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# Royalties for infringement before a patent issues

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October 17, 2011

According to the U.S. Patent and Trademark Office Performance and Accountability Report Fiscal Year 2010, the overall average pendency for utility patent applications has lengthened every year for the past five fiscal years and now stands at 35.3 months. See [www.uspto.gov/about/stratplan/ar/2010/USPTOFY2010PAR.pdf](http://www.uspto.gov/about/stratplan/ar/2010/USPTOFY2010PAR.pdf). The average pendency for applications relating to computer architecture, software, information security, networks, multiplexing, cable, security and communications is 42.5 months or more. This is a terrifying prospect for inventors, who often are forced to endure these long, pending application periods while their inventions are copied by others. Although it can be somewhat difficult, there is a way to collect royalties from individuals or companies that poach inventions that are the subject of pending patent applications. Namely, 35 U.S.C. 154(d) provides for collecting a royalty from a party that infringes a patent owner's provisional rights. A number of recent court decisions illustrate how inventors can use this provision to substantially offset the effects of the patent office's delay by diligently securing and enforcing these provisional rights.

Under the Patent Act, a patent owner cannot sue until a patent has been granted, and damages for patent infringement under 35 U.S.C. 271 can stretch back only to the day the patent was issued. *Amgen Inc. v. Genetics Inst. Inc.*, 98 F.3d 1328, 1332 (Fed. Cir. 1996); *Welker Bearing Co. v. PHD Inc.*, 550 F.3d 1090, 1095 (Fed. Cir. 2008). This has been a key asset to competitors that have taken advantage of the long pendency of patent applications to profit by their copying. Due to the fact that provisional rights provide an avenue for collecting a royalty for activities occurring before a patent issues, preserving provisional rights is becoming more important.

To secure provisional rights, four things must occur: A patent applicant must have his or her application published, which happens by default 18 months after the application's priority date, but which can be sped up or prevented, 35 U.S.C. 122(b); the defendant must have made, used, offered for sale, sold or imported the invention as claimed in the published application; the defendant must have actual notice of the published application; and the invention as claimed in the issued patent must be "substantially identical" to the invention as claimed in the published application. 35 U.S.C. 154(d). The "substantially identical" requirement in particular is a common problem for patent owners, as patent claims are frequently amended before patents are granted. See, e.g., *Loops LLC v. Phoenix Trading Inc.*, No. C08-1064, 2010 WL 3041866, at \*6 (W.D. Wash. July 30, 2010).

Despite the challenges, a number of recent court decisions have found that provisional rights may apply. These decisions include *Prestige Pet Prods. Inc. v. Pingyang Huaxing Leather & Plastic Co.*, 767 F. Supp. 2d 806, 813 (E.D. Mich. March 3, 2011), in which the court indicated that provisional rights may exist based on a republication; *K-Tec Inc. v. Vita-Mix Corp.*, No. 2:06-CV-108, 2010 WL 2079682, at \*7-\*9 (D. Utah May 24, 2010), in which the court denied a summary-judgment motion seeking to eliminate a provisional rights claim; and *Bird Barrier America Inc. v. Bird-B-Gone Inc.*, No. SACV 09-0418, 2010 WL 761241 at \*2-\*3 (C.D. Calif. March 1, 2010), in which the court denied a motion to dismiss a provisional rights claim.

If taken in a timely manner, relatively small steps may help secure provisional rights. First, for \$300, the applicant can request that the PTO republish an application. See 37 C.F.R. 1.18(d). Especially in situations in which a claim amendment is not certain

to lead to quick allowance and the applicant believes that the presented claims are patentable, republication is a reasonable option.

For example, when claims are amended for purposes of appeal to the Board of Patent Appeals and Interferences, it may be desirable to request republication. This is particularly true as a result of the increasing delays associated with appeals; as of the third quarter of fiscal year 2011, an average of 32 months pass between a notice of appeal and a final decision. PTO, Board of Patent Appeals and Interferences, FY 2011 Performance Measures. Filing an appeal without a request for republication can in effect provide competitors a three-year license to copy the invention if claim amendments were made after the initial publication.

Although there is no indication that many practitioners regularly request republication in this (or any other) situation, republication was requested during prosecution of the patent at issue in the *Prestige Pet* case noted above. During litigation, the court found that the issued claims were not substantially identical to the claims originally published, but proceeded to indicate that provisional rights may exist based on the republication. *Prestige Pet*, 767 F. Supp. 2d at 813. This clearly illustrates the benefits of republishing.

Second, any claim appearing in a published application that is allowed during examination can be accepted without any substantive amendment. For example, if an examiner has allowed a dependent claim but rejected the independent claim from which it depends, it may be beneficial for the allowed dependent claim to be rewritten in independent form even if amendments being made to the independent claim appear to be only minor. Proceeding in this way may allow the patent owner to avoid arguments about whether the amendments prevent all of the claims from being "substantially identical." Although the courts have appreciated the fact that not all claim amendments preclude provisional rights, see, e.g., *K-Tec*, 2010 WL 2079682 at \*9, the benefits of avoiding such arguments if possible are obvious. If it appears that some limitations in the allowed dependent claim are not necessary for patentability, a new claim can be introduced without those limitations.

Finally, although courts have not required the actual notice under § 154(d) to come from the patent applicant, see, e.g., *Arendi Holding Ltd. v. Microsoft Corp.*, Civ. No. 09-119, 2010 WL 1050177 at \*7 (D. Del. March 22, 2010), the U.S. Court of Appeals for the Federal Circuit has not yet weighed in on the issue. Because the Federal Circuit has found the notice requirement of § 154(d) to be met by sending a letter to the competitor setting forth the published application and the applicant's future right to obtain royalties if a substantially identical patent claim issues, the safest course appears to be sending a copy of the published patent application to potential infringers if provisional rights are desired. See *Stephens v. Tech Int'l Inc.*, 393 F.3d 1269, 1276 (Fed. Cir. 2004).

As delay at the patent office continues to grow, and as more practitioners and inventors appreciate the value of securing and enforcing provisional rights, more assertions of provisional rights can be expected. By taking small actions such as those discussed above, cases show, inventors can be successful in claiming provisional rights.

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