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REASONABLE ROYALTY DAMAGES AFTER PUBLICATION AND BEFORE THE PATENT ISSUES: INTERPRETATION OF PROVISIONAL RIGHTS PROVISIONS

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Since November 29, 2000, U.S. patent laws, as amended by Congress, have required that the United States Patent and Trademark Office publish patent applications no later than 18 months after their earliest claimed filing date (with certain exceptions). Before the amendment, publication did not occur until the patent issued. Pre-grant publication poses obvious drawbacks to inventors, including the loss of any trade secret protection, and the risk of copying by competitors. As compensation for the negative impact of this earlier disclosure, Congress added a "provisional rights" provision (35 U.S.C. § 154(d)). This provision gives the patentee a "provisional" right to obtain reasonable royalty damages from an infringer for the time from publication of the application through the issuance of the patent.

This provisional right comes with two caveats, both of which are somewhat ambiguous. As the statutory amendment is relatively new and has not yet developed a body of case law, the practitioner must rely on legislative history and analogy to other statutes. One caveat concerns changes made in the application between publication and issuance. The invention as claimed in the patent must be "substantially identical" to the patent as claimed in the published patent application. 35 U.S.C. § 154(d)(2). The legislative history indicates that the standard for "substantially identical" (not defined in the statute) is based on the standard used in case law deciding intervening rights under the reissue statute. *See* House of Representative Report 105-39 accompanying H.R. 400, the "21st Century Patent System Improvement Act," March 20, 1997 (containing a provisional rights provision, at Section 204, identical in substance to the amended 35 U.S.C. § 154(d)),available at http://thomas.loc.gov [hereinafter HR Report 105-39]; Philippe Signore, Ph.D., *The New Provisional Rights Provision, 82 J.* Pat. & Trademark Off. Soc'y 742, 752-53 & n. 27 (2000) [hereinafter 82 JPTOS]. If a claim is amended, the applicant should consider requesting that the amended claim be published, which presumably would permit the applicant to send a new Section 154(d) notice based on the amended, published claim.

The second caveat concerns notice. The statute requires the infringer to have "actual notice" of the published application. 35 U.S.C. § 154(d)(1)(B). This requirement is wide open to interpretation. The statute does not indicate whether the applicant must put the accused on notice, or whether the notice requirement can be satisfied if the accused learns of the published claims through independent means or a third party. Nor does the statute indicate what information the notice must include. Finally, the statute does not indicate whether reasonable royalties begin to accrue only after the required notice has been given, or whether giving notice allows royalties to accrue from the date of publication.

The legislative history provides some guidance: "The requirement of actual notice is critical. The mere fact that the published application is included in a commercial database where it might be found is insufficient. The published applicant must give actual notice of the published application to the accused infringer and explain what acts are regarded as giving rise to provisional rights." Statements on Introduced Bills and Joint Resolution, Senate, S. 1948, Cong. Rec. S14719 (Nov. 17, 1999), available at http://thomas.loc.gov.

Commentators agree that based on congressional intent, the courts will likely require notice from the applicant. *See, e.g., 82* JPTOS at 748; Patrick J. Birde, Nicholas J. Nowak, *Analyzing Provisional Rights for Patent Applicants, 9* No. 12 Intell. Prop. Strategist 1 (2003); Terence P. Ross, *Intelectual Property Law: Damages and Remedies §* 3.08 (2004); Brian J. Massey, *Reasonable Royalties for 18 Month Patent Publication Infringement: An Unreasonable Remedy for Smal Businesses,* 8 J. Small & Emerging Bus. L. 87, 103 (2004).

One Federal Circuit case provides limited, indirect support for this interpretation. *Stephens v. Tech Int'l, Inc.*, 393 F.3d 1269, 1276 (Fed. Cir. 2004) concerned an attorney fee award based on, *inter alia,* litigation misconduct consisting of the patentee's 35 U.S.C. § 154(d)(1) notification to the defendant concerning a separate patent application. The Federal Circuit held that the patentee, Spectrum, "operated within its rights under section 154 when it notified Tech [the defendant] of its potential infringement. The letter represented Spectrum's adherence to section 154's requirement that Tech be placed on notice of Spectrum's future right to obtain royalties if a patent issued in a form substantially identical to the published '222 application." This language, though dictum insofar as it relates to the requirements of Section 154(d), does suggest that the applicant must place the accused on notice.

As to the contents of the notice, the legislative history indicates that the notice should "explain what acts are regarded as giving rise to provisional rights." Commentators have speculated that the courts will analogize to the notice requirement of 35 U.S.C. § 287(a) in the context of limitation of damages in unmarked product cases for guidance in interpreting the requirements of § 154 (d). Based on § 287(a) cases, the actual notice must identify the patent application serial number and the activity that is within the scope of the claims, and should include a proposal to abate the activity. See 82 JPTOS at 749.

The analogy to cases interpreting the notice requirements of Section 287(a) also provides guidance in determining when royalties begin accruing. If courts interpret Section 154(d) in a similar manner, royalties will be calculated from the date notice is given, not from the date of publication. The legislative history indicates that notice must be given "during the period in which the provisional rights are available." HR Report 105-39. Thus, applicants who wish to take advantage of their provisional rights should be vigilant in their policing even during the pre-publication period and would be well advised to send Section 154(d) notice letter immediately upon publication.