



IS THE CURE WORSE THAN THE DISEASE?

AN OVERVIEW OF PATENT REFORM ACT OF 2005

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## A. Background

On June 8, 2005, Representative Lamar Smith, Chairman of the House Subcommittee on Courts, the Internet, and Intellectual Property, along with several co-sponsors, introduced H.R. 2795. Popularly known as the "Patent Reform Act of 2005<sup>1</sup>," the Patent Reform Act is an omnibus bill which overhauls multiple aspects of patent practice. Among the major areas being reformed, the Patent Reform Act overhauls basic procedures from the filing of patent applications, how patent practitioners are regulated, and how patents are even enforced. In view of the scope of the Patent Reform Act, there has been a great deal of interest and scrutiny of certain major proposed changes. For instance, there has been a great deal of interest in the proposed changes involving a switch in patenting systems to a first-to-file type system as well as proposed changes to the award of damages. However, the Patent Reform Act proposes other changes, such as categories of prior art as well as exclusions from prior art, that have received little notice but are of practical importance for the intellectual property owner. As such, this article provides an overview of the significant provisions of the Patent Reform Act.

The Patent Reform Act is a result of pressures from diverse industries and groups. As a result, the Patent Reform Act as a whole will not please any of the groups entirely, but is a compromise bill designed to please enough to ensure passage while invigorating the United States patent system. The impetuses for this bill are many. In regards to certain procedural aspects of patent prosecution, the Patent Reform Act of 2005 reflects pressure to conform to international standards, which generally require absolute novelty to obtain a patent using a first-to-file system. Further, in view of the high costs of litigation, the Patent Reform Act reflects pressure to reduce the uncertainties of litigation by clarifying the law in regards to willful infringement and inequitable conduct, as well as eliminating "secret" prior art while retaining a prior user defense. Lastly, the Patent Reform Act provides relief from various types of damages deemed excessive, such as treble damages for willful infringement as well as mechanism for making equitable factors play a greater role in determining whether to enjoin infringement.

These pressures and issues have been at the forefront of the patent community since the American Inventors Protection Act was enacted November 29, 1999 (Public Law 106-113) and amended by the Intellectual Property and High Technology Technical Amendments Act of 2002 (Public Law 107-273) enacted November 2, 2002. More recently, these issues have been revisited with an expanded emphasis on patent quality and enforceability in two major reports. The first report was issued by the National Academies Board on Science, Technology, and Economic Policy and is entitled A Patent System for the 21st Century (2004).<sup>2</sup> The second report was issued by the Federal Trade Commission and is entitled To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy (October 2003).<sup>3</sup> Upon issuance of these reports, National Academies Board on Science, Technology, and Economic Policy and the American Intellectual Property Law Association (AIPLA) promoted the need for change in a series of Conferences on Patent Reform in 2005. Major recommendations of the report and the conferences relate to changing the novelty requirement to comport to a first-to-file system, emphasizing the need for a reinvigorated obviousness standard, and to various recommendations for reducing litigation risks and costs. In light of these reports, as well as

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<sup>1</sup> Additional information, including status information, related to H.R. 2795 can be found at <http://thomas.loc.gov/>.

<sup>2</sup> A free copy of A PATENT SYSTEM FOR THE 21ST CENTURY (2004) can be obtained from the National Academies Press at <http://www.nap.edu/books/0309089107/html>.

<sup>3</sup> A free copy of TO PROMOTE INNOVATION: THE PROPER BALANCE OF COMPETITION AND PATENT LAW AND POLICY can be obtained from the Federal Trade Commission at <http://www.ftc.gov/os/2003/10/innovationrpt.pdf>.

subsequent hearings at the House of Representatives and the Senate, the Patent Reform Act of 2005 was created.<sup>4</sup> Below is a highlight of the major provisions of this bill as it currently stands.

## B. Changes to Novelty

One of the more striking aspects of the Patent Reform Act is a proposed reformation of the novelty requirement itself. As proposed, 35 U.S.C. § 102 would be completely rewritten to more closely comport with a first-to-file system while still maintaining a one year grace period for the inventor's own publications and events. Thus, the Patent Reform Act proposed removing elements of 35 U.S.C. § 102 which relate to timing of the invention, as well as seldom used provisions relating to abandonment of the invention, leaving novelty to be based upon a single provision: 35 U.S.C. § 102(a). In view of the completely new nature of this provision, 35 U.S.C. § 102(a) is set forth below:

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
- (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 patent or application, as the case may be, names another inventor and was effectively filed before the effective filing date of the claimed invention.

While seemingly simple as compared to the present novelty requirement, which has different patentability events spread across 35 U.S.C. §§ 102(a) through 102(g), the single provision of 35 U.S.C. § 102(a) has a number of hidden features which are discussed in greater specificity below.

### 1. Change to First-to-File

As noted above, a major impetus for creating the Patent Reform Act of 2005 is to harmonize United States patent law, which is based upon a first-to-invent system, with the international norm, which is based upon a first-to-file system.<sup>5</sup> In making this change, 35 U.S.C. § 102, as well as 35 U.S.C. § 100, provides that the right to a patent will be awarded to the first inventor to file for a patent who provides an adequate disclosure for a claimed invention. In this regard, 35 U.S.C. § 102 removed any mention of dates of inventorship, thus eliminating or substantially reworking 35 U.S.C. §§ 102(a), (e) and (g). As such, under proposed 35 U.S.C. § 102(a), patent applicants are no longer able to use prior inventorship evidence to remove disclosed, but not claimed, subject matter (i.e., material covered under existing 35 U.S.C. §§ 102(a) and (e)), as well as disclosed and claimed subject matter (35 U.S.C. § 102(g)).

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<sup>4</sup> Presently, no companion bill has been introduced at the Senate. However, in light of hearings conducted before the Senate Committee on the Judiciary Subcommittee on Intellectual Property on July 26, 2005, it is likely that a companion bill will be introduced soon. Moreover, informal drafts of proposed changes to the Patent Reform Act are also being released through popular on-line sources, such as Patently-O: Patent Law Blog (<http://patentlaw.typepad.com/patent/>).

<sup>5</sup> Wendy H. Schacht & John R. Thomas, PATENT REFORM: INNOVATION ISSUES, CRS Report for Congress, pp. 13-14 (July 15, 2005).

The major advertised effect of the proposed change to 35 U.S.C. § 102(a) is to remove the potential for interferences between conflicting claims in different applications by removing 35 U.S.C. § 102(g). Indeed, one of the major contentions by the supports of the Patent Reform Act is that interferences under 35 U.S.C. § 102(g), in addition to being outside the international norm, are cumbersome and expensive procedures which often work to the disadvantage of small businesses and individual inventors.<sup>6</sup> Instead, any interferences are only brought about under proposed 35 U.S.C. § 135, which allows a civil action under which inventorship of a patent can be contested. While removal of interferences under 35 U.S.C. § 102(g) is a primary argument used to support converting the United States patent system to a first-to-file system, any true practical effect will be minimal since interferences and infringement defenses under 35 U.S.C. § 102(g) are relatively rare.<sup>7</sup>

The practical (and more pervasive) effect of this change is that applicants will no longer be able to take advantage of an earlier date of invention to remove a publication or patent having a later publication date using Declarations under 37 CFR § 1.131. However, this effect is entirely expected given the proposed change from first-to-invent to a first-to-file system. Thus, the Patent Reform Act does simplify the law of novelty in regards to interferences, but does so at the expense of narrowing the applicant's ability to claim unpatented subject matter based upon evidence of prior invention.

A more unexpected change relates to the priority date given to a U.S. patent or patent publication. Under existing novelty law set forth in 35 U.S.C. § 102(e), the prior art date of a patent or patent publication is based upon the earliest U.S. filing date of the applied patent or patent publication. This rule was set forth in In re Hilmer, 149 U.S.P.Q. 480 (CCPA 1966), which established that foreign priority dates are not relevant in determining whether a pending U.S. patent anticipates another application due to the requirement in 35 U.S.C. § 102(e) that the applicable date for foreign priority purposes of the U.S. filing date.<sup>8</sup> This rule is removed or at least substantially called into question since, under proposed 35 U.S.C. § 102(a)(2), a U.S. patent or patent publication has a prior art date if "the patent or application, as the case may be, names another inventor and *was effectively filed* before the effective filing date of the claimed invention." While there is no definition of "effectively filed," it is noted that the U.S. filing location requirement, which was the basis for the In re Hilmer decision is removed.<sup>9</sup> Further, the definition for effective filing date for a patent application itself does not require a U.S. filing

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<sup>6</sup> Id. at 15, Testimony of The Honorable Gerald J. Mossinghoff, Former Assistant Secretary of Commerce and Commissioner of Patents and Trademarks, to the Senate Subcommittee on Intellectual Property, Committee on the Judiciary (July 26, 2005).

<sup>7</sup> An example of how 35 U.S.C. § 102(g) is used as an invalidity defense can be found in Thomson S.A. v. Quixote Corp., 166 F.3d 1172 (Fed. Cir. 1999), where the prior secret completion of the claimed invention by another was proven sufficient to invalidate claims even though the prior secret completion was not yet publicly displayed sufficient for 35 U.S.C. § 102(a).

<sup>8</sup> The language in question is "filed in the United States before the invention by the applicant for patent." See generally MANUAL OF PATENT EXAMINATION PROCEDURES § 2136.03 (Eighth Ed. May 2004 Rev.).

<sup>9</sup> In apparent recognition of this interpretation, the Patent Reform Act at section 11(h) indicates that the term "effective filing date" does not apply to U.S. patents claiming foreign priority unless both the European and Japanese patent systems adopt a one year grace period consistent with proposed 35 U.S.C. § 102(a). However, this requirement does not specifically affect priority based upon the Patent Cooperation Treaty, and could be construed as not applying to priority claims based upon applications filed in countries other than Japan and Europe since the heading of section 11(h) only relates to the "[e]ffect of European Patent Convention and Patent Laws of Japan."

date.<sup>10</sup> Therefore, a further unadvertised consequence of the Patent Reform Act is to narrow an applicant's ability to claim subject matter disclosed (but not claimed) in a prior U.S. patent publication.

## 2. Major Prior Art Classifications Change

Of almost as great a practical effect as the change to a first-to-file system is the re-categorization of what constitutes prior art. Under proposed 35 U.S.C. § 102, prior art is limited to the following categories:

1. patent publications;
2. printed publications other than patent publications; and
3. otherwise *publicly* known inventions.

In this regard, prior art categories as defined under 35 U.S.C. §§ 102(c), (d), and (f) have been removed entirely, while aspects of 35 U.S.C. §§ 102(a) & (b) have been removed or substantially eliminated.<sup>11</sup>

Moreover, while the status of public events in the form of printed publications, patent publications, and public demonstrations of the invention are relatively well understood, the Patent Reform Act does not well define the effect of the proposed change on whether "publicly known inventions" includes non-public events. By way of example, processes performed in secret are not explicitly prior art, and may form the basis of a prior user defense under proposed 35 U.S.C. § 273. Further, secret offers for sale are not necessarily invalidating non-public events such that orders from suppliers are not necessarily offers for sale for the purposes of novelty. Additionally, papers offered during collaborations, plans sent to suppliers, or proposals for commercial enterprises need not be invalidating events, thus overruling the Federal Circuit's decision in Oddzon Prod., Inc. v. Just Toys, Inc., 122 F.3d 1396 (Fed. Cir. 1997).<sup>12</sup> However, as will be discussed below in greater detail in section B(6) below, this seeming clarification and simplification of 35 U.S.C. § 102 may not work as an improvement to the existing law since it remains unclear when such non-public events made the invention publicly known.

## 3. One year grace period

While many aspects of the international norm for patentability were adopted, at least one feature unique to the current United States practice was retained: a one year grace period. Specifically, under the Patent Reform Act of 2005, 35 U.S.C. § 102(a)(1)(A) makes any patent, printed publication, or public event invalidate a claim if occurring more than one year prior to filing the application. In contrast, within the one year period, the patent, printed publication, or

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<sup>10</sup> Under 35 U.S.C. § 100(h), "[t]he effective filing date of a claimed invention is (1) the filing date of the patent or the application for patent containing the claim to the invention; or (2) if the patent or application for patent is entitled to a right of priority of any other application under section 119, 365(a), or 365(b) or to the benefit of an earlier filing date in the United States under section 120, 121, or 365(c), the filing date of the earliest such application in which the claimed invention is disclosed in the manner provided by the first paragraph of section 112 of this title."

<sup>11</sup> Specifically, the Patent Reform Act removes the prior art categories for "inventions known or used by others in this country," "in public use or on sale in this country," when the inventor "has abandoned the invention," "the invention was first patented or caused to be patented, or was the subject of an inventor's certificate, by the applicant or his legal representatives or assigns in a foreign country prior to the date of the application for patent in this country on an application for patent or inventor's certificate filed more than twelve months before the filing of the application in the United States," and when the inventor did not "invent the subject matter sought to be patented."

<sup>12</sup> Confidential designs sent to inventor deemed to be prior art under 35 U.S.C. § 102(f) and could be used to invalidate patent as anticipated and/or obvious.

public event will only invalidate a claim *if performed by another*. 35 U.S.C. § 102(a)(1)(B). In this way, proposed 35 U.S.C. § 102(a)(1) retains the basic interaction between existing 35 U.S.C. §§ 102(a) & (b). The proponents of the Patent Reform Act appear to suggest that, by giving up the United States' first-to-invent system, other countries will be more inclined to adopt the United States' one year grace period as the international norm.<sup>13</sup> However, it is unclear to the extent the international community is willing to concede to the idea of a grace period merely due to the United States converting to the first-to-file system.

#### 4. Commonly owned exception

In one of the seemingly unnoticed changes, the Patent Reform Act makes a major exception to the status of the effective filing date for patent publications qualifying as prior art under 35 U.S.C. § 102(a)(2). This proposed change will generally be of interest to companies having large patent portfolios since this proposed change effectively removes co-pending applications from being applied as prior art in the context of novelty. Under 35 U.S.C. § 102(b)(1), commonly owned patent subject matter is not considered prior art under 35 U.S.C. § 102(a)(2).<sup>14</sup> By way of contrast, 35 U.S.C. § 103(c) offers a similar exception, but only in the context of obviousness. Given that 35 U.S.C. § 103(c) presently is of particular use in allowing applicants to remove prior art in the context of obviousness, it is believed that the ability to apply the same exception to prevent the application of commonly owned prior art even in the context of novelty should be of particular interest to holders of large patent portfolios having large numbers of copending applications.

#### 5. Joint Research Exemption

In another one of the seemingly unnoticed changes, the Patent Reform Act preserves the joint research exemption presently codified in 35 U.S.C. § 103(c). Under proposed 35 U.S.C. § 102(b)(2), the Joint Research Exemption to prior art is preserved as compared to 35 U.S.C. § 103(c), but its scope has not been expanded. Unlike the commonly owned prior art exception of 35 U.S.C. § 102(b)(1), the Joint Research Exemption can only be applied to copending applications in the context of obviousness. Specifically, 35 USC § 102(b)(2) provides as follows:

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) the 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
- (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.

In essence, where a written joint research agreement is in place and the claimed invention was developed under that joint research agreement, other copending applications otherwise qualifying as prior art under 35 U.S.C. § 102(a)(2), but which are owned by the parties

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<sup>13</sup> Wendy H. Schacht & John R. Thomas, PATENT REFORM: INNOVATION ISSUES, CRS Report for Congress, pp. 17-18 (July 15, 2005).

<sup>14</sup> It is important to note that the exception does not affect the prior art status of printed publications, patents, and public events as set forth in 35 U.S.C. § 102(a)(1). However, the limitations of this exclusion are similar to how 35 U.S.C. § 103(c) does not affect prior art under 35 U.S.C. §§ 102(a) and (b).

of the agreement, are not considered prior art usable in an obviousness determination under 35 U.S.C. § 103. In this way, the proposed change is consistent with the recently enacted Cooperative Research and Technology Enhancement (CREATE) Act of 2004, which is limited to obviousness rejections for copending applications.<sup>15</sup> This use of joint research agreements in the context of excluding certain types of prior art is potentially very broad prior art exemption, but since the CREATE Act of 2004 is itself relatively new, the impact of the joint research opinion can only be estimated.<sup>16</sup>

#### 6. Potential Pitfalls for Proposed 35 U.S.C. § 102

As with any new legislation, any disruption in terminology will likely result in uncertainty and litigation. While terms such as "publication" and "patent" have a well known meaning in patent law in view of existing 35 U.S.C. § 102, the Patent Reform Act's creation of new categories of "publicly known" prior art will likely create uncertainty in the short term. As noted above, unlike the relatively well known terms set forth in 35 U.S.C. § 102 presently, such as "public use" and "offer for sale," there is no detailed understanding of what will be understood as being publicly known where the event is not an obvious public demonstration.

In apparent recognition of this potential pitfall, proposed 35 U.S.C. § 102(b)(3)(a) defines "publicly known" to mean "reasonably and effectively accessible through its use, sale, or disclosure by other means" or "is embodied in or otherwise inherent in subject matter that has become reasonably and effectively accessible." Since this definition merely redirects the inquiry to what event makes the invention reasonably and effectively accessible, proposed 35 U.S.C. § 102(b)(3)(b) further defines "reasonably and effectively accessible" to be where "persons of ordinary skill in the art are able to gain access to the subject matter by *[sic]* without resort to undue efforts; and to comprehend the content of the subject matter without resort to undue efforts." No further definition is provided which clarifies this definition as to what constitutes when "persons of ordinary skill in the art are able to gain access to the subject matter by without resort to undue efforts," what are undue efforts, and when is one of ordinary skill in the art able to comprehend the subject matter.<sup>17</sup>

While no meaning is expressed in the Patent Reform Act, it appears that the definitions in 35 U.S.C. § 102(b)(3) reflect definitions in existing trade secret law. Under trade secret law,

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<sup>15</sup> Under 35 U.S.C. § 103(c)(2), "subject matter developed by another person and a claimed invention shall be deemed to have been owned by the same person or subject to an obligation of assignment to the same person if (A) the claimed invention was made by or on behalf of parties to a joint research agreement that was in effect on or before the date the claimed invention was made; (B) the claimed invention was made as a result of activities undertaken within the scope of the joint research agreement; and (C) the application for patent for the claimed invention discloses or is amended to disclose the names of the parties to the joint research agreement.

<sup>16</sup> In examples of how the CREATE Act is implemented, common example scenarios generally include research between Universities and a company and/or a Government agency and a company. See also, Testimony of Carl Gulbrandsen, Managing Director, Wisconsin Alumni Research Foundation (WARF), Before the House Subcommittee on Courts, the Internet and Intellectual Property (June 9, 2005).

<sup>17</sup> This is not to say that other aspects of intellectual property law, and most notably trade secret law, will not be useful in defining this term. For instance, under Virginia's implementation of the Uniform Trade Secrets Act, a trade secret "means information, including but not limited to, a formula, pattern, compilation, program, device, method, technique, or process, that: 1. Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use." Virginia Code §59.1-336.

trade secrets are often defined in terms of whether information has been made available to the public through distribution of a completed product. In essence, if a member of the public can readily reverse engineer a product such that the underlying technology, method, and/or method of manufacture can be understood, there is no trade secret protection for the information that can be reverse engineered.<sup>18</sup> Given the present state of reverse engineering technologies, it is likely that almost any release of a product would work as a potential prior art event under 35 U.S.C. § 102(a).<sup>19</sup> Thus, under the proposed definition of the term "publicly known," whether a non-public event involving the invention, such as licensing of software, will be considered "publicly known" will not be well defined until the courts are able to interpret the phrase in a more definitive manner.

#### 7. Obviousness simplified

In view of the changes to the novelty requirement, the obviousness requirement has been greatly simplified. Specifically, the exemptions under 35 U.S.C. §§ 103(b) and (c) are removed except to the extent the Joint Research Exemption of 35 U.S.C. § 102(b)(2) applies. Otherwise, the law of obviousness has not been much changed. In this regard, the Patent Reform Act of 2005 has not adopted one of the major recommendations of the reports issued by the National Academies and the Federal Trade Commission, which advised a tightening of the obviousness standard by making it easier to demonstrate obviousness. For this reason, certain commentators have criticized the Patent Reform Act as not being responsive to the perceived need to invigorate the obviousness standard.

#### C. Limitations on Injunctions

One of the more sweeping and controversial elements of the Patent Reform Act of 2005 relates to changing the standard under which injunctions are granted pursuant to 35 U.S.C. § 283. Generally, outside of extraordinary circumstances, when infringement is found, the court will grant an injunction to prohibit the continued infringement.<sup>20</sup> While courts are typically supposed to account for principles of equity under 35 U.S.C. § 283<sup>21</sup>, courts also recognize that the failure to prevent continued use effectively grants a compulsory license to the infringer and eviscerates a primary right of the patent holder to prevent unauthorized use of the invention.<sup>22</sup> In

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<sup>18</sup> See Uniform Trade Secrets Act, § 1(4) (1985), which defines a trade secret to include "information . . . that: (i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means . . ."

<sup>19</sup> Also, the standard is relative to the state of reverse engineering technology at the time the application is filed, adding to the confusion of whether certain events, such as licenses, offers for sale, and in-house demonstrations under non-disclosure agreements, can become patent invalidating events.

<sup>20</sup> Wendy H. Schacht & John R. Thomas, PATENT REFORM: INNOVATION ISSUES, CRS Report for Congress, pp. 32-34 (July 15, 2005).

<sup>21</sup> 35 U.S.C. § 283 currently provides that "[t]he 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."

<sup>22</sup> This is not to say Courts have not denied imposing injunctions for patent infringement. However, such denials have been given only in very limited situations and fact patterns. For instance, parties have argued and won (at least on a district court level), by stating that the existing use was so minor (de minimus) that no harm comes to the patent holder. See Roche Products Inc. v. Bolar Pharmaceutical Co., 733 F.2d 858 (Fed. Cir. 1984). For additional information on injunctions and when they are denied, see David A Dillard, Injunctive Remedies

order to ensure that this determination of equity is more robust, the Patent Reform Act of 2005 requires that the courts make certain findings before granting injunctions. Moreover, even where an injunction is granted, there would be a stay of the injunction pending appeal if the infringing party is able to show the patent owner is not harmed as compared to the infringing party. Specifically, 35 U.S.C. § 283 would be amended as follows:

In determining equity, the court shall consider the fairness of the remedy in light of all the facts and the relevant interests of the parties associated with the invention. 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.

Given that an injunction is one of the most potent forms of relief available to the patent holder, this provision has been opposed by multiple parties and could provide the grounds by which the Patent Reform Act does not become law.<sup>23</sup>

#### D. Limitation on Actual Damages

Under another controversial provision, the Patent Reform Act limits actual damages by linking the reasonable royalty to the inventive contribution of the claimed invention. Specifically, 35 U.S.C. § 284(b)(1) provides:

In determining a reasonable royalty in the case of a combination, the court shall consider, if relevant and among other factors, the portion of the realizable profit that should be credited to the inventive contribution as distinguished from other features of the combination, the manufacturing process, business risks, or significant features or improvements added by the infringer.

The purpose of this provision is specifically to limit damages to the effect of the inventive contribution to the combination rather than allow the patent owner to claim that the damages should be calculated based on the entire product having the inventive element. As noted by a commentator, this provision would prevent a situation where the inventive element is for a hinge, but the claim is drawn to a hinge used in a door. In this manner, 35 U.S.C. § 284 would limit damages to only the use of the hinge as opposed to the combination of the door and the hinge since the invention is really the hinge.<sup>24</sup> However, since all patents can be construed as combination patents, the effect of 35 U.S.C. § 284 would appear to simply encourage litigation and appeal of damage awards. Moreover, there has also been criticism of this provision as presenting possible unintended consequences and not accounting for its effect on lost

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(1995) (found at <http://www.cph.com/Publications/injunctive.html>) for a discussion of these principles.

<sup>23</sup> See, e.g., American Intellectual Property Law Association, Statement to Subcommittee on Courts, the Internet and Intellectual Property United States House of Representatives (June 9, 2005), Testimony of The Honorable Q. Todd Dickinson, Former Under Secretary of Commerce and Intellectual Property and Director of the U.S. Patent and Trademark Office and Vice President and Chief Intellectual Property Counsel General Electric Company to Subcommittee on Intellectual Property Committee on the Judiciary United States Senate (July 26, 2005).

<sup>24</sup> Wendy H. Schacht & John R. Thomas, PATENT REFORM: INNOVATION ISSUES, CRS Report for Congress, p. 35 (July 15, 2005).

profits-type damages.<sup>25</sup> As such, this provision has not necessarily been seen as an improvement over the existing state of the law of damages.<sup>26</sup>

#### E. Stricter Guidelines on Willful Infringement

##### 1. Grounds for assertion clarified

Under current 35 U.S.C. § 284, treble damages can be assessed by the court, but little statutory guidance has been provided as to when increased damages can be assessed.<sup>27</sup> This state of uncertainty has been criticized since it appears to discourage industry members from reviewing patents. This risk of being put on notice of a patent (thus exposing their company to treble damages)<sup>28</sup> is deemed greater than the benefit of determining advances in the state of the art, which is a purported benefit the public receives through the issuance of a patent. As such, the Patent Reform Act provides specific guidance in order to ensure that willful infringement is only found in specific situations where a person has received written notice, and the infringer continued infringement (allowing for a reasonable time for investigation). Specifically, the proposed 35 U.S.C. § 284(b)(2) is stated as:

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;
- (B) the infringer intentionally copied the patented invention with knowledge that it was patented; or
- (C) after having been found by a court to have infringed that 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.

Under existing law, certain types of notice are not controversial. For instance, a finding of infringement or the filing of a lawsuit certainly puts an infringer on notice. Moreover, where there is evidence that the infringer knew of the patent and deliberately copied the patented product anyway is the very behavior (piracy) 35 U.S.C. § 284 was intended to prevent. Thus, the proposed amendment of 35 U.S.C. § 284 to include 35 U.S.C. § 284(b)(2)(B) and (C) is not overly controversial.

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<sup>25</sup> Id.

<sup>26</sup> See, Statement of Gary Griswold, Past President of the American Intellectual Property Law Association Before the House Subcommittee on Courts, the Internet and Intellectual Property (June 9, 2005) and Testimony of Charles E. Phelps, Provost, University of Rochester, On behalf of the Association of American Universities to Senate Committee on the Judiciary Subcommittee on Intellectual Property (July 26, 2005).

<sup>27</sup> Specifically, 35 U.S.C. § 284 provides that "the court may increase the damages up to three times the amount found or assessed."

<sup>28</sup> Wendy H. Schacht & John R. Thomas, PATENT REFORM: INNOVATION ISSUES, CRS Report for Congress, pp. 36-37 (July 15, 2005).

However, proposed 35 U.S.C. § 284(b)(2)(A) is a more dramatic limitation having a reach which is not well publicized. Under current law, other than the filing of a lawsuit, the type of notice need not always be sufficient to create a reasonable apprehension of suit.<sup>29</sup> Without a reasonable apprehension of suit, the potential infringer has no grounds for suing the patent owner using a Declaratory Judgment pursuant to 28 U.S.C. § 2201. This distinction is important since, by allowing notice without risking a Declaratory Judgment, the patent owner is able to notify potential infringers (and thus claim enhanced damages) without losing control of their litigation strategy when dealing with a potential infringer.<sup>30</sup> Under the Patent Reform Act, the patent owner is no longer able to provide notice without risking a Declaratory Judgment since the Patent Reform Act specifically requires that the written notice be sufficient to give the recipient reasonable apprehension of suit. Thus, the Patent Reform Act provides little incentive (outside of true offers for license) to simply provide notice of a potential lawsuit as opposed to actually filing the lawsuit. While this provision does represent a substantive change, this provision appears to have support of members of industry as an improvement over the current state of the law.

## 2. Specific defense for informed opinion of non-infringement

Under existing law, a popular defense to willful infringement is that the infringing party had a good faith opinion of non-infringement based upon the totality of the circumstances.<sup>31</sup> The Patent Reform Act further amends 35 U.S.C. § 284 in order to provide an explicit exception to willfulness where the infringing party had a good faith and informed opinion that the behavior was non-infringing. Specifically, 35 U.S.C. § 284(b)(3) provides as follows:

- (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 or unenforceable, or would not be infringed by the conduct later shown to constitute infringement of the patent.

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<sup>29</sup> For instance, in SRI International Inc. v. Advanced Technological Labs. Inc., 44 U.S.P.Q.2d 1422 (Fed. Cir. 1997), the patent owner sent a copy of the relevant patent accompanied by a letter stating that two of the defendant's products "may infringe one or more claims" of the patent, and offered a nonexclusive license. The Federal Circuit held that "[a]ctual notice may be achieved without creating a case of actual controversy in terms of [the declaratory judgment statute]." Thus, the letter was sufficient for providing notice of the patent while not creating grounds for filing a Declaratory Judgment since no suit was threatened.

<sup>30</sup> The problem is exacerbated by the Supreme Court's holding in Holmes Group, Inc. v. Vornado Air Circulation Systems, 535 U.S. 826, 62 U.S.P.Q.2D 1801 (2002), which held that the Federal Circuit does not have exclusive jurisdiction to patent counter claims brought in defense to a Declaratory Judgment Action. Thus, Federal Circuit precedent is only applicable for patent infringement claims, but is not necessarily controlling as compared to regional Circuit case law in the context Declaratory Judgment actions. E.g., Schinzing v. Mid-States Stainless, Inc., 415 F.3d 807 (8th Cir. 2005) petition for reh'g denied 2005 U.S. App. LEXIS 19115 (September 2, 2005) (Eighth Circuit decided patent counterclaim in Declaratory Judgment action, but voluntarily applying Federal Circuit precedent).

<sup>31</sup> While a major factor in this totality of circumstances would include an opinion of counsel indicating non-infringement, the lack of this opinion or the failure to prove the existence of this opinion does not warrant an adverse inference of knowledge of infringement. As noted by the Federal Circuit in Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp., 72 U.S.P.Q.2d 1560, (Fed. Cir. 2004), the "theme of whether a prudent person would have sound reason to believe that the patent was not infringed or was invalid or unenforceable, and would have so held if litigated."

- (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 not to present evidence of advice of counsel shall have no relevance to a determination of willful infringement under paragraph (2).

In 35 U.S.C. § 284(b)(3)(A) and (C), the Patent Reform Act generally codifies the current state of the law.

However, under the current state of the law, the fact that an opinion of counsel was sought and was reasonably relied upon is only one factor in finding non-willfulness. In contrast, 35 U.S.C. § 284(b)(3)(B) as implemented under the Patent Reform Act provides that the reliance on an opinion of counsel provides an absolute shield to a finding of willful infringement.<sup>32</sup> Thus, the Patent Reform Act appears to strongly encourage potential infringers to obtain opinions of counsel at an early stage.

## F. Third Party Oppositions

### 1. Right to Oppose Patent

Under current law, there are three major mechanisms for opposing issued patents outside of court: (1) *ex parte* reexaminations under 35 U.S.C. § 302; (2) commissioner ordered reexaminations under 35 U.S.C. § 303(a), and (3) *inter partes* reexamination under 35 U.S.C. § 311. However, these mechanisms have been thought ineffective or inadequate in the past and have not been widely used until recently for a number of reasons.<sup>33</sup> In order to cure this situation, the Patent Reform Act of 2005 creates a fourth type of opposition system: a post-grant opposition system.

As set forth in proposed 35 U.S.C. § 321 et seq., a "person may request that the grant or reissue of a patent be reconsidered by the Office by filing an opposition seeking to invalidate one or more claims in the patent." The determination is based upon a preponderance of the evidence standard, consistent with the existing reexamination proceedings but which is a lower burden of proof as compared to showing invalidity in court. The proposed opposition proceeding does hold certain advantages over existing reexamination proceedings as set forth below.

The advantages are generally that, unlike reexaminations proceedings, the proposed opposition may rely on any ground of invalidity available under 35 U.S.C. §§ 101, 102, 103, 112, and 251(d).<sup>34</sup> Additionally, unlike *ex parte* and commissioner ordered reexaminations, true participation by the opposing party is required in the same way as is required in *inter partes* reexaminations such that the patent owner's statements will be more thoroughly challenged by

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<sup>32</sup> Of course, this does not mean that any opinion letter will serve as a defense under 35 U.S.C. § 284(b)(3)(B) since reliance must be reasonable, thereby requiring the opinion letter itself to be thorough. E.g., Johns Hopkins Univ. v. CellPro, Inc., 152 F.3d 1342, 47 U.S.P.Q.2d 1705 (Fed. Cir. 1998) (upholding finding of willful infringement where opinions of counsel were so conclusory and were sufficiently incomplete as to not be reasonably relied upon).

<sup>33</sup> Interestingly, there has been a recent upsurge in reexaminations, especially reexaminations ordered by the commissioner in relatively high profile cases. See generally United States Patent and Trademark Office, Report to Congress on Inter Partes Reexamination. However, the critique steadfastly remains. Wendy H. Schacht & John R. Thomas, PATENT REFORM: INNOVATION ISSUES, CRS Report for Congress, p. 38 (July 15, 2005).

<sup>34</sup> Proposed 35 U.S.C. § 324 allows that the "issues of invalidity that may be considered during the opposition proceeding are double patenting and any of the requirements for patentability set forth in sections 101, 102, 103, 112, and 251(d)."

others in the relevant art. Lastly, unlike *inter partes* reexamination, the real party in interest may be kept secret if requested by the party opposing the patent. 35 U.S.C. § 322.

However, there is a timing disadvantage for the proposed opposition proceeding. In order to relieve the patent owner from having to defend the patents from opposition throughout the life of the patent, the proposed oppositions can only be filed within two windows. The first window extends from the date of issuance to within nine months of the issuance. The second window opens only within six months after receiving notice from the patent holder alleging infringement.<sup>35</sup> Otherwise, the proposed opposition cannot be used except with the consent of the patent owner, thereby leaving the existing reexamination proceedings to be the only potential remedy.

The general conduct of the opposition proceeding itself would be similar to that found in current interference proceedings in that there is discovery, depositions, and a hearing using live testimony. 35 U.S.C. §§ 328 and 330. While these proceedings in some ways have many of the costs associated with a conventional invalidity defense in District Court, an advantage to using this proceeding would be that the standard for determining invalidity would be lower under an opposition proceeding (preponderance of the evidence 35 U.S.C. § 332) as compared to clear and convincing evidence under 35 U.S.C. § 282. Moreover, since the estoppel provisions under 35 U.S.C. § 336 are narrower as compared to the estoppel provisions for existing *inter partes* reexaminations under 35 U.S.C. § 315,<sup>36</sup> the use of the opposition proceeding appears to provide a preferred route for an accused infringer to invalidate a patent.<sup>37</sup>

## 2. Right to Oppose Patent Application

Currently, there are two mechanisms for submitting prior art to Examiners during the pendency of the patent application: (1) a Protest under 37 CFR § 1.291, which is filed prior to publication of the application, and (2) a Third Party Submission under 37 CFR § 1.99, which is filed within two months after publication of the application. However, since both submissions have limited timeframes for submission, the Patent Reform Act provides an expanded right to submit information for use during examination under 37 CFR § 1.99. Proposed 35 U.S.C. § 122

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<sup>35</sup> 35 U.S.C. § 323 requires that a person "may not make an opposition request under section 321 later than 9 months after the grant of the patent or issuance of a reissue patent, or later than 6 months after receiving notice from the patent holder alleging infringement, except that, if the patent owner consents in writing, an opposition request may be filed at any time during the period of enforceability of the patent. A court having jurisdiction over an issue of validity of a patent may not require the patent owner to consent to such a request."

<sup>36</sup> A proposed change to *inter partes* reexamination would also narrow the scope of estoppel to only extend to issues actually raised during reexamination by striking the phrase "or could have raised." However, suitable changes in proposed 35 U.S.C. § 336 appear to make the estoppel provisions of the proposed 35 U.S.C. § 336 less onerous as compared to those in 35 U.S.C. § 315(c).

<sup>37</sup> Of course, the institution of an opposition proceeding will not prevent a District Court from proceeding with an infringement proceeding. Thus, as occurred recently in the litigation between NTP and Research In Motion, Ltd., while the litigation ultimately concluded that Research In Motion was infringing a valid patent, these same patents are undergoing reexamination which could ultimately result in the invalidation of the claims found valid in the District Court. See NTP v. Research In Motion, Ltd., 392 F.3d 1336, 73 U.S.P.Q.2D 1231 (Fed. Cir. 2004) and Reexamination Control Nos. 90/006,491, 90/006,492, 90/006,493, 90/006,494, 90/006,495, 90/006,533, 90/006,675, 90/006,678, 90/006,679, 90/006,680, 90/006,681, and *inter partes* Reexamination Control Nos. 95/000,011 and 95/000,020.

would allow submission at any time within six months after publication of the application.<sup>38</sup> As compared to opposition proceedings, the aim of expanding the public's right to submit information is to improve patent quality to prevent the issuance of invalid patents. Since this improvement in patent quality is a generally acknowledged goal, this passage has not generated a great deal of controversy.<sup>39</sup>

#### G. Best Mode Requirement Removed

In order to more closely reflect the international norm, the Patent Reform Act amends 35 U.S.C. § 112 to remove the best mode requirement. Under current United States law, 35 U.S.C. § 112 requires the disclosure of the best mode for implementing the invention. Since the best mode generally does not improve the detailed description, the best mode requirement has generally been a trap for the unwary by providing yet another technical mechanism for invalidating claims. By deletion of the "best mode" requirement from 35 U.S.C. § 112, this trap is removed. While the provision has met with some controversy by those who believe the requirement is beneficial to society by requiring a more complete disclosure, the removal of the best mode requirement is generally supported for removing a trap whose detriments outweigh the purported benefit.<sup>40</sup>

#### H. Limits on Continuation Applications

One controversial aspect of the Patent Reform Act is an attempt to limit the right of patent applicants to file continuation applications. Under existing law, a patent applicant has a near unlimited right to maintain a pending patent application.<sup>41</sup> Since this practice allows patent holders to add claims covering newly discovered technologies, certain industries have decried the practice as unfair.<sup>42</sup> In order to limit the ability to add such new claims in later continuation applications, the Patent Reform Act adds new section 35 U.S.C. § 123 which would entitle the United States Patent and Trademark Office to limit by regulation the adding of new claims in continuation applications that are not within the scope of the claims in the parent application as originally filed.<sup>43</sup> While there is no requirement that any such regulations be promulgated, this

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<sup>38</sup> Both proposed 35 U.S.C. § 122 and existing 37 C.F.R. § 1.99 also limit the submissions if a notice of allowance or office action is issued before these time frames, with the present backlog of cases at the United States Patent and Trademark Office, these limitations are ineffective in shortening the submission window.

<sup>39</sup> Wendy H. Schacht & John R. Thomas, PATENT REFORM: INNOVATION ISSUES, CRS Report for Congress, pp. 26-27 (July 15, 2005).

<sup>40</sup> Id. at pp. 21-22 (July 15, 2005).

<sup>41</sup> Note that the right is not unlimited. For instance, in In re Bogese, 303 F.3d 1362, 1369, 64 U.S.P.Q.2d 1448, 1453 (Fed. Cir. 2002), prosecution laches was applied to finally reject a continuation application where the continuation application "did not substantively advance prosecution when required and given an opportunity to do so by the PTO." Similarly, in Symbol Technologies/Cognex Corp. v. Lemelson Medical, Education & Research Foundation, 277 F.3d 1361, 61 U.S.P.Q.2d 1515 (Fed. Cir. 2002), the maintenance of pending applications since 1954 can represent an abuse of the continuation system such that the equitable doctrine of laches is available to prevent enforcement of the resulting patents.

<sup>42</sup> Entities adding claims in continuations in this manner are often referred to as patent trolls. Wendy H. Schacht & John R. Thomas, PATENT REFORM: INNOVATION ISSUES, CRS Report for Congress, p. 28 (July 15, 2005).

<sup>43</sup> Specifically, 35 U.S.C. § 123 provides that "[t]he Director may by regulation limit the circumstances under which an application for patent, other than a divisional application that meets the requirements for filing under section 121, may be entitled to the benefit under section

provision would potentially prevent applicants from later adding claims that broaden the scope of the claims. A similar claim scope restriction is found in reexaminations and narrowing reissues, which have statutory restrictions which prevent applicants from broadening claims.<sup>44</sup> For this reason, this provision has been viewed warily by individual inventors and industry, and is supported only to the extent the regulations do not impede legitimate uses of continuation applications.<sup>45</sup>

#### I. Inequitable Conduct, 35 U.S.C. § 136

In another controversial provision, the Patent Reform Act requires that, during litigation, assertions of inequitable conduct be referred to the United States Patent and Trademark Office for resolution. Under 35 U.S.C. § 136(c), the United States Patent and Trademark Office is the sole forum for investigating and determining misconduct. There exists a concern over whether the United States Patent and Trademark Office has sufficient funding for this function such that this provision has been especially controversial merely to the extent there is doubt as to whether the agency would be able to implement the law.<sup>46</sup> However, there remains a belief that some form of the provision is needed in order to formalize the ability of the United States Patent and Trademark Office to regulate patent practitioners.<sup>47</sup> As such, other than the impact on funding, this provision is not overly controversial.

Of greater interest to intellectual property holders is the proposed restriction on the use of inequitable conduct as a defense to infringement. Generally, the Patent Reform Act attempts to address industry concerns that inequitable conduct is overused as a defense to infringement, and is asserted as a matter of course even in situations where the conduct did not affect the validity of the patent itself.<sup>48</sup> To remedy this situation, proposed 35 U.S.C. § 136(c) of the Patent Reform Act limits the defense of inequitable conduct defense to where the conduct:

1. affects the validity of an asserted claim,
2. the claim is found invalid,
3. there is evidence that the patent examiner relied upon the conduct in allowing the claim, and
4. the conduct is attributed to the patent owner.

As a further limitation, the finding of reliance by the Examiner and the participation of the patent owner elements 3 and 4 needs to be proven by clear and convincing evidence. 35 U.S.C. §

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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.

<sup>44</sup> 35 U.S.C. §§ 305 and 314 prevent broadening of claims during reexamination, while 35 U.S.C. § 251 prevents enlargement of claims for reissue applications filed more than two years after grant of the patent.

<sup>45</sup> Statement of Gary Griswold, Past President of the American Intellectual Property Law Association Before the House Subcommittee on Courts, the Internet and Intellectual Property (June 9, 2005); Carl Gulbrandsen, Managing Director, Wisconsin Alumni Research Foundation (WARF), Before the House Subcommittee on Courts, the Internet and Intellectual Property (June 9, 2005); and Wendy H. Schacht & John R. Thomas, Patent Reform: Innovation Issues, CRS Report for Congress, p. 28 (July 15, 2005).

<sup>46</sup> See Testimony of The Honorable Q. Todd Dickinson, Former Under Secretary of Commerce and Intellectual Property and Director of the U.S. Patent and Trademark Office and Vice President and Chief Intellectual Property Counsel General Electric Company to the Senate Subcommittee on Intellectual Property, Committee on the Judiciary (July 26, 2005).

<sup>47</sup> Wendy H. Schacht & John R. Thomas, PATENT REFORM: INNOVATION ISSUES, CRS Report for Congress, pp. 24-25 (July 15, 2005).

<sup>48</sup> Id. at pp. 23-24.

136(d)(3). Given the standard of proof and the limited circumstances in which it can be asserted, the Patent Reform Act effectively precludes assertions of inequitable conduct as a defense except where the inequitable conduct rises nearly to the level of an antitrust violation.<sup>49</sup> Since the concerns were that inequitable conduct is overly and improperly used as a defense, the Patent Reform Act's restriction on its use has been generally supported.

#### J. Prior User Rights

Under existing law, 35 U.S.C. § 273 provides a defense which allowed users of a business method which is later patented to continue using the business method so long as the prior user could establish that the method was used, in secret, for more than one year prior to the patent being filed.<sup>50</sup> Under the Patent Reform Act of 2005, this prior user right would be greatly expanded by allowing prior users of any device or method (not just business methods) to establish prior user rights without having to show that the use was in existence more than one year prior to the filing of the application resulting in the asserted patent.<sup>51</sup>

Specifically, under 35 U.S.C. § 273(b), "[i]t shall be a defense to an action for infringement under section 271 of this title with respect to any subject matter that would otherwise infringe one or more claims in the patent being asserted against a person, if such person had, acting in good faith, actually reduced the subject matter to practice." While explicitly not requiring the reduction to practice to occur prior to the filing of the application, it appears that the intent was that the reduction to practice occur at least prior to the filing of the application (if not before the issuance of the patent). However, as written, 35 U.S.C. § 273(b) would allow for a defense to any infringement as long as the infringement is based upon a method or apparatus that has been reduced to practice.

Assuming that the prior user right of 35 U.S.C. § 273 is limited to uses prior to the filing of the application, with the removal of 35 U.S.C. § 102(g), it is noted that others in the field will not be able to use prior development by another to invalidate the patent. Therefore, as compared to the present state of law, the combination of 35 U.S.C. §§ 102(a) and 273 actually reduces the ability to practice inventions based upon prior use.<sup>52</sup>

#### K. Miscellaneous Provisions

1. All applications published at 18 months

Under present law, 35 U.S.C. § 122 allows the patent applicant to prevent publication of the application at 18 months in certain circumstances. The purpose of this provision is to allow small companies and independent inventors to maintain secrecy as to the content of the patent application since these entities were vocal in their fear that larger corporations would copy their ideas and otherwise interfere with prosecution by swamping the examiner with prior art.<sup>53</sup> The

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<sup>49</sup> While the level of culpability is generally the same, it is important to note that an additional element for showing an antitrust violation would be that the filing of the patent lawsuit forms or maintains a monopoly within the definition of 15 U.S.C. § 2.

<sup>50</sup> Interestingly, the same burden of proof required under existing 35 U.S.C. § 273 would also be sufficient to invalidate the patent under existing 35 U.S.C. § 102(g).

<sup>51</sup> Wendy H. Schacht & John R. Thomas, PATENT REFORM: INNOVATION ISSUES, CRS Report for Congress, pp. 29-31 (July 15, 2005).

<sup>52</sup> For instance, in Thomson S.A. v. Quixote Corp., 166 F.3d 1172 (Fed. Cir. 1999), prior secret development of another prior to the earliest filing date of an asserted patent which was proven by clear and convincing evidence was used to invalidate the asserted patent.

<sup>53</sup> Wendy H. Schacht & John R. Thomas, PATENT REFORM: INNOVATION ISSUES, CRS Report for Congress, pp. 25-26 (July 15, 2005).

Patent Reform Act deletes this exception to publication, which has generated controversy in the independent inventor community. However, the United States Patent and Trademark Office has generally argued that the provision is burdensome and sufficiently underutilized to merit its elimination.<sup>54</sup>

## 2. Assignee entitled to file on behalf of inventors

Under existing law, inventors are entitled to file an application as compared to the actual owner of the application. While an assignee can file in place of the inventor, the assignee is only able to do so in limited circumstances.<sup>55</sup> In order to simplify the filing process and in accordance with the international norm, proposed 35 U.S.C. § 118 allows the true owner of the patent to file on behalf of the inventors. This provision has enjoyed historic support and is not deemed especially controversial.<sup>56</sup>

## 3. Oath of applicant simplified

Currently, 35 U.S.C. § 115 requires that the applicant take an oath having complex requirements including statements of citizenship, that the applicant is the first inventor(s), and the oath is made in a manner which complies with the country of citizenship.<sup>57</sup> In order to simplify this oath, 35 U.S.C. § 115 is would be amended to only require "the applicant to make an oath setting forth particulars relating to the inventor and the invention."

## 4. Changes to Inventorship

Under current law, inventorship is difficult to determine and corrections of inventorship is difficult. Not the least of these difficulties is showing that the error arose without deceptive intent. As such, the Patent Reform Act amends 35 U.S.C. §§ 116 and 256 to no longer require that the error be shown to be without deceptive intent.

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<sup>54</sup> Moreover, since all applications would be published, the Patent Reform Act of 2005 eliminates 35 U.S.C. § 157, which is the provision allowing for issuance of Statutory Invention Registrations (SIRs). SIRs are a seldom used form of defensive publications for applications which will not become patents for whatever reasons.

<sup>55</sup> The circumstances are usually related to death or unavailability of all of the inventors, and always require the submission of evidence of death and/or unavailability of the inventors.

<sup>56</sup> Wendy H. Schacht & John R. Thomas, PATENT REFORM: INNOVATION ISSUES, CRS Report for Congress, pp. 20-21 (July 15, 2005).

<sup>57</sup> Specifically, 35 U.S.C. § 115 requires: "[t]he applicant shall make oath that he believes himself to be the original and first inventor of the process, machine, manufacture, or composition of matter, or improvement thereof, for which he solicits a patent; and shall state of what country he is a citizen. Such oath may be made before any person within the United States authorized by law to administer oaths, or, when, made in a foreign country, before any diplomatic or consular officer of the United States authorized to administer oaths, or before any officer having an official seal and authorized to administer oaths in the foreign country in which the applicant may be, whose authority is proved by certificate of a diplomatic or consular officer of the United States, or apostille of an official designated by a foreign country which, by treaty or convention, accords like effect to apostilles of designated officials in the United States, and such oath shall be valid if it complies with the laws of the state or country where made. When the application is made as provided in this title by a person other than the inventor, the oath may be so varied in form that it can be made by him. For purposes of this section, a consular officer shall include any United States citizen serving overseas, authorized to perform notarial functions pursuant to section 1750 of the Revised Statutes, as amended (22 U.S.C. 4221)."

#### L. Conclusion: Passage in Doubt

While there is a great deal of interest and support for individual elements of the Patent Reform Act, due to the breadth of the changes being proposed, the passage of the entire bill is very much in doubt. Specifically, large corporations and many of legal associations such as the American Bar Association, the American Intellectual Property Law Association, the Intellectual Property Owners, the Association of American Universities, and the U.S. Patent and Trademark Office are generally for at least changes to novelty to obtain a first-to-file system as well as to implement an opposition system. However, these entities are generally against changes that affect the ability to obtain injunctions and damages and would prefer to see the Patent Reform Act not pass if these provisions are not removed.

Moreover, various other groups, especially those connected to small businesses such as the National Association of Patent Practitioners (NAPP) and the Professional Inventors Alliance USA are also opposed to these provisions. However, these other groups are also against the provisions which implement the first-to-file system as well as the requirements for mandatory application publication, and are active in trying to have these provisions removed from the Patent Reform Act. Additionally, certain judges, when discussing the proposed changes that affect infringement action at the Conferences on Patent Reform Patent, have voiced concern over the unintended consequences of the Patent Reform Act, especially in regards to the requirement to refer disciplinary matters and the resulting bifurcation of trials where inequitable conduct is a defense. Thus, while elements of the Patent Reform Act are indeed beneficial, unless certain of the controversial elements in regards to damages, inequitable conduct and injunctions are removed, the Patent Reform Act faces an uphill battle in order to be eventually passed into law.<sup>58</sup>

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<sup>58</sup> As of the writing paper, further work on the legislation has been suspended until September of 2005, the suspension being at least partially due to the opposition to the provisions on injunctions.