

Patent Strategy and Management

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Welcome. This column will focus on patent issues that are relevant to electronic commerce. In addition to keeping you up to date on recent activities of the U.S. Patent and Trademark Office (PTO), this column will present various patent strategies and patent management techniques that can increase the value of a company's patent portfolio.

A common complaint of the patent system in the United States is that because pending applications are not available to the public, a company that introduces a product or develops a technology may discover several years later that another company's patent was pending at the time which may result in an expensive redesign or payment of a licensing fee to the patentee. For example, a company who is developing an encryption technology for electronic commerce may create a website and develop a business model based upon the new encryption technology only to discover one or two years later that a patent relating to electronic commerce encryption has just issued and reads upon the company's encryption technology.

Congress has acted to reduce this threat by requiring that many utility patent applications filed on or after November 29, 2000 be published 18 months after the application's earliest priority date. This patent publication requirement is part of the American Inventors Protection Act of 1999 (AIPA). The PTO has published proposed rules that implement the AIPA and enable public access to not only the application as published, but also to the prosecution history of the application. Therefore, a company can review the modifications of the claims and potential estoppel arguments set forth by the patent application owner within days after such modifications and arguments are filed with the PTO.

This unfettered access to the prosecution history of pending applications provides competitors with a new product clearance strategy option. Instead of waiting until a patent issues, a company can now aggressively analyze pending applications to determine the likely scope of the claims. Although the claims may later be broadened, the information gleaned by reviewing the prosecution history

provides the competitor with a better understanding of the risks of its own product development.

In the example discussed above, the company that is developing the electronic commerce encryption technology can perform a search of published applications before relying on the encryption technology for their website. If an application is identified that discloses the company's encryption technology, the company can review the published claims and any modifications of the claims that occur during the patent prosecution to determine whether they should modify their encryption technology or whether they should approach the owner of the application to discuss purchasing or licensing the technology in the patent application. This strategy may be advantageous since the company is in a better negotiating position before the patent issues and before significant resources have been expended getting their electronic commerce website operational as compared to after the patent issued and after significant resources have been spent.

Although this publication requirement improves the ability of competitors to learn about pending applications, there are some significant limitations. First, an application may be pending for 18 months before it is published so there is still a period of time that the competitor will not be able to review the application. Second, the applicant can opt-out of the publication process if he certifies that the invention disclosed in the application has not and will not be filed in any country that requires publication 18 months after filing. Essentially, this means that the applicant is certifying that its not seeking foreign patent rights.

To opt-out the applicant must make a request for non-publication and file a certification at the time of filing. Failure to do this will cause the application to be published unless the application is abandoned prior to publication.

Patent applicants are encouraged to file such a request and certification with all applications unless the applicant is sure that the invention disclosed in the application will be, or has been, filed internationally. This strategy preserves all of the applicant's options since if he later decides to

file an international or foreign application, the applicant is permitted to rescind a non-publication request at any time prior to 45 days after such an international filing.

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