Bill Barber gets ready for his year as the next AIPLA President

Interview Page 8

America Invents

On September 16, President Barack Obama signed the America Invents Act into law after six years of heated debate. The road was not easy—AIPLA executive director Q. Todd Dickinson refers to the process as a “classic sausage-making exercise” (see Roundtable page 4)—but in the end, the goal of overhauling the U.S. patent system in hopes of improving patent quality and harmonizing the U.S. with the rest of the world was achieved. The attention of AIPLA and the patent community now turns to the USPTO, which has already begun hiring new staff and crafting rules for notice and comment in preparation for the many changes imposed by the bill.

The new law “cuts away the red tape that slows down our entrepreneurs and inventors,” said Obama on the day of the bill’s signing. “It will improve patent quality” and “help innovators attract investment,” he added. “It will improve patent quality” and “help innovators attract investment,” he added.

The America Invents Act’s sponsor, Senator Patrick Leahy—who will be speaking at tomorrow’s luncheon—is also a member of the Senate Appropriations Committee. Stakeholders pushing for the USPTO to have more control over its funding failed, as the final bill still requires the Office to rely on an annual federal appropriation. Kappos said he was optimistic the FY 2012 budget would provide the Office with sufficient funds to hire 1,500 to 2,000 new examiners to further reduce the large patent application backlog.

Asked last month if the Office would get the funding it needs, Kappos said “I have commitments from the House Appropriations Committee and we’ll get it in there.” The America Invents Act’s sponsor, Senator Patrick Leahy—who will be speaking at tomorrow’s luncheon—is also a member of the Senate Appropriations Committee.

Next steps for the USPTO

USPTO patent reform coordinator Janet Gongola’s position was created specifically to oversee the unwieldy patent reform implementation process, one that will include multiple rulemakings and papers conducted over the next 18 months. Here are some highlights:

- A 15% “transition surcharge” was imposed on the majority of USPTO fees 10 days after enactment.
- Several task forces have been created. A top-level group contains representatives from all parts of the USPTO. Below that is a separate task force meeting “almost daily” including representatives from the patents, the Board of Patent Appeals and Interferences (BPAI), and finance divisions. Smaller teams are working in each of those divisions on day-to-day tasks.
- Some bill provisions that change review processes but don’t require rulemakings, such as language on best mode, will see guidance documents drafted for examiners.
- Two rulemakings will be established, as some must be complete within 12 months and others have a statutory deadline of 18 months. Gongola said some of the longer rulemakings may conclude around the 12-month mark, but would not be implemented until the full 18 months have passed.
- Some issues in the 12-month rulemaking cycle include inventor’s oath/declaration; third-party submission of prior art; supplemental examination; citation of prior art; priority examination for important technologies; inter partes review; post-grant review; and transitional post-grant review program for covered business method patents.
- Rulemakings on the 18-month schedule include first-inventor-to-file; derivation proceedings; and repeal of statutory invention registration.
- The USPTO will also be conducting studies on various topics, with one on international protection for small businesses and one on prior user rights both due in four months. Other topics include genetic testing (due in nine months) and misconduct before the USPTO (every two years). The Office will offer its assistance to the Small Business Administration in its study on the impact on small businesses of first-to-file (due in one year) and to the Government Accountability Office (GAO) in its study on patent litigation (also due in one year).
- Several public roundtables will be held around the country to solicit additional input beyond formal comments in NPRMs. The USPTO has also created a website (www.uspto.gov/aia-implementation) to track implementation of the America Invents Act and is encouraging informal comments to be sent to aia_implementation@uspto.gov.

Patent stakeholders discuss the new U.S. post-grant system

Roundtable Page 4

The backlog of patent applications will decrease once that funding gets to the USPTO, Leahy said.

When the Senate passed Leahy’s version of the bill in March, it included language by Senator Tom Coburn of Oklahoma that would have ended the potential for fee diversion. During Senate consideration Coburn sought to amend the House-passed version of the bill before its final passage to reininsert this language, but failed 50-48.

Upon passage of the bill, and just minutes before President Barack Obama was scheduled to deliver a speech on jobs creation, Leahy called the legislation “a true jobs bill at a time when we need it the most.”

He added: “The America Invents Act will ensure that inventors large and small maintain the competitive edge that has put America at the pinnacle of global innovation. This is historic legislation. It is good policy. And it is long overdue to be signed into law.”

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For the second year, AIPLA Executive Director Q. Todd Dickinson will sit down with USPTO Director David Kappos to discuss key issues facing the Office during today’s luncheon, which will be held from 12:30—2:00 p.m. in the Marriott Ballroom.

Attendees will have a chance to submit questions for consideration. With The America Invents Act implementation on everyone’s mind, this is one event you’ll want to get to.

Meet Maria Pallante

Following the departure of Marybeth Peters as head of the U.S. Copyright Office late last year, Maria Pallante was appointed the 12th U.S. Register of Copyrights in June. With 15 years experience working at the Copyright Office, Pallante is well-equipped to lead on pressing issues such as protecting copyright online and Orphan Works. Meet the new Register today at the Copyright Law Committee meeting and reception from 4:30—5:30 p.m. in McKinley, Mezzanine Level.

ICANN invites Trademark Clearinghouse applications

Businesses that wish to administer the Trademark Clearinghouse for new gTLDs have been asked to submit written applications to ICANN by November 25, 2011. The clearinghouse will allow brand owners to file their trade marks in a central database, which will be available to all registries. It is hoped that this will protect against applicants registering infringing domains.

In a request for information, ICANN said two or more companies could be chosen to administer the clearinghouse, which will require specialist knowledge of data validation and database maintenance. ICANN has set out a number of minimum requirements for interested companies. These include
The latest ICANN applicant guidebook for the new gTLD program was published last month and includes several changes endorsed by trademark owners. The loser-pays mechanism in Uniform Rapid Suspension (URS) procedures and the way in which the Government Advisory Committee (GAC) is involved with objections to a domain have both been revised. The alterations to the URS—which has been designed to resolve disputes between registrants and trademark holders—have been made to provide greater disincentive to cybersquatting after pressure from brand owners. Registrants with 15 domains that allegedly infringe a trademark must pay an additional fee before entering the URS procedures. The threshold has been lowered from 26 domains after discussions between brand owners and ICANN.

ICANN has ruled that the GAC does not need to directly participate in objection procedures and can provide advice to the board about why a domain should be blocked. Domains using the words International Olympic Committee and Red Cross also can’t be registered at the top-level, and may eventually be blocked at the second-level.

The revised guidebook will be available on the new gTLD website which provides a wide-range of information on the program and allows registrants to track the progress of their application. The site has information in several languages and users can soon read the guidebook in Arabic, Chinese, French, Russian and Spanish.

ICANN has introduced the site as part of its global communications campaign to publicize the new gTLD program. Its advertising budget of $750,000 has been described as insufficient for a program which is designed to raise awareness around the world.

Beckstrom said in an interview that will run in the AIPPI Daily Report tomorrow that the Internet community should support ICANN with their communications efforts because ICANN was facilitating—not advocating—the program.

You can learn more about new gTLDs at tomorrow’s morning track 3a, “Understanding and Managing the Launch of New gTLDs,” which will be held from 8:45 a.m. to 11:45 a.m.

Businesses have until November 25, 2011 to submit written responses to ICANN, which will publish its decision on February 14, 2012. The registration period for new gTLDs opens on January 12, 2012 and closes three months later on April 12.

Get ready for gTLDs

The Planning Committee’s Tips for First-Time Attendees

• Come to the New Member/First-Time Attendee Reception (Today at 5:30 p.m.—6:30 p.m.)
• Make a point to talk with people.
• Note that leaders will be wearing ribbons. Stop them. Ask them questions. Talk with them about how you can get involved in the organization.
• Find a committee you’re interested in. It’s the best way to meet people, get further involved in the organization and ideally help make a difference in our intellectual property system.

The spring meeting in Austin, Texas will provide a forum for constituents to “deep-dive directly” into the new law, says Schecter. Other trends that will likely be discussed in Texas are the rise of patent portfolio sales and litigation related to mobile phones.

This year’s meeting once again takes full advantage of the city’s proximity to the IP setting direction in policy.

“We firmly believe in [promoting] ways that will not only help the system function better, but really do provide long-term benefits to society,” he says.

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Sobon says: “At the Washington meeting, you have a good strong dose of everyone.” Ultimately, Sobon says he hopes constituents will come away with a renewed sense of not only the importance of intellectual property in the modern economy, but the essential role legal professionals play in setting direction in policy.

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Prepare for post-grant opposition

The new post-grant opposition system created by the America Invents Act will unfold over the next 18 months, demanding considerable time and expense from patent stakeholders. Some key voices in the debate came together with Eileen McDermott in a roundtable discussion sponsored by Fish & Richardson to vet their chief concerns and to offer tips on getting prepared.

PARTICIPANTS

Q. Todd Dickinson, Executive Director, AIPLA

Vince Garlock, Deputy Executive Director, AIPLA

James Crowne, Director of Legal Affairs, AIPLA

Dorothy Whelan, Principal, Fish & Richardson

Phil Johnson, Chief Intellectual Property Counsel, Johnson & Johnson

Melissa Buss, Senior IP Counsel, 3M

Eileen McDermott, Moderator, AIPLA Daily Report

EM: Todd, patent reform is something that has been on AIPLA’s agenda for years—can you talk about what this process was like for the Association?

QTD: There are several interesting things about the patent reform process. One was how long it took. It’s always surprising how long it takes to get these things done. Secondly was the fact that it took so many different twists and turns and that there were so many versions. It was a classic sausage-making exercise, but generally I think it came out in very large measure where we hoped it would. Fee diversion was of particular concern, and it has been a number one issue here for 20 years. We liked the Senate version of the bill a lot, but particular concern, and it has been a number one issue here for 20 years. We liked the Senate version of the bill a lot, but

EM: Philip, what was your experience as representative of the Coalition for 21st Century Patent Reform?

PJ: The ideas that were ultimately incorporated in the America Invents Act trace their way back to the National Academy of Sciences study at the beginning of the decade, which suggested for very good reasons that we move to a first-to-file system, that we reduce the dependence of the system on subjective intent elements in the patent law, and a number of other bipartisan suggestions including going to an opposition system. These have largely been accomplished.

EM: Dorothy, what is the biggest concern about the post-grant provisions in the new law from a practitioner’s perspective?

DW: My biggest concern is whether the PTO is equipped to handle these procedures. For post-grant review and inter-parties review they’re committed to completing the process within a year, at most a year and a half. Within that time you’re going to have discovery and overseeing discovery disputes, some sort of a hearing, and they staffed with both the proper number of people and people with the proper qualifications to accomplish that task? I’ll be very interested in seeing the rules that relate to the conduct of discovery.

EM: Jim, does that mirror AIPLA’s chief concerns?

JC: AIPLA is concerned about being able to adequately staff the adjudicators that will be hearing these cases. We’ve been hearing assurances, but those assurances are contingent upon adequate funding. I think whether those promises come through remains to be seen. The director is reasonably optimistic, so we’ll try and be optimistic as well.

QTD: I’ve worn two hats in this discussion and as I understand the PTO and its capabilities in many ways, I think I’m a little more sanguine about the office’s ability to do this than others have been. I think that when the PTO puts its mind to something and really commits to it they are able to do it, and this is probably going to be one of those instances when they do, particularly with Director Kappos in the lead.

This also gives us the opportunity to make the case for appropriate funding, frankly. Congress obviously thought the PTO was up to this. Their primary goal now is to make sure that the funding is there to do it. Dave Kappos has outlined in broad brush his hiring program, which includes 100 new judges on the [Patent Trial and Appeal] Board (PTAB). He is reaching out to a community of good people, particularly former PTO employees and former judges, to come back in and reeducate their careers to making sure that the PTO does this, and I think we’re cautiously optimistic that it will work out.

EM: Vine, does AIPLA have a view as far as how best to go about hiring the hundreds of judges needed for the new PTAB?

VG: I do think the point of experienced litigators is very important because there’s going to be tremendous time pressures, and there is going to be a learning curve both for the individual practitioners and for the Office as a whole to make sure they have the system and the structure to handle these in an efficient system. There are certainly going to be some issues they’re going to have to address along the way—for instance, the ability to limit the number of proceedings within the first four years and how that is going to operate. What happens if you come after the magic number?

DW: I agree with Vine that what you ought to be looking for are experienced patent litigators. Frankly, I think the judge position might be very attractive to someone who’s nearing retirement.

EM: Melissa and Phil, are you going to need to seek new outside counsel who have experience working before the USPTO once these changes are implemented?

MB: We hope first to develop the skills of our people in-house. But, I also expect we will deepen our relationships with our outside counsel who are experienced in re-examination. We’ll be looking more to those people as the law expands.

PJ: We already have counsel within our organization who started their practices as patent examiners and we of course have a great deal of experience in doing patent litigation, but I think that the profession will have to develop specialists in these post-grant proceedings and who are comfortable with them, much as it developed specialists to do interferences.

EM: Dorothy do you agree?

DW: I agree mostly with that. I think there is a handful of people who have the skill set to do this sort of work now, but it’s a pretty small group. The other thing we might find is teaming. We do that now with re-examinations, which often have a co-pending litigation, where you have the re-exam expert partnered with the litigation team. I see that also as being an option.

EM: Todd, which post-grant provisions need the most clarification during the rule-making process?

QTD: What we’ve already found in the early days is that just the initial process for entering into post-grant review is going to be complicated. Striking the right balance between making it a very high bar and an appropriate bar is going to be interesting.

The other thing is the discovery question. You’ve got interference practitioners who have done their work in a certain way at the PTO over the years, and you’ve got litigators who have a whole different experience. Still others have suggested using TTAB rules. There’s obviously a desire to not make discovery the burdensome process that is sometimes seen in litigation. But on the other hand, will the patent holder get a fair shake in terms of what they can find out and what kind of discovery they can get in order to defend their patent? Those are two big questions.

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The challenge for us is to educate our members on this sea change.

Vince Garlock
EM: Phil, what comments will J&J be submitting?
PJ: I certainly agree with Todd that there are quite a few issues to be concerned about, not the least of which is the deference that will be given to what was already considered during the original examination of a patent in deciding whether to start a post-grant review. I don’t think that the Board or the director will want to refuse to reconsider anything that was considered during the original examination. On the other hand, if the issues were fairly considered and fairly and reasonably decided, it would seem that that would make it less likely that a petitioner would prevail in a post-grant proceeding and perhaps would be something the director or his designee would take into account in deciding whether the threshold was met.

EM: Dorothy is that something that you’ve thought about?
DW: It is, because right now the substantial new question threshold asks whether this is a new question of patentability, and that language is not in the standard for the new post-grant review or inter-parties review. You wouldn’t want petitioners simply to use it as an opportunity to re-open the original prosecutions and rehearse grounds that had already been well considered.

EM: Will the estoppel effect of the new post-grant review and inter-parties review be a deterrent to using them?
JC: I don’t think so. There are still some estoppel issues to come into grips with, but I think the most significant attraction of these new processes is the scope of the issues that you can raise, and of course the cost will also be an attraction. But I don’t think estoppel will have the same kind of deterrent effect that it did previously.

PJ: I think it will be a deterrent for some and not for others. I can imagine that there will be situations where people will want to use it, especially where they are deciding which way they are going to develop a product and want to find out whether an issued patent is likely going to preclude them or not. If there isn’t an option in the mind of the would-be petitioner as far as a design-around or a different route, then they may prefer a full-blown litigation to an estoppel provision to use it as an opportunity to re-open the original examination. And whoever is the person who thinks they’re well-equipped to participate in that process early, so it will be very interesting to see whether they change their business approach to do that.

EM: So you think particular industries will end up using the post-grant options more than others?
PJ: The parties who will use post-grant the most are the ones who are going to be willing to invest their time in looking at their competitors’ patents as they are being prosecuted through the office and who decide strategically that their business will best be benefited by taking issue with any patents that come out of the Office that they think are sub-standard. Traditionally, some of the critics of the patent system for producing sub-standard patents have been from the same industries that also say that they don’t feel that they’re well-equipped to participate in that process early, so it will be very interesting to see whether they change their business approach to do that.

QTD: One sector that had concerns during the process was the individual small inventor. They’re clearly worried that these processes will be used by entities that are larger than them as a tactic for keeping them from enjoying the full rights of their patent, so we have to be very careful as we write the rules to make sure that that kind of potential for abuse does not come into the system. I think they’re also concerned about the cost of it frankly, and that’s an unreasonable concern either. The fact that we now have a micro entity fee, as least for the fee portion of that cost hopefully will allay some of those fears.

EM: Dorothy can you tell from the interest you’ve had from clients so far which industries are looking at post-grant review the most closely?
DW: I would say pharma has been the least interested. Beyond that I agree that tech might be the most likely to use these procedures. The biggest comment I get through is “let’s see how it plays out,” because you don’t necessarily want to be the guinea pig. How much is it really going to cost and is it really going to end up as a low-cost alternative to litigation? There are going to be bugs that have to be worked out, so I think there’s some hesitance. Frankly, I am telling people that if you really want to pursue inter-parties review or re-examination, do it now while you’re still under the existing system because at least you have some certainty. You know what the procedure is and you know what you’re getting yourself into.

It would be ideal to have someone with the experience of both a judge and patents, but there’s really no substitute for patent background.

MELISSA BUSS
There are two aspects to our approach: first, we’re educating in-house counsel and educating the clients on what’s going to impact our practice most. Secondly, we’re assigning people to become subject matter experts on major changes. Thirdly, we will be closely monitoring the rulemaking process. The rules will have short comment time frames, so therefore we’re going to have to drop everything and put teams together to monitor these rules. So, the overall plan has both internal and external components.

EM: Dorothy, what are your thoughts on firms needing to be prepared?

DW: We’re a big firm, and we’re already almost there in the sense that we’ve done a lot of re-exam work and often that’s coupled with litigation. Again, I do see the opportunity for pairing people who have got litigation skills with prosecution skills, and I completely agree that it’s actually an exciting opportunity for a lot of practitioners. It’s new. It’s different. It’s interesting. And especially for the younger ones it could be a great opportunity. It prevents us from stagnating.

EM: The standard for inter-partes re-exam has already changed—does that have any impact?

DW: One area that I think will change is that often during inter-partes re-exam, I’ve had situations where the Patent Office will order the re-examination and then in the first action confirm patentability. I don’t think you’re going to see that under this new standard. It wouldn’t make sense to me. I understand that it’s also supposed to be a higher standard. I’m just not sure though how that’s going to play out in practice. Because what does a reasonable likelihood that you prevail on at least one claim really mean? In the abstract I’m not sure how that differs from substantial new question of patentability.

PJ: The substantial new question ended up being met in a very high percentage of cases, so I think it was conceived that the new standard will be harder to meet. I assume the decision makers will take into account not just the initial showing as to whether there’s an issue, but would look ahead and perhaps consider any information that is submitted in the preliminary response that the patentee is allowed to file to decide whether or not the petitioner is likely to win. So I can see that being quite a different outcome than we have now.

EM: What is the most potentially negative effect of the new post-grant system?

PJ: The danger will be if the proceedings are not carefully done, and that would include both by appropriate rules and appropriate execution of those rules. We have to make sure that patent owners do not lose their property without due process, which in an accelerated proceeding is going to be difficult to ensure. Unlike interferences, where there is a safety valve of being able to go to the district court and have a de novo trial of the issues, in this statutory scheme the Patent Office will be the beginning and the end, and therefore we will have to do this right in order to ensure a fair outcome.

WV: In my view, it has the potential to resolve some questionable patents in a very quick and methodic way that will hopefully clear up the marketplace over that particular technology in a very short, efficient system, depending on how it’s implemented by the PTO.

DW: I think it has the potential to provide a viable alternative to the courts for challenging validity.

MB: Yes, I think the biggest benefit will be having more options to resolve patent disputes faster and at less expense.

PJ: My hope would be that in time the availability of post-grant to remove clearly invalid patents will lead to an enhancement of patents in general, and an improved reliability so that people will feel comfortable investing in those patents. The hope is that the better quality of patents that come from these provisions and many others, including enhanced Patent Office funding, will ultimately lead to an enhanced recognition by the courts that the Patent Office is doing the job that it’s chartered to do.

The profession will have to develop specialists who specialize in these post-grant proceedings and who are comfortable with them.

PHIL JOHNSON
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Stepping up to the plate

From patent reform implementation to the new gTLD expansion, Bill Barber will have his hands full educating and advocating for AIPLA’s membership over the next year. He spoke with Eileen McDermott about just how he plans to do it.

How did you get into IP?
I liked science and math and my dad was a lawyer. I started out initially in patent law and I’m a registered patent attorney. But pretty quickly after working under Lou Pirkey, who is one of the premier trademark litigators in the world, he took me under his wing and I learned the trademark business from him. I am one of just a few trademark specialists to be president of AIPLA.

How will you deal with the learning curve being president of an association that advocates for patent and copyright issues as well as trademark?
I’ve already learned a lot by sitting in on Board meetings, but I’m not an expert of course. I know all of the key issues, but for the details I have to rely heavily on the patent and copyright specialists on the Board.

Do you plan to introduce more trademark initiatives under your presidency?
I would like to say yes, but it’s a double-edged sword. There are certainly some trademark issues I’d like to push, but I don’t want to lose focus on the America Invents Act and other patent issues. Even though it’s now passed, there is still a lot of work to do for our members.

What are some of the key concerns for AIPLA with respect to implementation of the America Invents Act?
The post-grant review changes are going to need a lot of attention because they will require a lot of manpower from the USPTO to handle the new workload. We have to make sure it is done right.

Is there still concern that since the USPTO was not given control of its user fees that there won’t be sufficient funding to handle that workload?
The funding situation is better than it was before. The Director now has fee-setting authority and the law essentially ends the practice of fee diversion, which AIPLA has been working to stop for years. The key is whether they are provided access to these funds. Yes, we’re still concerned, but there isn’t anything we can do about it at this point. But it’s certainly better than before.

What are some of the trademark issues you mentioned you’d like to address?
There are four Lanham Act amendments I’d like to see passed. The AIPLA Board passed a resolution on well-known marks, for which there is very little, if any, protection in the U.S. There is a split between the Second and Ninth circuits on the issue right now, so it’s a big mess. The INTA Board and the IP section of the American Bar Association are also behind such an amendment, so hopefully we’ll be able to work with them on this.

Secondly, I’d like to see some reform in monetary remedies available under the Lanham Act. It’s very, very difficult to get monetary remedies right now, and that is really inequitable to trademark owners.

The third issue has to do with a drafting error in the Trademark Dilution Revision Act. If you own a federal trademark registration, you’re supposed to be immune from state dilution claims. However, the language somehow got mis construed while working its way through Congress, so no— if read literally—you are immune from any dilution claim—even a federal one—if you have a federal registration. [See TDDRA Section 43(l)(c)(6)]. Lastly, there needs to be some clarification of the standard for protecting trade dress. There have been some Supreme Court cases that I think were wrong and severely limited protection. Soon after the Traffic Devices Inc. v. Marketing Displays case (Supreme Court, 2001) AIPLA adopted a resolution proposing an amendment to the Lanham Act to reverse the law, and I’d like to push through with that.

What are your other goals for your presidency?
The primary goal is monitoring implementation of the America Invents Act and everything that needs to be done now that it’s been passed. We will be very active in working with the USPTO to implement those changes. We have a task force in place to work with the Office on the rules so we’ll stay at the forefront of that.

We’re also creating a Rapid Response team that will be educating the public at large about patents and trademarks. There’s a lot of negative press out there now that’s often based on mis perception about IP. We want to be able to respond quickly to those reports. It will be geared to identifying articles and news broadcasts about IP and will be comprised of AIPLA members.

Another goal is to continue the work of the Global Network of National IP Practitioners, which has its next meeting in Rome. We work with other IP associations around the world to talk about issues in their respective countries. That’s been very successful and we’re certainly going to continue that.

Lastly, the strategic plan will be a top priority. First Vice President-elect Wayne Sobon will be leading the way on that—he is the only in-house person on the executive committee. Our four strategic goals are advocacy, public education, member services and global outreach.

What about amicus work?
The Supreme Court has granted certiorari in the Prometheus case and we’ll be filing an amicus brief and following that closely. We’re also monitoring Kappos v. Hyatt, which has to do with whether a patent applicant can present new evidence in a civil proceeding appealed from a USPTO decision. I anticipate we’ll file a brief in that case as well.

We’ve already filed briefs in several cases. In CyberSource v. Retail Decisions, we thought a petition for rehearing en banc would be filed, but there wasn’t one, so we’ll be looking for another case [regarding the patentability of Beaucour claims] to weigh in on.

Continued on page 11
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The new threat of spear phishing

A discussion of trade secrets could not be more timely, with a record-breaking case and mainstream media coverage. But as Simon Crompton reports, the big new threat is hackers targeting credulous employees.

Trade secrets, it’s fair to say, are a hot topic. A few weeks ago on September 14 a jury in Richmond, Virginia awarded DuPont the largest-ever jury verdict in a trade secrets case—$920 million. It was also the third largest jury verdict of the year. The jury took 10 hours to deliberate and make its decision. It eventually found that Kolon—based in Gyeonggi, South Korea—had wrongfully obtained DuPont’s proprietary information about Kevlar, the anti-ballistic fiber used in bulletproof vests.

Two weeks later, The Wall Street Journal ran a special supplement to the paper titled “What’s a company’s biggest security risk? You.” Beginning by declaring that “we are the weakest link,” it referenced high-profile breaches of security at Sony, Citigroup and EMC to demonstrate how hackers of computer systems have moved on from narrow attacks on technology—which are now relatively easy to guard against—to finding ways to convince employees to give them access.

Hacking into systems through credulous staff, so-called social engineering, is a whole new area for trade secrets law. But one no less important for in-house counsel.

For Dan Westman, chair of the Trade Secrets Law Committee at AIPLA, articles such as that in The Wall Street Journal are gold, because the biggest threat to companies is that they always assume trade secret theft only happens to other people. “Communication is a big part of this job, it has to be,” says Westman. “The key is that people understand how big a threat trade secrets and breaches of security are, and that they are always abreast of the strategies being used.”

The committee session this afternoon, being held jointly with the Corporate Practice Committee, is another step in this continuous education. Hence the title: “Ten things inside counsel would like to tell outside counsel about trade secret litigation, and vice versa.”

Anyone can be phished

For those that think these breaches of security don’t happen to them, EMC is probably the best example. Its security unit, RSA, makes computer login devices that are used by companies around the world. But employees’ knowledge of online security was not enough to prevent at least one of them opening an e-mail with an attachment called 2011 Recruitment Plan. In fact, the e-mail had to be retrieved from junk mail, opened and the attachment downloaded—that let loose a virus inside RSA’s network that gave the hacker access to company data and enabled it to attack RSA customers.

Earlier in the year, a similar case saw security firm HBGary hacked. The U.S. government was asked to try to uncover the people behind the hacker group Anonymous, which had managed to shut down the PayPal and Mastercard websites during the release by Wikileaks of sensitive government information. A spokesperson at HBGary made the mistake of announcing that it was close to uncovering the identities of Anonymous hackers. Anonymous responded by breaking into HBGary’s systems, partly by sending e-mails to a manager from a colleague’s stolen e-mail account.

This social engineering is a lot easier in an age when professionals put details of their career and responsibilities on sites like LinkedIn. All it takes is a few personal details to make an e-mail sound credible. The practice is also called spear phishing: a more targeted form of the phishing campaigns that try to make you reveal your bank details.

Keeping on top of the technology

One reason for growth in all types of trade secret breaches has been the technological improvement of data storage and mobile devices. A thumb-sized drive is now sufficient to steal the key trade secrets of any large American company. That information can be sent and received between mobile devices at high speeds, usually with less security than between computers themselves.

The operating systems are also more diverse, which specifically makes it harder for companies to stop their employees accidentally releasing confidential information. Everyone used to use Microsoft Windows in some iteration, which made the security issues quite narrow. With the increasing use of smartphones, there are different operating...
The range and relevance of speakers on the session is impressive. Warrington Parker, for example, of counsel at Orrick Herrington & Sutcliffe in San Francisco, took part in the Intel trade secrets case in 2008, which involved an employee that joined competitor AMD retaining access to Intel computers.

Victoria Cundiff, partner at Paul Hastings in New York will also be speaking, and Paul Hastings was involved in the record-damages DuPont case—representing Kolon. Kolon has said it will appeal the decision.

Phillip Petti meanwhile, is Chief Intellectual Property Counsel at USG, which had its own long-running trade secrets case against French company Lafarge. That case settled in 2009 with $105 million being paid to USG and Lafarge taking a license to USG’s gypsum wallboard technology. Also speaking is John Marsh, partner at Hahn Loeser in Columbus, Ohio.

It will be interesting to hear speakers’ views on the potential impact of possible legislation. Congress looks like it will consider amending the Economic Espionage Act, which protects U.S. companies from international misappropriation of information. It’s in its early days, but the aim is to amend the Act to increase penalties, as well as reinforcing other aspects of it.

The Act was passed back in 1996 after being introduced by Senators Herb Kohl and Arlen Specter. Kohl is now considering amending the Economic Espionage Act, which protects U.S. companies from international misappropriation of information. It’s in its early days, but the aim is to amend the Act to increase penalties, as well as reinforcing other aspects of it.

The Act was passed back in 1996 after being introduced by Senators Herb Kohl and Arlen Specter. Kohl is now behind the proposed increase in penalties, the first step of which was introducing an act into Congress in March this year—the Economic Espionage Penalty Enhancement Act. "Without freedom from economic sabotage, our companies lose their hard-earned advantages and their competitive edge," Kohl said at the time. Although that Act didn’t make it through Congress, something similar is expected to be introduced later in the year.

Continued from page 8

Is AIPLA planning any work on the gTLD expansion scheduled to launch next year?

We’ve been very active in submitting comments to ICANN, which have fallen mostly on deaf ears. There will be a significant session on the topic on Friday (‘Track 3a.—‘Understanding and Managing the Launch of the New gTLDs’). All we can do now is to educate because it’s happening. Our Trademark Internet committee chair is Mark Partridge and he’s a walking encyclopedia on the subject.

Which sessions would you recommend to members at the Annual Meeting this year?

I would say you should definitely get to the Copyright Law committee meeting and reception this afternoon to meet Maria Pallante, the Register of Copyrights, who will be speaking there. The Luncheons are also going to be terrific and hopefully everyone will come to those. Todd Dickinson will be doing another Q&A session with David Kappos, and having Senator Leahy there on Friday is a really big deal. And of course the Friday night dinner is always fun.

What do you hope to achieve during your presidency?

We’re making an effort to take a fresh look at the role of the Board and the Executive Committee and to think outside the box. I want to make sure we’re educating members, particularly with all the changes happening, AIPLA has become a powerful advocate both on the Hill and in the courts and I want to make sure I step up to the plate and continue to fulfill those obligations.
Always Ahead of the Game

TODAY’S SCHEDULE: Thursday, October 20, 2011

7:00–9:30 am Continental Breakfast
8:00 am–6:00 pm Registration, Exhibits, Cyber Café, Technology Center, CLE Information, and Spouse/Guest Hospitality
8:00 am–6:00 pm Spouse/Guest Hospitality
9:00 am–6:00 pm Spouse/Guest Hospitality
7:00–8:00 am Amicus (Committee Members Only)
7:00–8:00 am Electronic and Computer Law Leadership Meeting (Committee Leadership Members Only)
7:00–8:00 am Professional Programs (Committee Leadership Members Only)
7:00–8:00 am Trademark Leadership Group (Leadership Group Members Only)
9:00 am–3:00 pm Spouse/Guest Event: Old Town Alexandria with Lunch at Gadsby’s Tavern (Tickets required)
Meet at Harry's Pub entrance
7:00–8:00 am Morning tracks
8:00 am–9:00 noon Opening Plenary
9:00 am–12:00 noon Track #1 Patent Prosecution, Litigation, Transactional Agreements and Diversity
9:00 am–12:00 noon Track #2 Branding in the 21st Century and Beyond
9:00 am–12:00 noon Track #3 Patent Prosecution—The Specter of Reexamination and Appeals Past, Present and Future
7:00–8:00 am Luncheon (tickets required)
12:30–2:00 pm Speaker: Hon. David J. Kappos, Under Secretary of Commerce for Intellectual Property and Director of the USPTO
7:00–8:00 am Afternoon tracks
2:00–3:30 pm Track #1 Patent Eligibility (101) and Indefiniteness (112)
2:00–3:30 pm Track #2 The Implications of Government Involvement in Technical Standard Setting for Standards and IP
2:00–3:30 pm Track #3 Understanding the Real Value of Your Patent Portfolio
7:00–8:00 am Committee educational sessions
3:30–5:30 pm Licensing and Management of IP Assets
3:30–5:30 pm Patent Law/Patent-Relations with the USPTO
3:30–5:30 pm Industrial Designs (Committee Educational Meeting)
3:30–5:30 pm Corporate Practice/Trade Secret Law
3:30–5:30 pm USPTO Inter Partes Patent Proceedings
7:00–8:00 am Committee meetings
3:30–4:30 pm International Trade Commission
3:30–4:30 pm Alternative Dispute Resolution
3:30–4:30 pm Special Committee on IP Practice in Israel
3:30–4:30 pm IP Practice in Europe
3:30–5:30 pm IP Practice in the Far East
3:30–5:30 pm Corporate Practice/M&A/Women in IP Law (Joint Meeting)
3:30–5:30 pm Trademark Internet/Trademark Law/Trademark Litigation/Trademark Relations with the USPTO/Trademark Treaties and International Law (Joint Meeting)
4:30–5:30 pm IP Practice in China
4:30–5:30 pm Biotechnology
4:30–5:30 pm Copyright Law (Meeting and Reception)
4:30–5:30 pm Diversity in IP Law
4:30–5:30 pm Special Committee on Genetic Resources, Traditional Knowledge, and Folklore
4:30–5:30 pm Special Committee on National IP Practitioner Associations Worldwide (Committee Members Only)
Thursday evening events
5:30–6:30 pm New Member/First-Time Attendee Reception
6:00–7:30 pm LGBT Reception
7:30–9:00 pm Opening Night Reception (tickets required)
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