

2005 Patent Reform Act

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Securing Innovation

Patent Act of 2005

- HR 2795

- On June 8, 2005, Rep. Lamar Smith, Chairman of the House Subcommittee on Courts, the Internet, and Intellectual Property, along with several co-sponsors, introduced H.R. 2795, the “Patent Act of 2005.”
- The provisions of HR 2795 would arguably produce the most sweeping reforms to the U.S. patent system since the 19th century
- The pending reform is currently enjoying bipartisan support at least to some extent, but different industries and organizations favor and/or disfavor various provisions



Reasons for Changes

- 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.
- Also, 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.



Reasons for Changes

- Pressure from industry to make act more straight forward
 - Eliminate secret prior art
 - Eliminate first to invent and interference practice as expensive and cumbersome
- Culminated in two major reports:
 - National Academy's Board on Science, Technology, and Economic Policy, A Patent System for the 21st Century (2004)
 - Federal Trade Commission, To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy (October 2003)
 - American Intellectual Property Law (AIPLA) promoted need for change using these reports in a series of Town Hall Meetings

Resulting Bill

- Major recommendations of the report and road shows relating to novelty and obviousness
 - Reinvigorate obviousness standard
 - Harmonize novelty standard with rest of world
- Resulting bill introduced in House of Representatives
 - H.R. 2795 entitled the “Patent Act of 2005.”
 - Senate version being prepared
- Changes are sufficiently major that the outcome is uncertain
 - If you want to track progress:
 - <http://thomas.loc.gov/>
 - Marked up version available at http://patentlaw.typepad.com/patent/2005/06/patent_reform_r.html



Particular Interest Provisions

- Provisions of pending legislation that appear to be of particular interest to independent inventors, universities, and small businesses include a shift to a first-inventor-to-file priority system, prior user rights, pre-issuance publication of all pending applications, and post issuance oppositions.

First to File

- First to File
 - 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.
 - The 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. 35 U.S.C. §100(h); 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. Section 100(h)
- 35 U.S.C. §102 (Novelty) and §103 (Nonobviousness) are modified to be consistent with the first to file change.



Major Facets of Changes: 35 USC 102

- (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
 - (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.



Summarize Change to 35 USC 102

- 35 USC 102 Art is limited to
 - Patents and published applications
 - printed publications
 - otherwise *publicly* known inventions
- Processes performed in secret not prior art
 - Offers for sale (if secret) not invalidating
 - Papers offered during collaborations, plans sent to suppliers, proposals for commercial enterprises
 - Overrules Oddzon Prod., Inc. v. Just Toys, Inc., 122 F3d 1396 (Fed. Cir. 1997)
 - Confidential designs sent to inventor deemed to be prior art under 35 USC 102(f) and could be used to invalidate patent as anticipated and/or obvious.



Summarize Change to 35 USC 102 (Cont.)

- One year grace period
 - No exception if was patented, described in a printed publication, or otherwise publicly known more than one year
 - Similar to current 35 USC 102(b)
 - Not prior art if patented, published, publicly known less than one year before effective filing date and is based upon inventor's own work
 - Example: Inventor disclosed to coauthor who publishes article before inventor files applications (so long as application filed within one year of publication)
- No grace period for prior filed applications by another
 - Similar to 35 USC 102(a) and 35 USC 102(e) with respect to requirement of different inventive entity

Summarize Change to 35 USC 102 (Cont.)

- Date of inventorship no longer relevant to invalidity under 35 USC 102
 - No exceptions under 35 USC 102(a) and 35 USC 102(e)
 - No Declarations under 35 CFR 1.131 to show prior conception before publication/filing date of reference
 - 35 USC 102(g) eliminated
 - Interferences now only available to contest inventorship under 35 USC 135
 - No secret prior art for prior development by another
 - E.g., eliminates 35 USC 102(g) invalidity defense as set forth in Thomson S.A. v. Quixote Corp., 166 F.3d 1172 (Fed. Cir. 1999)
 - Prior secret completion of invention by another sufficient to invalidate claims even though not yet publicly displayed

Summarize Change to 35 USC 102 (Cont.)

35 USC 102(b) LIMITATION ON PRIOR ART.—

- (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.
- (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) 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.
 - (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.



Summarize Change to 35 USC 102 (Cont.)

- Commonly owned patent subject matter not prior art under 35 USC 102(b)(1)
 - Used to be only exempted under 35 USC 103(c)(1)
 - Very broad exemption for pending applications and applications not issued as patents at time of filing
- Joint Research Exemption to prior art under 35 USC 102(b)(2)
 - New exemption under 35 USC 103(c)(2) Preserved And Expanded
 - Cooperative Research and Technology Enhancement (CREATE) Act of 2004 created for joint development
 - Very broad exemption for pending applications and applications not issued as patents at time of filing

Summarize Change to 35 USC 102 (Cont.)

- A somewhat 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. 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. Further, the definition for effective filing date for a patent application itself does not require a U.S. filing date. 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.

Potential Pitfalls for Proposed 35 USC 102 (Cont.)

- What is Reasonably and Effectively Accessible?
 - If persons of ordinary skill in the art are able to
 - gain access to the subject matter by without resort to undue efforts; and
 - to comprehend the content of the subject matter without resort to undue efforts.
- Likely means can be readily reverse engineered, method understood from resulting product
 - Unclear when this occurs
 - Very evidence driven
- Anticipate litigation and uncertainty if the new section 102 passes

How Does The Change to 35 USC 102 Affect 35 USC 103?

- Proposed 35 USC 103 simplified
 - No need for the exemptions, so 35 USC 103(b) and (c) removed
- Text: (Highlights show changed text)

35 USC 103(a) A patent for a claimed invention may not be obtained though the claimed invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious before the effective filing date of the claimed invention to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made

Obviousness

- 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.

Oath of Applicant

Oath of Applicant

- Simplifies the process by which an applicant takes an oath governing the particulars of an invention and the identity of the rightful inventor.
 - 35 U.S.C. §115, Oath of Applicant
“The Director may require the applicant to make an oath setting forth particulars relating to the inventor and the invention.”



Best Mode Requirement Eliminated

Significant Deletions

- Deletes the “best mode” requirement from 35 U.S.C §112, which lists certain elements in the specification that an inventor must set forth in an application.
- 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.



Changes to Inventorship

Changes to Inventorship

- Correction of an error in inventorship under 35 U.S.C. §116 no longer requires that the error be shown to be without deceptive intent.
- Patent remains valid if an error in inventorship is corrected. 35 U.S.C. §256.

Publication of Applications

Application Publication

- Expands the 18 month publication feature to all applications. 35 U.S.C. §122.
 - Deletes the provisions which permitted an applicant to request that an application not be published 18 months after filing.

Pre-issuance Submissions by Third Parties

- 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 would allow submission at the earlier of:
 - (A) the date of notice of allowance; or
 - (B) either
 - (i) 6 months after the date on which the application is published, or
 - (ii) the date of the first rejection of any claim by the Examiner during application for patent, whichever occurs later
- 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.
- Such a third party submission must include “a concise description of the asserted relevance of each submitted document.”

Limits on Continuation Applications

Limits on Continuation Applications

- Authorizes the PTO to limit by regulation the circumstances in which patent applicants may file a continuation and still be entitled to priority date of the parent application.
 - “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 under 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.” 35 U.S.C. §123



Inequitable Conduct

Inequitable Conduct, 35 U.S.C. §136.

- Codifies the law related to inequitable conduct in connection with patent proceedings before the PTO.
 - Requires individuals associated with the filing and prosecution of an application to in good faith timely disclose information known to that individual to be material to any issue before the Office in connection with the application or patent, and to not materially misrepresent information. 35 U.S.C. §136.
 - Makes the USPTO the sole forum for investigating and determining misconduct under this section. 35 U.S.C. §136.
 - Duty of good faith extends to parties that are adverse to the patent or application. 35 U.S.C. §137.



Inequitable Conduct

- In this 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. 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. 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. 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. § 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. 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.

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. 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.
- 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.

Injunctions

- Injunctions, 35 U.S.C. §283.
 - Authorizes courts with jurisdiction over patent cases to grant injunctions in accordance with the principles of equity to prevent the violation of patent rights.
 - “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 nonappealable 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.”
 - Automatic stay of injunctions for appeals.

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. While courts are typically supposed to account for principles of equity under 35 U.S.C. § 283, 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. In 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.
- One reason for this provision is to prevent against patent trolling by patent speculators and companies that produce no products.
- 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, the provision may be stricken.

Oppositions

Right to Oppose Patent

- Creates a new post-grant opposition system. 35 U.S.C. §321 et seq.
 - **§ 321. Right to oppose patent; opposition request**
 - (a) FILING OF OPPOSITION.—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 Director shall establish, by regulation, fees to be paid by the opposer. Copies of patents and printed publications to be relied upon in support of the request must be filed with the request. If an opposer relies on other factual evidence or on expert opinions in support of the opposition, such evidence and opinions must be filed with the request through one or more accompanying affidavits or declarations.
- Identity of the real party in interest may be kept secret if requested by the party opposing the patent. 35 U.S.C. §322.
- Opposition request under section 321 may not be filed 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. 35 U.S.C. §323.

Oppositions

- 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). 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 others in the relevant art. Also, 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.



Oppositions

- 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, the use of the opposition proceeding appears to provide a preferred route for an accused infringer to invalidate a patent.

Damages

Damages, 35 U.S.C. §284

- § 284. Damages
- (a) **AWARD OF DAMAGES** – Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court. 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.
 - Damages to be limited to the inventive contribution rather than calculated on the selling price of an entire product.

Damages - Willful Infringement (cont.)

Damages, 35 U.S.C. §284

- § 284. Damages
- (b) WILLFUL INFRINGEMENT –
- (1) INCREASED DAMAGES.—A court that has determined that the infringer has willfully infringed a patent or patents may increase the damages up to three times the amount of damages found or assessed under subsection (a), except that increased damages under this paragraph shall not apply to provisional rights under section 154(d) of this title.
Provides stricter guidelines on “willful infringement.”

Damages - Willful Infringement (cont.)

- 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. 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) 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.

Damages - Willful Infringement (cont.)

- 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.
- 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. 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. 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.

Damages - Willful Infringement (cont.)

- 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. 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.
 - (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. Thus, the Patent Reform Act appears to strongly encourage potential infringers to obtain opinions of counsel at an early stage.

Miscellaneous Provisions

- Statutory Invention Registration (SIR) is repealed. 35 U.S.C. §157
- 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. 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.

Congress Mulls Watered-Down Patent Reform

IP Law Bulletin (Monday, September 19, 2005)--A watered-down proposal to overhaul U.S. patent law is advancing on Capitol Hill, with industry representatives mostly cheering the latest draft of the bill at a House Subcommittee hearing last week.

Key changes to the bill include the removal of provisions that would have limited continuation applications, created a “second window” for opposing new patents and changed the way permanent injunctions would be granted.

Four witnesses presented testimony at the hearing, representing groups most impacted by patent reform. Representatives of the pharmaceutical, biotechnology and computer software industries indicated significant progress had been gleaned from months of debate over the original bill.

John R. Thomas, a law professor at Georgetown University, expressed concern over removing reform of injunctions and continuation applications. The original bill addressed the flagrant use of injunctions, while continuation applications were being considered for unfairly extending the lives of old patents.

“I wish merely to warn the Subcommittee that these issues may potentially darken your door in the near future,” Thomas said at the hearing.

Technology companies also expressed concern that the watered-down proposal would make it more difficult to battle so called “patent trolls,” holding companies that subsist mostly by asserting overly broad patents against established firms.

“The fact that the patent system works well for other industries does not obviate the need to address this very real problem for the technology industry. Our industry is particularly vulnerable to such claims because our complex products often have hundreds of patented or patentable features contained within them,” said software industry representative Emery Simon, counselor for the Business Software Alliance.

Congressman Lamar Smith (R-TX), who introduced the bill in June, hailed the bill’s latest draft as a significant accomplishment, given the balancing act between competing interests.

“In any negotiation, concessions must be made by both sides in order to achieve such a consensus. Here some provisions have been removed, and others have been added, such as venue (transfers), for example,” said Smith, House Judiciary Subcommittee Chairman of Courts, the Internet, and Intellectual Property.

Smith was quick to point out in a prepared statement that reforms benefiting some sectors could not be accomplished at the expense of others.

“Some of the changes that we have considered may inadvertently hurt other important industries. Biotech and brand drug companies, for example, operate under very different business models. Their concerns - about profit margins, lawsuits, and productivity - are no less sincere than those of the high-tech community,” commented Smith in a statement.

One revision from the original bill that drew protests related to injunctions. At one time central to the bill, Smith now claims that creating obstacles to obtaining injunctions is not the only way to improve the process surrounding them.

“Instead of focusing on the frequency with which injunctions are issued, why not revise another statute that allows frivolous suits to be brought in “patent-friendly” judicial districts? We are now exploring the possibility of allowing these suits to go forward, but under more stringent terms,” Smith said.

While the overall changes to the bill may have please the groups involved, newly added provisions have attracted fresh concern, specifically transfers of venue. The drafters of the bill amended it to address the abundance of “forum shopping” in intellectual property cases.

The biotechnology industry was particularly concerned with the changes, according to Robert B. Chess, executive chairman for Nektar Therapeutics and member of the Biotechnology Industry Organization.

“Our members are concerned that this provision significantly shifts the advantage in patent litigation in favor of the defendant. The bill would only allow a lawsuit to commence in the district where defendant resides or the district where the defendant has committed acts of infringement or has a regular established place of business,” Chess told the panel.

Although the testimony shows agreement may be on the horizon, many aspects of the bill remain under a cloud.

“The bill is still a work in progress and no final decisions have been made, so it's premature to characterize what will end up in the bill,” Smith said. “I look forward to continuing to work with the industry groups on a bill that will reform and improve the patent system.”