

“Patent Act of 2005”

House Judiciary Subcommittee on
Courts, the Internet and Intellectual Property

H.R. 2795

Introduced June 8, 2005

Major Overhaul of U.S. Patent System

Major Overhaul:

If enacted in its current form, the Patent Act of 2005 would be the largest overhaul of the U.S. patent laws since the Patent Act of 1952.

Broad Scope:

The Act would affect nearly all areas of patent practice, including:

- Patent filing and prosecution strategy
- Patent portfolio development strategy
- Patent litigation and enforcement strategy
- Patent licensing strategy

Reasons for the Overhaul

Perceived Inefficiencies:

- Lack of conformity with non-U.S. patent laws
- Costly litigation over “subjective” legal standards
- Issuance of many “bad” patents
- Lack of cost-effective means to challenge “bad” patents

Perceived Abuses:

- “Submarine” patents issuing years after original filing with claims specifically tailored to trap competitors’ later-developed products
- Patent “trolls” who don’t commercialize inventions, but demand licensing fees from others

Reasons for the Overhaul

Elimination of Subjective Standards:

- Subjective standards invite uncertain and costly litigation
- “Best mode”, “known to the inventor”, “deceptive intent”, “definite and permanent idea”

Growing Consensus:

- Federal Trade Commission October 2003 Report, “To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy”
- National Academy of Sciences April 2004 Report, “A Patent System for the 21st Century”
- Industry groups: AIPLA, IPO, BIO, BSA

Status of Patent Act of 2005

House Judiciary Subcommittee on Courts, the Internet and Intellectual Property

- April 14, 2005 first “Committee Print” of bill
- April 20 and 28, 2005 public hearings
- June 8, 2005 HR 2795 introduced
- June 9, 2005 public hearings

Senate Judiciary Subcommittee on Intellectual Property

- April 25, 2005 public hearings

Major Elements of Patent Act of 2005

1. **“First Inventor to File” Rule replaces “First to Invent” Rule**
2. **Creation of Post-Grant Opposition Procedure**
3. **Changes to Prior Art Standards**
4. **Elimination of Best Mode Requirement**
5. **Creation of Duty of Candor Dispute System**

Major Elements of Patent Act of 2005

- 6. Changes to Injunction Standard**
- 7. Changes to Willful Infringement Standard**
- 8. Limitations on Continuations**
- 9. Creation of Inventorship Contests**
- 10. Changes to Publication Rules**

“First Inventor to File” Rule

Current “First to Invent” Rule:

- First to invent, if diligent, is entitled to the patent, even if another inventor files patent application first.
- Two applications, or one patent and one application, directed to the same invention can become the subject of a PTO interference proceeding to determine which applicants are entitled to patent based on priority of invention and, in some cases, diligence.

“First Inventor to File” Rule

Proposed Rule:

- Must be an “inventor” to obtain a patent, not simply the first to file for a patent.
- However, the first inventor to file a patent application is entitled to the patent, regardless of whether another person was the first to invent the subject matter.
- Interference proceedings to determine priority of invention eliminated.
- Inventorship contests created to determine who is an “inventor”.
- Effective on applications filed 1 year after enactment of Act.

“First Inventor to File” Rule

Proposed Amended 35 U.S.C. §101:

- **Right to patent; subject matter eligible for patenting**
The *inventor* of any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, has the right to apply for and to obtain a patent therefor, subject to the conditions and requirements of this title.

“First Inventor to File” Rule

Proposed Amended 35 U.S.C. §102:

§102. Conditions for patentability; novelty

(a) NOVELTY; PRIOR ART.—A patent for a claimed invention may not be obtained if—

...

(2) the claimed invention was described in a patent issued under section 151, or in an application for patent published or deemed published under section 122(b), in which the application or the patent names another inventor and was effectively filed before the effective filing date of the claimed invention.

Post-Grant Opposition

What is an Opposition Proceeding?

- Request PTO to reconsider grant or reissue of patent by asserting invalidity of at least one patent claim
- Prior art, factual evidence or expert opinions can be relied upon to support opposition
- Establish substantial new question of patentability for at least one claim

Post-Grant Opposition

Who May File?

- Any person may request
- Usually must identify each real party in interest
- Exceptions:
 - Upon request, identity of real party in interest kept secret
 - available to Government agencies or to others upon showing of good cause
 - Identity revealed if
 - opposer relies upon factual evidence or expert declarations or
 - opposer is party to an appeal

Post-Grant Opposition

What patentability issues can be raised?

- Double Patenting
- Non-statutory Subject Matter (35 USC §101)
- Novelty (35 USC §102)
- Nonobviousness (35 USC §103)
- Written Description/Enablement (35 USC §112)
- Reissue Scope (35 USC §251)

Post-Grant Opposition

What Discovery Is Available?

- Depositions
 - Right to depose/cross-examine each declarant on matters relevant to declaration.
- No further discovery unless “in the interest of justice”.

Burden of Proof? Evidence?

- Opposer has burden to prove invalidity by preponderance of the evidence, based upon broadest reasonable construction of claim(s).
- Federal Rules of Evidence apply unless inconsistent with statutory provisions for proceeding.

Post-Grant Opposition

What Estoppel Will Apply?

- Opposer subsequently estopped from asserting that any claim of patent addressed in opposition is invalid on the basis of any issue of fact or law actually decided by the panel and necessary to the determination of that issue
- Estoppel applies to any subsequent PTO or court proceeding involving the same opposer
- Estoppel does not apply if there is additional factual evidence not reasonably discoverable by opposer at time of opposition

Post-Grant Opposition

When must the request be filed?

- File within 9 months of issue or reissue of patent, or within 6 months of receiving notice of infringement from patentee
- File anytime during period of enforceability of patent if patent owner consents in writing
- If patentee files infringement suit within 9 month or 6 month period, patentee may request opposition be stayed

When will opposition occur?

- Opposition to begin within 3 months after 9 month or 6 month period
- Final determination issued within 1 year of opposition being instituted (but PTO may extend up to 6 months for good cause)

Post-Grant Opposition

How will opposition proceed?

- Opposition assigned to panel of three administrative patent judges (APJs) who shall decide patentability questions raised in request.
- If more than one request for opposition is granted, oppositions can be consolidated into one proceeding. Alternatively, one opposition may be divided into separate proceedings “in appropriate cases.”
- Decision based upon prosecution record and additional submissions by parties.

Post-Grant Opposition

How will opposition proceed?

- After opposition declared, patentee may file a response to each request, including additional factual evidence or expert opinions.
- Patentee may amend any claim(s) subject to opposition and/or add new claims
- Amendments should be filed with patentee's response, and may not enlarge scope of the claims. Additional amendments permitted only upon showing of good cause.
- Either party may request oral hearing.

Post-Grant Opposition

Decisions and Appeals:

- Panel will issue written decision on each patentability issue for each claim in opposition proceeding
- Decision will be final determination of PTO on issues raised, but either party may request reconsideration
- Any party to opposition may appeal to *Federal Circuit*.

Prior Art Standards

Current Rule:

A claimed invention lacks novelty and is unpatentable if:

- the invention was known or used by others in the U.S., or patented or described in a printed publication anywhere, before the applicant invented it (35 USC §102(a));
- the invention was in public use or on sale in the U.S., or patented or described in a printed publication anywhere, more than one year before the applicant's effective filing date (35 USC §102(b)); or
- the invention was made by another person before the applicant invented it, and the other person had not abandoned, suppressed, or concealed it, and worked diligently to reduce it to practice and patent it (35 USC §102(g)).

Prior Art Standards

Proposed Rule:

A claimed invention lacks novelty and is unpatentable if:

- the invention was patented or described in a printed publication, or otherwise publicly known, other than directly or indirectly through the applicant, before the applicant's effective filing date;
- the invention was patented or described in a printed publication, or otherwise publicly known, more than one year before the applicant's effective filing date; or
- the invention was made by another person who filed a patent application before the applicant's effective filing date.

Prior Art Standards

Proposed Amended 35 USC §102:

§102. Conditions for patentability; novelty

(a) NOVELTY; PRIOR ART.—A patent for a claimed invention may not be obtained if—

(1) the claimed invention was patented, described in a printed publication, or otherwise publicly known—

(A) more than one year before the effective filing date of the claimed invention; or

(B) before the effective filing date of the claimed invention, other than through disclosures made by the inventor or a joint inventor or by others who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor; or . . .

Prior Art Standards

Proposed Amended 35 USC §102 (cont'd):

...

(2) the claimed invention was described in a patent issued under section 151, or in an application for patent published or deemed published under section 122(b), in which the application or the patent names another inventor and was effectively filed before the effective filing date of the claimed invention . . .

Prior Art Standards

Proposed Amended 35 USC §102 (cont'd):

...

(3) Reasonable and effective accessibility requirement.—

(A) In general.—Subject matter is publicly known for the purposes of subsection (a)(1) only when—

- (i) it becomes reasonably and effectively accessible through its use, sale, or disclosure by other means, or
- (ii) it is embodied in or otherwise inherent in subject matter that has become reasonably and effectively accessible.

...

Prior Art Standards

Proposed Amended 35 USC §102 (cont'd):

...

Reasonable accessibility requires that the subject matter can be accessed by persons of ordinary skill in the art to which the subject matter pertains without resort to undue efforts. *Effective accessibility* requires that its content can be comprehended by persons of ordinary skill in the art to which the subject matter pertains without resort to undue efforts.

Prior Art Standards

Proposed Amended 35 USC §102 (cont'd):

...

(b)(1) Commonly assigned invention exception.—

Subject matter that would otherwise qualify as prior art only under subsection (a)(2) shall not be prior art to a claimed invention if the subject matter and the claimed invention were, not later than the effective filing date of the claimed invention, owned by the same person or subject to an obligation of assignment to the same person.

Prior Art Standards

Proposed Amended 35 USC §102 (cont'd):

. . .

(b)(2) Joint Research Agreement Exception.—

(A) Exception. – Subject matter that would otherwise qualify as prior art only under subsection (a)(2) shall not be prior art for purposes of section 103 to a claimed invention if—

- (i) such claimed invention was made by or on behalf of parties to a joint research agreement that was in effect on or before the effective filing date of the claimed invention;
- (ii) the subject matter was developed and the claimed invention was made as a result of activities undertaken within the scope of the joint research agreement; and . . .

Prior Art Standards

Proposed Amended 35 USC §102 (cont'd):

...

(iii) the application for patent for the claimed invention discloses or is amended to disclose the names of the parties to the joint research agreement.

(B) Definition. – For purposes of subparagraph (A), the term ‘joint research agreement’ means a written contract, grant, or cooperative agreement entered into by two or more persons or entities for the performance of experimental, developmental, or research work in the field of the claimed invention.

“Best Mode” Requirement

Current Rule:

- Applicant(s) must disclose “best mode” of practicing claimed invention in patent specification even if the best mode is an unclaimed trade secret
- Frequent issue in patent litigation

Proposed Rule:

- Eliminate “best mode” requirement entirely

“Best Mode” Requirement

Proposed Amended 35 USC §112, ¶1:

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, ~~and shall set forth the best mode contemplated by the inventor of carrying out his invention.~~”

Duty of Candor

Current Rule:

- 37 CFR 1.56 imposes a “duty of candor and good faith” including a “duty to disclose . . . all information known . . . to be material to patentability. . . .” and provides that “no patent will be granted on an application in connection with which fraud . . . was practiced or attempted or the duty of disclosure was violated through bad faith or intentional misconduct.”
- Frequent issue in patent litigation
- Subjective “known . . . to be material” standard creates uncertainty

Duty of Candor

Proposed Rule:

- Codifies in 35 USC the duty “to timely disclose information known . . . to be material to any issue before the [PTO] in connection with the application or patent, and to not materially misrepresent information.”
- However, limits investigation and adjudication to PTO proceeding.
- Courts and other government agencies must refer allegations of misconduct to the PTO.
- Breach of the duty of candor constitutes “misconduct” which may render the patent unenforceable or subject the violator to civil monetary penalties.

Duty of Candor

Patent held unenforceable only in limited circumstances

- Action of patent attorney or agent alone will not render patent unenforceable
- Patent owner or another individual (1) subject to the duty, (2) not a registered patent practitioner and (3) acting on patent owner's behalf, also violated duty of candor and good faith

Duty of Candor

Patent will be held unenforceable only if misconduct constitutes fraud

- At least one claim invalidated by a court
- Clear and convincing evidence that Patent Office relied on the misconduct, resulting in issuance of the invalidated claim
- Examiner would not have issued the invalidated claim but for the misconduct, or
- Based upon prosecution history, Examiner issued claim in whole or in part based on misconduct

Injunctive Relief

Current Rule:

35 USC § 283 provides that the “several courts having jurisdiction of cases under this title may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.”

Injunctive Relief

Proposed Rule:

35 USC 283 is amended by adding:

“Unless the injunction is entered pursuant to a non-appealable judgment of infringement, a court shall stay the injunction pending an appeal upon an affirmative showing that the stay would not result in irreparable harm to the owner of the patent and that the balance of hardships from the stay does not favor the owner of the patent.”

Willful Infringement

Current Rule (§ 284):

Whether damages are found by the judge or a jury, “the court may increase the damages up to three times the amount found or assessed.”

Usually treble damages are reserved for “willful infringement”.

Willful Infringement

Proposed Change:

§284 (b). **Willful Infringement**—

- (1) increased damages.—A court that has determined that the infringer has willfully infringed a patent or patents in suit may increase the damages up to three times the amount found or assessed under subsection (a), except that increased damages under this section shall not apply to provisional rights under section 154(d) of this title.

Willful Infringement

Proposed Change:

(2) Permitted grounds for willfulness.—A court may find that an infringer has willfully infringed a patent only if the patent owner presents clear and convincing evidence that –

(A) after receiving written notice from the patentee (i) alleging acts of infringement in a manner sufficient to give the infringer an objectively reasonable apprehension of suit on such patent, and (ii) identifying with particularity each claim of the patent, each product or process that the patent owner alleges infringes the patent, and the relationship of such product or process to such claim, the infringer, after a reasonable opportunity to investigate, thereafter performed one or more of the alleged acts of infringement;

Willful Infringement

Proposed Change:

(B) the infringer *intentionally copied* the patented invention with knowledge that it was patented, or . . .

Willful Infringement

Proposed Change:

(C) after having been found by a court to have infringed the patent, the infringer engaged in conduct that was not colorably different from the conduct previously found to have infringed the patent, and which resulted in a separate finding of infringement of the same patent.

Willful Infringement

Proposed Change:

(3) Limitations on willfulness.—

(A) A court shall not find that an infringer has willfully infringed a patent under paragraph (2) for any period of time during which the infringer had an informed good faith belief that the patent was invalid, unenforceable or would not be infringed by the conduct later shown to constitute infringement of the patent.

(B) Reasonable reliance on advice of counsel shall establish an informed good faith belief within the meaning of subparagraph (A).

(C) The decision of the infringer to not present evidence of such advice of counsel, however, shall have no relevance to a determination of willful infringement.

Continuations

Proposed Language:

§ 123. Limitations on continuation applications

The Director may by regulation limit the circumstances under which an application for patent, other than a divisional application that meets the requirements for filing in section 121, may be entitled to the benefit under section 120 of the filing date of a prior-filed application. No such regulation may deny applicants an adequate opportunity to obtain claims for any invention disclosed in an application for patent.

Inventorship Contests

Current Rule:

Inventorship can be determined by the PTO during an interference proceeding or by a court during litigation.

Proposed Rule:

Inventorship – not priority of invention – to be determined by the PTO during a contest proceeding or by a court during litigation. In such a PTO inventorship contest, the only issue will be whether a person is an inventor rather than the first inventor.

Publication Requirements

Eliminates most exceptions to the 18-month publication requirement for patent application.

Under the proposed revisions, an application will not be published only if the application is:

1. No longer pending;
2. Subject to a secrecy order;
3. A provisional application; or
4. An application for a design patent.

