to predict with certainty what specifically the decision in *Bilski* will say. However, a narrow decision in *Bilski* might, as a practical matter, be basically a drafting tip for new patent applications in the software, computer, telecom and financial business method area.

The Federal Circuit decision, which is on appeal to the Supreme Court, has already resulted in Interim Instructions from the Patent Office to the patent examiners. Anecdotal evidence indicates that the Interim Instructions have already resulted in more expeditious and predictable prosecution for business method patent applications.

3) Increased Influence of Intellectual Property Due Diligence by Investors

In the past few years, the investor community has become increasingly sensitive to the impact of intellectual property on equity evaluations. For equity financing transactions, this has enabled intellectual property due diligence to have an increasing impact on price and terms, for example in mergers and acquisitions and private placements. Also, there is increasing interest in stock investment funds to inform their investment decisions with analysis of intellectual property portfolios.

4) More Interviews at the Patent Office

The management of the Patent and Trademark Office has been encouraging increased use of interviews between the applicant and the examiner to expedite and improve the quality of patent examination. These interviews may be face-to-face at the Patent Office in Washington, D.C., or by telephone to the Patent Office.

This trend may be further encouraged by recent discussions by PTO management to support interviews before the first office action for each patent application. This trend might yield faster, cheaper and better patents. Anecdotal evidence indicates that the interviews are particularly effective if the supervisors of the examiners also attend the meetings.

5) Reduced Periods of Pendency for Patent Applications

Recently it appears that the pendency of at least some types of patent applications has begun to come down. It is certainly a declared goal of the management of the PTO to reduce average patent application pendency. If this trend continues, then patents will be faster and more valuable, since they will be more current when first issued. By reducing the number of office action cycles, this may also make issued patents cheaper to obtain.

6) Will There Be a Major Patent Reform Act in 2010?

This is a complex issue with many topics under consideration in the Senate and the House. For example, one bill under consideration, S.515, contains 18 major major sections, including among others, sections regarding a first to file system, changes in calculation of damages, post-grant review proceedings, submissions by third parties during examination, changes in venue rules, fee setting authority to the PTO, and changes in the best mode requirement. Any new law from this activity is unpredictable, but could be of broad impact.

7) Continuing Evolution of Patent Law and Practice

It is expected that there will be a continuing evolution of patent law and patent practice, through case law decisions in 2010 and through budgetary and administrative practice at the Patent Office.

Actions in this area may include, for example, (1) further Supreme Court decisions on patent cases, (2) other court decisions on issues such as proportional damages, venue, and the patentability of newly discovered genes, (3) more expeditious Patent Office examination procedure, and (4) increased funding to the Patent Office, enabling the hiring of more examiners to reduce average patent application pendency.

8) Continuing Convergence of Patent Monetization Practice Among Patent Trolls, NPEs (nonpracticing entities) and Corporate Patent Owners

Corporate patent owners that manufacture and sell their inventions continue to develop an interest in patent monetization. This is leading them, in some cases, to adopt aggressive monetization procedures, which first came to popular attention by their use by nonpracticing entities and patent aggregators.

We may also see an increasing proliferation of patent monetization intermediaries such as patent aggregators, patent auctions, patent brokers, spin-offs of patent enforcement entities from corporate manufacturers, third-party financing for patent development and monetization, and outsourcing of patent monetization projects.

9) More Patent Rocket Dockets

We may see the use of new local rules in some federal district courts to enable the development of more patent "rocket dockets." The Northern District of Virginia and the Eastern District of Texas are well-known patent rocket dockets. The ITC (International Trade Commission) has a similar role within their limited jurisdiction regarding the

import of allegedly infringing goods. The Western District of Wisconsin may recently be developing in this regard. Will other patent rocket docket appear?

10) Beware the Black Swan

It is always prudent to be on the lookout for the totally unanticipated, but important, new development. Will it come from China? (The Chinese Patent Office is now the most active in the world in terms of new applications filed. The busiest patent applicant in the world in terms of new PCT patent applications filed is now a China-based company.)

However these topics develop in the next 12 months, they will each present their own opportunities and dangers. All of these developments will take place in a context of increasing impact of intellectual property strategies on the success of the corporate business plan, and the market capitalization of the corporate owner.

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