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## Beyond the NDA: Digital Rights Management Isn't Just for Music .....1

Theft of proprietary information causes companies to lose billions of dollars each year. Yet to compete effectively, companies often must share their most valuable secrets with third parties, even their fiercest competitors. Companies routinely enter into non-disclosure agreements (NDAs) when sharing their proprietary information, but as Adam Petravicius and Joseph T. Miotke of Chicago's Jenner & Block discuss in the first article in this issue, there are a number of steps that companies should consider taking to protect their proprietary information after signing an NDA. According to Messrs. Petravicius and Miotke, these steps range from simple steps, such as marking information appropriately, to sophisticated technological solutions, such as using digital rights management software.

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Our next article focuses on a relatively unknown change to 35 U.S.C. § 119(e) brought about by the enactment of the American Inventor's Protection Act of 1999. As explained by John E. Nemazi, Michael S. Brodbine, and Jeremy J. Curcuri of the intellectual property law firm Brooks Kushman PC in Southfield, MI, although the change to the statute is subtle, the interpretation given to the change by the US Patent & Trademark Office could potentially render a number of US patents invalid and leave their owners without recourse.

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# The Provisional Priority Land Mine

By John E. Nemazi, Michael S. Brodbine, and Jeremy J. Curcuri

Several years ago, the American Inventor's Protection Act of 1999 (AIPA) effected a relatively unknown change to 35 U.S.C. § 119(e). Although the change to the statute is subtle, the interpretation given to the change by the US Patent & Trademark Office (USPTO) could potentially render a number of US patents invalid and leave their owners without recourse. The USPTO's interpretation creates a troubling problem, and the fact that the problem is more likely to affect US applicants makes it particularly reprehensible.

## History of the Provisional Application

As a result of the United States' adherence to the Uruguay Round of the General Agreement on Tariffs and Trade (GATT), US patents now have a term of 20 years from the earliest effective US filing date. The GATT implementing legislation also created the provisional patent application, and the US patent community has been filing provisional patent applications since June 8, 1995. A provisional patent application can serve as a basis for domestic priority for a regular utility application filed within one year of the provisional application filing. The provisional application enables an applicant to delay utility application filing for one year but is not considered when determining the issued patent term. One of the more prominently stated rationales behind the creation of the provisional application was, in light of the move to the 20-year patent term, to create a domestic priority system on equal footing with the foreign priority system, as a foreign priority date has never been considered in determining the issued patent term. The provisional patent application was widely regarded as a benefit for US applicants, and particularly for US pharmaceutical companies where the last few years of a patent's life tend to have the greatest value.

Initially, many provisional patent applications tended to be only very brief descriptions of the invention, often no more than two or three paragraphs. By now, hopefully, every practitioner is aware that the provisional patent application must satisfy the requirements of 35 U.S.C. § 112, first paragraph. That is, the provisional patent application must provide a written description,

must provide an enabling disclosure, and must set forth the best mode for the invention that is later claimed in the issued patent that claims priority to the provisional patent application. Thus, while the provisional patent application was initially viewed by some as an inexpensive way of filing a patent application and securing application filing rights, eventually, many provisional applications were later found not to provide adequate 35 U.S.C. § 112 support and thus not provide any benefit.

After the patent community's initial honeymoon with these "barebones provisionals," scores of articles were written to raise to the consciousness of the patent community the fact that 35 U.S.C. § 112, first paragraph, must be satisfied for the provisional patent application to actually accomplish its intended purpose. The Federal Circuit affirmatively spoke in 2002 regarding the requirements for a provisional patent application to provide benefit to the later filed utility application. In *New Railroad Manufacturing v. Vermer Manufacturing Co.*,<sup>1</sup> a patent was invalidated by the patentee's own public use when the provisional patent application was found to have an insufficient written description to support the issued claims of the patent. *New Railroad* illustrates what is unfortunately a relatively common occurrence: a patent applicant's filing an inadequate provisional application after public use commences but before the one-year statutory bar date and filing a utility application more than one year after commencement of public use. In this scenario, the patentee will have an invalid patent because the patentee improperly relied on the filing of the provisional patent application to effectively file within the one-year grace period.

In a best-case scenario, a utility application is filed before the one-year § 102(b) bar date. In this case, even if the provisional application is later determined to be inadequate and thus worthless, it does not cost the patentee its patent due to a known bar date. However, in a worst-case scenario, such as in *New Railroad*, an inadequate provisional application can provide a false sense of protection that eventually leads to an invalid patent.

## AIPA Law Change

The AIPA statute enacted in 1999 made another change to the patent law that concerned provisional patent applications and that has gone largely unnoticed

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by practitioners. Contrary to one of the AIPA's objectives, which was to help US inventors, the change actually provides additional requirements that applicants must satisfy to avail themselves of the benefit of a provisional patent application. Since provisional patent applications are primarily filed by US applicants, this change essentially places US applicants at a disadvantage relative to foreign applicants.

Section 4503 of AIPA amended 35 U.S.C. § 119(e)(1) to state that:

No application shall be entitled to the benefit of an earlier filed provisional application under this subsection unless an amendment containing the specific reference to the earlier filed provisional application is submitted at such time during the pendency of the application as required by the Director. The Director may consider the failure to submit such an amendment within that time period as a waiver of any benefit under this subsection. The Director may establish procedures, including the payment of a surcharge, to accept an unintentionally delayed submission of an amendment under this subsection *during the pendency of the application.* (emphasis added).

On its face, this amendment does not appear to be too problematic, since patent practitioners have always been required to include a specific reference in the specification to benefit from an earlier-filed domestic application. Notwithstanding the long-standing rule that the specification must contain the specific reference to the earlier-filed domestic application, there were many occasions when the inclusion of this reference was overlooked during the pendency of the application and not discovered until the patent had actually issued. In this scenario, before the AIPA, US patent practitioners were able to amend the patent to perfect a claim by a Certificate of Correction if the applicant had clearly attempted to claim benefit in the application but had not submitted the required specific reference in the specification. Further, filing for reissue was always available for making or perfecting a benefit claim. However, the USPTO interpretation of the AIPA patent law changes strictly requires that any benefit claim to a provisional application be perfected during the pendency of the application.

### **The Effect of the Change and USPTO Interpretation**

Whether a Certificate of Correction or reissue application can be used today to perfect or make a claim of benefit to a provisional application hinges on the fil-

ing date of the non-provisional application. If the application, be it a non-provisional US national application or an international application designating the United States, was filed prior to November 29, 2000, a Certificate of Correction may still be used to perfect a clearly attempted but unperfected claim of benefit to an earlier filing date of a provisional application. To perfect the claim via Certificate of Correction,

- (a) all requirements set forth in (pre-AIPA) 37 C.F.R. § 1.78(a)(3) must have been met in the application that became the patent to be corrected,
- (b) the prior co-pending application to be added via the Certification of Correction must be identified elsewhere in the application papers, and
- (c) it must be clear from the record of the patent and parent application(s) that priority is appropriate.<sup>2</sup>

In addition, reissue is always available to make or perfect a claim of benefit when the non-provisional application was filed prior to November 29, 2000.

For applications filed on or after November 29, 2000, there is no mechanism to make or perfect a priority claim to an underlying provisional application after the patent issues. The section of the Manual of Patent Examining Procedure (MPEP) addressing this revision to the law specifically states that: "[u]nder no circumstances can a Certificate of Correction be employed to correct an applicant's mistake by adding or correcting a priority claim under 35 U.S.C. § 119(e) for an application filed on or after November 29, 2000."<sup>3</sup> Also, because the amendment containing the specific reference must be submitted during the pendency of the application, even filing a reissue application to correct the claim is not permissible.<sup>4</sup>

### **Reason for the Change**

The AIPA authorized the publication of most US applications at 18 months from their earliest effective filing date. One reason that the change to 35 U.S.C. § 119(e) was brought about was to prevent applicants from manipulating application publication by not claiming the benefit of an earlier-filed provisional application until the present application was ready to issue. To prevent this manipulation, the law and rules require an applicant for an application filed on or after November 29, 2000, to clearly present the claim for benefit within the later of four months from the actual filing date of the later-filed application or 16 months from the filing date of the prior-filed provisional appli-

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cation. When the presentment of the benefit claim is unintentionally delayed, 37 C.F.R. § 1.78(a)(6) provides for the acceptance of an unintentionally delayed claim during the pendency of the application with a surcharge of \$1,330. Notably, there is no small entity reduction.

Whether the claim for benefit is presented in a timely manner or presented after unintentional delay, any benefit claim must be perfected with the required specific reference in the specification during the pendency of the application. It is worth noting that the requirements for presentment of a claim are more relaxed than the requirements to perfect a claim. In this way, a claim that is noted by the USPTO on the filing receipt is considered timely to avoid the surcharge yet is not perfected unless the specific reference is present in the specification. This situation may occur when the applicant includes a benefit claim in the declaration that is noted by the USPTO during initial processing but the applicant does not include the required specific reference. Once the patent has issued on an application that was filed on or after November 29, 2000, there is no mechanism for making or perfecting a benefit claim to a provisional application, even if a reference is made to the provisional application on the face of the patent.

#### **Likelihood of Occurrences**

Because it is relatively well known that to perfect a benefit claim the specification must include the specific reference, most may think that the above situation will not occur very often or that it may occur only in applications prepared by unsupervised, lesser-experienced attorneys. However, this situation is more likely to happen when using the Patent Cooperation Treaty (PCT) process. If a provisional application is filed first, and then a PCT application is filed claiming the benefit of the provisional application and designating the United States, the chances are greater that the specification of the application entering the United States via 35 U.S.C. § 371 would not include the reference to the earlier application. This is because it is WIPO's common practice to require the applicant to remove any reference to an earlier-filed application. In this situation, when entering the national stage, unless a preliminary amendment is filed, the application will not have a proper reference to the provisional application even if the prior application is referenced on the international publication or in the declaration by the inventors.

#### **Change Mostly Affects US Applicants**

Of course, the requirement to properly identify an application from which a benefit is claimed is not a new requirement. However, the penalty and lack of recourse are new and could significantly harm some US inven-

tors. The AIPA changes place US inventors at a disadvantage relative to a foreign applicant simply because 35 U.S.C. § 119(a) through (d), which govern the priority claims to foreign applications, do not require an applicant to make specific reference to an earlier-filed foreign application in the specification of the application. Contrary to domestic benefit claims, it is sufficient for a foreign benefit claim to appear only in the declaration. As such, since the foreign applicant does not have this additional hoop to jump through, it will be less likely to make an improper priority claim that would require correcting with an expensive petition. Furthermore, the foreign applicant will be less likely to experience the worst-case scenario in which a patent is invalid because the applicant failed to attend to the task of amending the specification to include a priority claim.

#### **The USPTO's Proposed Solution**

The USPTO is aware of the problem and has issued a notice that clarifies the proper making of benefit claims to prior-filed applications.<sup>5</sup> Furthermore, the USPTO has acknowledged the inconsistency between the requirements of 35 U.S.C. § 119(e), which do not allow post-issuance correction of defective or missing benefit claims and the requirements of 35 U.S.C. § 119(a)-(d) and § 120, which do allow post-issuance correction of defective or missing benefit claims. To rectify this inconsistency, the USPTO has issued a proposed technical correction to amend 35 U.S.C. § 119(e) to allow for correcting a benefit claim after a patent has issued. The USPTO's proposal is to seek the deletion of the phrase "during the pendency of the application" in the last sentence of § 119(e)(1).<sup>6</sup>

The USPTO's proposed action, however, does not provide a quick resolution. Under the current proposal, the USPTO will not even present its proposed change to the legislators until later this year. If the proposed legislation takes a typical course to passage, the legislative change will not occur until at least 2008. That would result in a more than seven-year gap where uninformed and/or unlucky applicants can step on this provisional priority land mine. Adding further insult to injury, the current proposed legislation does not include any provisions for correcting the patents filed within that seven-year gap.

#### **What Can Be Done**

Provisional applications that were touted as an inexpensive and easy method of filing a patent application, and a way of delaying the expiration of a patent by one year, have created a new generation of problems. Below

are several suggestions to make dealing with 35 U.S.C. § 119(e) benefit claims easier.

In the short term, applicants claiming benefit to a provisional application must be diligent when filing and prosecuting applications. They need to audit their files to be sure that these claims are made upon filing the application, and they need to recheck that a claim of benefit is properly perfected before paying the issue fee. If firms or corporations are not already using checklists to ensure that these events are taking place, they need to start doing so.

Additionally, patent practitioners need to work with the USPTO to develop a mechanism to catch errors in benefit claims before patents issue and develop a procedure to correct defective patents at least when it is clear that the applicant intended to claim benefit to a provisional patent application. For example, when the USPTO has noted the claim of benefit on the filing receipt and scheduled the application for timely publication, it is unfair to penalize the applicant by allowing no recourse through a Certificate of Correction in the event that the specific reference is unintentionally not submitted during pendency.

Disturbing questions remain regarding 35 U.S.C. § 119(e) and its most recent change. Why has the USPTO not done more to fix this problem? Also, why should the domestic priority system have more stringent requirements for claiming benefit than the foreign priority system, and have no recourse for issued patents with defective benefit claims? This change makes even less sense when considering that the AIPA law changes were touted as being pro US applicant.

Although the USPTO's proposed technical correction to amend 35 U.S.C. § 119(e) is a clear indication of its acknowledgment of a problem and its interest in fixing it, its actions seem to show a somewhat half-hearted attempt to fix the problem. Although the USPTO proposed legislative change to 35 U.S.C. § 119(e) is better than nothing, it does not put applicants claiming benefit to a provisional application on completely equal footing with applicants claiming foreign priority. This is because of the long-standing procedure of allowing 35 U.S.C. § 119(a)-(d) priority claims to be made by reference only in the declaration without requiring any reference to be made in the specification itself. While the rationale for the distinction could be that it is statutory, it should be noted that the USPTO will accept a claim of § 119(e) benefit when it is made only in an application data sheet or in an electronic application filing.<sup>7</sup>

There are more than 100 issued US patents that claim the benefit of a provisional application on the

face of the patent but not in the printed specification, yet they are properly entitled to § 119(e) benefit as a result of the use of an application data sheet or electronic filing. Yet other patents that were not electronically filed or filed with an application data sheet have a fatally defective domestic priority claim. One has to inspect the file history to tell if the benefit claim is proper.

Rather than remaining relatively inactive and waiting for a statutory change, the USPTO could address the problem by deeming the Patent Application Location and Monitoring (PALM) bib-data sheet to be an application data sheet. The USPTO generates a bib-data sheet in every non-provisional application. The USPTO could then send a printout of the PALM bib-data sheet to the applicant with the first paper from the examiner when the application is initially acted on at the PTO. The printout of the PALM bib-data sheet could be accompanied by a notice to the applicant that the information thereon shall be printed on the face of any issuing patent. Further, the notice to the applicant could contain a reminder to check that any priority/benefit claim indicated in the bib-data sheet is correct and a reminder that failure to make a proper specific reference to a provisional application cannot be corrected in any way after issuance.

In this way, applicants would receive an additional reminder to verify that their priority/benefit claims are made properly. Although this does not entirely solve the problem because issued patents where a benefit claim to a provisional application is missing or defective cannot be fixed as they are no longer pending, at least applicants would get an additional conspicuous reminder. Nevertheless, the technical correction proposed is still desirable as it could restore the ability to use traditional patent post-issuance correction techniques to perfect a provisional application priority claim. The Patent Bar needs to work with our patent law associations to advocate a change that will provide a quicker, and hopefully more powerful, remedy to the current USPTO interpretation of 35 U.S.C. § 119(e) and the provisional priority land mine.

## Notes

1. *New Railroad Manufacturing v. Vermer Manufacturing Co.*, 298 F.3d 1290, 1297 (Fed. Cir. 2002).
2. Manual of Patent Examining Procedure § 1481 (Eighth Edition, Rev. 1, Feb. 2003) (MPEP).
3. *Id.*
4. *Id.* § 1402.
5. March 18, 2003, *Official Gazette*, 1268 OG 89.
6. Technical Correction in 35 U.S.C. § 119(e)(1) (last modified Apr. 4, 2003), available at <http://www.uspto.gov/web/of->