
Proposed "Patent Act of 2005" Calls for Extensive Patent Law Reform

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On April 20, 2005, the House Judiciary Intellectual Property Subcommittee held its first hearing on a committee print that proposes significant patent law reform. Proposals for reform are being considered in view of concerns over, among other factors, the time taken for examination and the quality of granted US patents, the cost of patent litigation in court and the harmonization of US patent laws with those of other countries. The committee print proposes sweeping reform, which could represent the most significant changes to patent law in the past 50 years.

First-Inventor-to-File

One of the most important proposals is conversion of the US patent system from a "first-to-invent" to a "first-inventor-to-file" system. Under the latter system, the first inventor to file an application in either the US Patent and Trademark Office or abroad would be entitled to the patent, assuming the application satisfies conditions for patentability. The current system of interferences, which determines who was the first to invent, would no longer be necessary; instead, "interferences" would address inventorship disputes, e.g., where derivation of the invention from an unnamed inventor is alleged.

Post-Grant Opposition Proceeding

Another proposal of the committee print is a post-grant opposition proceeding, whereby third parties could challenge the validity of issued patents at the Patent Office. The proposal attempts to provide a useful proceeding for eliminating invalid patents, while simultaneously protecting patentees from harassment. Under the proposed system, requests for opposition would be required to be filed within nine months of the grant of a patent and include a statement of the basis for alleging invalidity of patent claims and supporting documents. The request would then be evaluated to determine whether a showing of invalidity is made. If the Patent Office determines that a showing is made, the requested opposition would be assigned to a panel of three administrative patent judges. Otherwise, the request for opposition would be dismissed. Issues of invalidity that could be raised during an opposition would include, double patenting and any of the requirements for patentability under 35 U.S.C. §§ 101, 102, 103 and 112, and under the fourth paragraph of 35 U.S.C. §251. To invalidate a claim, invalidity would have to be shown based upon a "preponderance of the evidence"

(as compared with the higher standard of "clear and convincing evidence" used in district court litigation), giving claims their "broadest reasonable construction." A post-grant opposition proceeding would thus provide a limited basis for challenging the validity of patents and would presumably be much less expensive than litigation, but less restrictive on the opposer than current reexamination proceedings.

Changes to Grounds for Invalidating a Patent

The committee print proposes eliminating many current grounds for invalidating patent claims. In general, the use of subjective grounds for invalidity, such as what the inventor thought or knew, would be unavailable to a patent challenger. For example, the requirement under 35 U.S.C. §112, first paragraph that a patent specification describe "the best mode contemplated by the inventor of carrying out his invention" would be eliminated. Invalidity based upon abandonment of the invention prior to filing would also be eliminated. Instead, "prior art" under 35 U.S.C. §102 would be based upon what was deemed public knowledge. For example, a claimed invention would not be patentable if it was previously patented, described in a printed publication or otherwise known more than one year before the effective filing date of the claimed invention. 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." "Reasonably and effectively accessible" would be defined as information that is readily accessible and comprehensible without any undue efforts by a person skilled in the art.

Duty of Candor and Unenforceability Changes

Other provisions of the committee print 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 Office involving a patent." Under the duty, all material information should be disclosed and no material misrepresentations should be made. Violations of the duty would be addressed only by the Patent Office and could not be considered by a court during litigation. A court, however, could consider patent unenforceability if the violation of the duty constituted fraud by reason of reliance of the Patent Office on the patent applicant's misconduct, and if at least one patent claim that is invalidated by the court was issued as a result of the Patent Office's reliance on the misconduct. A "but for" test would thus exist, whereby a patent would be unenforceable only if a claim invalidated by the court would not have issued "but for" the misconduct. In addition, a patent would not be held unenforceable unless the alleged fraud was attributable to the patent owner. Another new concept would be to allow the Patent Office to impose civil penalties against the patentee if misconduct is found.

Significant Patent Prosecution Changes

The committee print suggests other changes to the patent laws directed to patent prosecution. For example, a provision allowing an application to be filed by the assignee rather than by only the inventors is included. In what will likely be viewed as even more controversial, the committee print proposes eliminating the ability to pursue broader claims in continuation applications after

publication of an application or issuance of a patent. Currently, for example, claims can be narrowed to obtain allowance and issuance of the patent, with the option of pursuing broader claims in a later-filed continuation application. Eliminating broadening continuation applications, according to the committee print, would provide greater certainty to competitors upon publication of an application or issuance of a patent. Further, the committee print proposes requiring publication of all patent applications after 18 months and eliminating the current exception of non-publication of applications that are not filed abroad.

Elimination of Treble Damages and Changes to Preliminary Injunctions

Additional proposed legislation relates to litigation issues. For example, the committee print includes revised damage provisions that change current provisions for "treble damages" for a finding of willful infringement to "increased damages" under given circumstances. Specific provisions for determining royalties or damages for component patents are also proposed. Furthermore, revised criteria for obtaining injunctions to stop patent infringement are set forth. Under the proposal, an injunction would be granted only if the patentee would likely suffer irreparable harm that could not be remedied by the payment of monetary damages. The existence of irreparable harm could not be presumed, and the court would have to consider evidence relevant to a finding of irreparable harm, including the extent to which the patentee uses the claimed invention.

The committee print is the first step in the process towards possible enactment of legislation that would significantly change both prosecution and litigation of patents. A second hearing to discuss the committee print is scheduled for April 28, 2005. At a later date, a third hearing will be scheduled on a bill that will then be introduced. The Senate is likewise addressing proposed changes to the patent system. The newly formed Senate Intellectual Property Subcommittee held a hearing on April 25, 2005, to begin its examination of proposed changes to the patent system. Both the House and Senate hearings recognize a need for changes to the patent system in order to both foster and protect innovation. In view of the breadth of the suggested changes being considered and their potential impact, these hearings and any proposed bills will be closely watched.