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Proposed patent reforms would change business pace

In June, Congressman Lamar Smith of Texas introduced the Patent Reform Act of 2005, formally filed as HR 2795. Bar and industry groups have been active in providing testimony to the legislation, said to be the largest proposed change to patent law in the past 50 years.

One of the most historic proposals is to change the current U.S. patent system from a “first-to-invent” to a “first-inventor-to-file” system. The first inventor to file an application in the U.S. Patent and Trademark Office or abroad, assuming the application satisfies conditions for patentability, would be entitled to the patent. The current system of interferences to determine the first to invent would no longer be necessary.

Under the current system, most technology companies already try to file an application as quickly as possible in order to preserve foreign patent rights. However, the new first-inventor-to-file system will force companies to evaluate more critically whether they want to apply for U.S. patent protection. As a result, companies awaiting further information about a project before filing for a patent may be too late in the race to the Patent Office.

The elimination of interference practice would have a varying effect from company to company. The majority of interferences are in the chemical and biotechnology arts. These industries in theory will see a more substantial change. However, in reality, the change may not be that drastic, since the

first inventor to file wins the majority of these types of priority disputes.

The second change to patent law under HR 2795 would be the introduction of “post-grant opposition.” Under this proposal, third parties could challenge the validity of issued patents at the Patent Office. The proposal would provide a useful proceeding for eliminating invalid patents, while also protecting patentees from harassment.

This proceeding would provide a limited basis for challenging a patent’s validity and give the challenger many advantages over district court litigation. First, the addition of a post-grant proceeding would provide companies with an unbiased venue where a competitor’s patent could be challenged. A panel of three administrative patent judges with experience in deciding issues of patentability would make the decisions, as opposed to a jury or a judge in a district that does not see many patent cases. Second, there would be a lower burden of proof.

Finally, by filing an opposition, there would be limited discovery, preventing the challenger from being forced to turn over thousands of documents for review by a competitor. This would greatly reduce costs as well as prevent broad access to company information.

HR 2795 would also eliminate many current grounds for invalidating patent claims. “Prior art” would be limited to information “reasonably and effectively accessible, either through its use or through its disclosure by other means, or when it has been made inherently known from subject matter that has become reasonably and effectively accessible.”

HR 2795 would impose a duty of candor and good faith “on individuals associated with the filing and prosecution of an

application for patent and on individuals assisting a patent owner in proceedings before the (Patent) Office involving a patent.” Violations of the duty would generally be addressed by the Patent Office rather than courts. A court would consider alleged misconduct only under limited circumstances.

Under the proposal, for a finding of unenforceability, it must be proven by clear and convincing evidence that the Patent Office relied on the alleged misconduct, and that reliance resulted in the issuance of a claim invalidated by the court. A “but for” test would exist, whereby a patent would be unenforceable only if a claim invalidated by the court would not have issued “but for” the misconduct.

Finally, additional provisions relate to litigation. For example, proposed HR 2795 includes revised damage provisions that change current “treble damages” for a finding of willful infringement to “increased damages” under limited circumstances (which could be up to three times the amount of damages found or assessed). Willful infringement would not exist if the infringer had “an informed good-faith belief that the patent was invalid or unenforceable, or would not be infringed by the conduct later shown to constitute infringement of the patent.”

This proposal would remove some of the uncertainty and fear of enormous payments. It provides more of a bright line for companies to know whether triple damages may be a possibility in a case.

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