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## IS THE CURE WORSE THAN THE DISEASE? AN OVERVIEW OF THE PATENT REFORM ACT OF 2005

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### ABSTRACT

As a result of pressures from various groups and issues surrounding the current patent system, representative Lamar Smith introduced a bill which overhauls multiple aspects of patent practice. The patent reform act is designed to please or compromise between various industry groups while at the same time invigorating the patent system. Specifically, the Patent Reform Act proposes changes to the procedures for filing application, how the applications are filed and even how patents are enforced. In addition to the major publicized changes the Patent Reform Act proposes other alterations that, while receiving less notice, have just as much practical effect. This article will discuss the changes proposed by the Patent Reform Act as well as their practical consequences.

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# IS THE CURE WORSE THAN THE DISEASE? AN OVERVIEW OF THE PATENT REFORM ACT OF 2005

JAMES G. MCEWEN\*

## INTRODUCTION

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.<sup>1</sup> Popularly known as the “Patent Reform Act of 2005,” the Patent Reform Act is an omnibus bill that overhauls multiple aspects of patent practice.<sup>2</sup> Among the major areas being reformed, the Patent Reform Act overhauls basic procedures including the filing of patent applications,<sup>3</sup> how patent practitioners are regulated,<sup>4</sup> and even how patents are enforced.<sup>5</sup> In view of the scope of the Patent Reform Act, a great deal of interest and scrutiny surrounds certain major proposed changes. For instance, proposed changes involving a switch to a first-to-file system and changes to the award of damages have drawn much of attention.<sup>6</sup> However, the Patent Reform Act proposes other changes, such as new categories and exclusions of prior art, which have received less notice but are of practical importance for the intellectual property owner.<sup>7</sup> As such, this article provides an overview of the various provisions of the Patent Reform Act.

The Patent Reform Act was the result of pressures from diverse industries and groups. Thus, 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 reflects pressure to conform to international standards, which generally require absolute novelty to obtain a patent using a first-to-file system.<sup>8</sup> Furthermore, in view of the high costs of litigation, the Patent Reform Act reflects pressure to reduce the

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<sup>1</sup> Patent Reform Act of 2005, H.R. 2795, 109th Cong. (2005).

<sup>2</sup> *Id.* Additional information, including status information, related to H.R. 2795 can be found at Thomas - U.S. Congress on the Internet, <http://thomas.loc.gov/>.

<sup>3</sup> Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 3 (2005).

<sup>4</sup> *Id.* §§ 3, 8–9.

<sup>5</sup> *Id.* §§ 3, 5.

<sup>6</sup> See *Intellectual Property*, NAT'L J.'S TECH. DAILY, June 19, 2005; Lora Volkert, *Changes in Federal Patent Law Loom: Legislation May Generate Rush of Applications*, KAN. CITY DAILY REC., Oct. 8, 2005; Sarah Lai Stirland, *Intellectual Property: Patent Consensus Closer but Industry Divide Remains*, NAT'L J.'S TECH. DAILY, Sept. 15, 2005.

<sup>7</sup> Patent Reform Act of 2005, H.R. 2795, 109th Cong. §§ 3, 11 (2005).

<sup>8</sup> See generally William S. Thompson, *Reforming the Patent System for the 21st Century*, 21 AIPLA Q.J. 171 (1993).

uncertainties of litigation by clarifying the law in regards to willful infringement and inequitable conduct, eliminating “secret” prior art, and retaining the prior user defense.<sup>9</sup> Lastly, the Patent Reform Act proposes changes to various types of damages deemed excessive, such as treble damages for willful infringement, as well as mechanisms for making equitable factors play a greater role in determining whether to enjoin infringement.<sup>10</sup>

These pressures and issues have been at the forefront of the patent community since the American Inventors Protection Act was enacted on November 29, 1999<sup>11</sup> and amended by the Intellectual Property and High Technology Technical Amendments Act of 2002, enacted on November 2, 2002.<sup>12</sup> More recently, two major reports revisited these issues with an expanded emphasis on patent quality and enforceability. The first report, issued by the Federal Trade Commission, is titled *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy*.<sup>13</sup> The second report, issued by the National Academies Board on Science, Technology, and Economic Policy is titled *A Patent System for the 21st Century*.<sup>14</sup> Upon issuance of these reports, the National Academies Board on Science, Technology, and Economic Policy and the American Intellectual Property Law Association (“AIPLA”) further promoted the need for change in a series of Conferences on Patent Reform in 2005.<sup>15</sup> These conferences and reports focused on discussion of changing the novelty requirement to comport with a first-to-file system, emphasizing the need for reinvigorating the obviousness standard, and various recommendations for reducing litigation risks and costs.<sup>16</sup> The Patent Reform Act of 2005 was created as a result of these reports and discussions, as well as subsequent hearings at the House of Representatives and the Senate.<sup>17</sup> The following sections highlight and discuss some of the major provisions of this bill.

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<sup>9</sup> Patent Reform Act of 2005, H.R. 2795, 109th Cong. §§ 3, 6 (2005).

<sup>10</sup> *Id.* at §§ 6–7.

<sup>11</sup> American Inventors Protection Act of 1999, Pub. L. No. 106-113, 113 Stat. 1501 (2000).

<sup>12</sup> High Technology Technical Amendments Act of 2002, Pub. L. No. 107-273, 116 Stat. 1758 (2000).

<sup>13</sup> FED. TRADE COMM’N, *TO PROMOTE INNOVATION: THE PROPER BALANCE OF COMPETITION AND PATENT LAW AND POLICY*, (2003), <http://www.ftc.gov/os/2003/10/innovationrpt.pdf>.

<sup>14</sup> THE NATIONAL ACADEMIES BOARD ON SCIENCE, TECHNOLOGY, AND ECONOMIC POLICY, *A PATENT SYSTEM FOR THE 21ST CENTURY* (2004), <http://www.nap.edu/books/0309089107/html> [hereinafter *SYSTEM FOR THE 21ST*].

<sup>15</sup> THE NATIONAL ACADEMIES BOARD ON SCIENCE, TECHNOLOGY, AND ECONOMIC POLICY, AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION, AND FEDERAL TRADE COMMISSION, *CONFERENCE ON PATENT REFORM (2005)*, [http://www.aipla.org/Content/ContentGroups/Meetings\\_and\\_Events1/Roadshows/20058/Transcript\\_6-9-05.pdf](http://www.aipla.org/Content/ContentGroups/Meetings_and_Events1/Roadshows/20058/Transcript_6-9-05.pdf) [hereinafter *CONFERENCE ON REFORM*].

<sup>16</sup> *See generally* *SYSTEM FOR THE 21ST*, *supra* note 14; *CONFERENCE ON REFORM*, *supra* note 15; FED. TRADE COMM’N, *supra* note 13.

<sup>17</sup> Patent Reform Act of 2005, H.R. 2795, 109th Cong. (2005). Presently, no companion bill has been introduced in 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. *See, e.g.*, Posting of Dennis Crouch to Patently-O: Patent Law Blog, [http://patentlaw.typepad.com/patent/2005/08/patent\\_reform\\_a.html](http://patentlaw.typepad.com/patent/2005/08/patent_reform_a.html) (Aug. 18, 2005).

## I. ANALYSIS

### A. *Changes to Novelty*

One of the more striking aspects of the Patent Reform Act is a proposed reformation of the novelty requirement.<sup>18</sup> 35 U.S.C. § 102 would be rewritten to closely comport with a first-to-file system but would maintain a one year grace period for the inventor's own publications and events.<sup>19</sup> Thus, the Patent Reform Act would remove the elements of § 102 relating 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:

(a) 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.<sup>20</sup>

While seemingly simple 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 proposed § 102(a) has a number of hidden features that are discussed in greater specificity below.<sup>21</sup>

#### 1. *Changing to a First-to-File System*

As noted above, a major impetus for creating the Patent Reform Act was to harmonize United States patent law, based upon a first-to-invent system, with the international norm, based upon a first-to-file system.<sup>22</sup> In making this change, proposed § 102 and proposed § 100 provide that the right to a patent will be awarded to the first inventor to file for a patent who adequately discloses the claimed

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<sup>18</sup> Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 3 (2005).

<sup>19</sup> *Id.*

<sup>20</sup> *Id.*

<sup>21</sup> *Compare id.*, with 35 U.S.C. § 102 (2000).

<sup>22</sup> Wendy H. Schacht & John R. Thomas, PATENT REFORM: INNOVATION ISSUES, CRS Report for Congress, at 13–14 (July 15, 2005), available at [http://mainelaw.maine.edu/cli/documents/crs\\_report\\_patent\\_reform.pdf](http://mainelaw.maine.edu/cli/documents/crs_report_patent_reform.pdf).

invention.<sup>23</sup> In this regard, the revised § 102 removes any mention of the dates of inventorship, thus eliminating or substantially reworking 35 U.S.C. §§ 102(a), (e), and (g).<sup>24</sup> As such, under proposed § 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 under 35 U.S.C. § 102(g).<sup>25</sup>

The major advertised effect of the proposed § 102(a) is to remove the potential for interferences between conflicting claims in different applications by eliminating 35 U.S.C. § 102(g).<sup>26</sup> Indeed, one of the major contentions by supporters 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 disadvantage small businesses and individual inventors.<sup>27</sup> Instead, the Patent Reform Act proposes that any interferences are to be brought about under the revised § 135, which provides a civil cause of action for contesting the inventorship of a patent.<sup>28</sup> Although removal of interferences under 35 U.S.C. § 102(g) is the primary argument used to support converting the United States patent system to a first-to-file system, any true practical effect will be minimal because interferences and infringement defenses under 35 U.S.C. § 102(g) are relatively rare.<sup>29</sup>

The practical, and more pervasive, effect of this change is that applicants will no longer be able to use declarations under 37 CFR § 1.131 to take advantage of an earlier date of invention, which allowed the applicant to remove from the prior art a publication or patent having a later publication date.<sup>30</sup> This effect, however, is entirely expected given the proposed change from a first-to-invent to a first-to-file system. Thus, while the Patent Reform Act attempts to simplify the law of novelty in regards to interferences, it 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 involves the priority date given to a U.S. patent or patent publication. Under the existing novelty laws 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.<sup>31</sup> This rule was set forth in *In*

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<sup>23</sup> Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 3 (2005).

<sup>24</sup> Compare *id.*, with 35 U.S.C. § 102 (2000).

<sup>25</sup> *Id.*

<sup>26</sup> See generally Steve R. Ludwig et al., *U.S. Patent Reform and the Future of Nanotechnology*, WASH. LEGAL FOUND., Aug. 12, 2005, at 4; Michael T. Burr, *Reinventing the Patent Act: A Compromise is Brewing on Capitol Hill That Would Recast the U.S. Patent System. Will It Make Any Difference for Better or Worse?*, CORP. LEGAL TIMES, Oct., 2005, at 5–6.

<sup>27</sup> Schacht, *supra* note 22, 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); *Patent Reform Prompts Intellectual Tug-Of-War*, NATURE 437, 1230–1231, Oct. 27, 2005. However, independent inventors strenuously disagree with this characterization and believe that they remain at a competitive disadvantage with big corporations should a first to file system be implemented. Erica Werner, *Bill Targets 'Patent Trolls', but Some Small-time Inventors Fear the Proposed Law Would Hurt Them in Favor of Big Corporations*, ASSOCIATED PRESS, Oct. 22, 2005.

<sup>28</sup> Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 113 (2005).

<sup>29</sup> Schacht, *supra* note 22, at 14.

<sup>30</sup> See 37 C.F.R. § 1.131 (2004) (allowing the inventor to swear behind prior art using the date of invention).

<sup>31</sup> 35 U.S.C. § 102(e) (2000).

*re Hilmer*, which established that foreign priority dates are not relevant in determining whether a pending U.S. patent anticipates another application.<sup>32</sup> This result was due to the requirement in 35 U.S.C. § 102(e) that the applicable date for foreign priority purposes is the U.S. filing date.<sup>33</sup> Under the proposed § 102(a)(2), this rule would be removed, or at least substantially called into question, because 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.”<sup>34</sup> While there is no current definition of “effectively filed,” it is noteworthy that the U.S. filing location requirement, which was the basis for the *In re Hilmer* decision, is removed.<sup>35</sup> Furthermore, the definition for effective filing date for a patent application itself does not require a U.S. filing date.<sup>36</sup> Therefore, an 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

The proposed recategorization of what constitutes prior art has almost as great of a practical effect as the change to a first-to-file system. Under the 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.<sup>37</sup>

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<sup>32</sup> *In re Hilmer*, 359 F.2d 859 (C.C.P.A. 1966). The language in question is “filed in the United States before the invention by the applicant for patent.” *Id.* at 864. *See generally* U.S. PAT. & TRADEMARK OFFICE, U.S. DEP’T OF COMMERCE, MANUAL OF PATENT EXAMINING PROCEDURES § 2136.03 (8th ed., 2nd rev. 2004).

<sup>33</sup> 35 U.S.C. § 102(e) (2000).

<sup>34</sup> Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 3 (2005) (emphasis added).

<sup>35</sup> *See id.* 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). *Id.* § 11. 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.” *See id.*

<sup>36</sup> *See id.* § 3.

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; 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.

*Id.*

<sup>37</sup> *Id.* (emphasis added).

In this regard, prior art categories as defined under 35 U.S.C. §§ 102(c), (d), and (f) have been removed entirely, while only aspects of 35 U.S.C. §§ 102(a) and (b) have been removed or substantially altered.<sup>38</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 clearly define the effect of the proposed change regarding whether “publicly known inventions” include non-public events.<sup>39</sup> For example, secret offers for sale do not necessarily qualify as invalidating non-public events such that orders from suppliers are not necessarily offers for sale for the purposes of novelty.<sup>40</sup> 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 Prods., Inc. v. Just Toys, Inc.*<sup>41</sup> However, as will be discussed in greater detail in subsection 6 below, this seeming clarification and simplification of § 102 may not work as an improvement to the existing law because 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 current U.S. practice was retained: the one year grace period.<sup>42</sup> Under 35 U.S.C. § 102(b), any patent, printed publication, or public event can invalidate a claim if occurring more than one year before filing the application.<sup>43</sup> However, under the Patent Reform Act, a patent, printed publication, or public event can invalidate a claim if performed *by another within* the one year period.<sup>44</sup> In this way, proposed § 102(a)(1) retains the basic interaction between existing 35 U.S.C. §§ 102(a) & (b).<sup>45</sup> The proponents of the Patent Reform Act appear to suggest that, by

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<sup>38</sup> *See id.* 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.”

*See id.*

<sup>39</sup> *See id.*

<sup>40</sup> *See id.* § 11.

<sup>41</sup> *Compare id.* (stating “‘in public use or on sale’ as used in section 102(b) of title 35, United States Code, shall be deemed to exclude the use, sale, or offer for sale of any subject matter that not become reasonably and effectively accessible . . .”), *with* *OddzOn Prods., Inc. v. Just Toys, Inc.*, 122 F.3d 1396, 1401–1403 (Fed. Cir. 1997) (holding that confidential designs sent to an inventor are deemed to be prior art under 35 U.S.C. § 102(f), thereby allowing the designs to be used to invalidate a patent as anticipated and/or obvious).

<sup>42</sup> *See* 35 U.S.C. § 102(b) (2000).

<sup>43</sup> Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 3 (2005).

<sup>44</sup> *Id.*

<sup>45</sup> *See id.*

giving up the first-to-invent system, other countries will be more inclined to adopt the one year grace period as the international norm.<sup>46</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 proposed § 102(a)(2).<sup>47</sup> The commonly owned patent subject matter under proposed § 102(b)(1) is not considered prior art under § 102(a)(2).<sup>48</sup> As proposed, this change effectively removes co-pending applications from being applied as prior art in the context of novelty.<sup>49</sup> By way of contrast, 35 U.S.C. § 103(c) offers a similar exception, but only in the context of obviousness.<sup>50</sup> Given that 35 U.S.C. § 103(c) is presently of particular use in allowing applicants to remove prior art in the context of obviousness, 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 co-pending applications.

#### 5. *Joint Research Exemption*

In another seemingly unnoticed change, the Patent Reform Act preserves the joint research exemption presently codified in 35 U.S.C. § 103(c).<sup>51</sup> Proposed § 102(b)(2) preserves the joint research exemption for prior art and eliminates the rest of 35 U.S.C. § 103(c).<sup>52</sup> However, the scope of the exemption remains the same.<sup>53</sup> Unlike the commonly owned prior art exception of proposed § 102(b)(1), the joint research exemption can only be applied to co-pending applications in the context of obviousness.<sup>54</sup> Specifically, proposed § 102(b)(2) provides:

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<sup>46</sup> See Schacht, *supra* note 22, at 17–18; *Patent Reform Prompts Intellectual Tug-Of-War*, NATURE 437, 1230–1231, Oct. 27, 2005.

<sup>47</sup> Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 3 (2005).

<sup>48</sup> *Id.* 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 proposed § 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).

<sup>49</sup> *Id.*

<sup>50</sup> 35 U.S.C. § 103(c) (2000).

<sup>51</sup> Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 3 (2005).

<sup>52</sup> Compare Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 3 (2005), with 35 U.S.C. § 103(c) (moving the joint research exemption from existing 35 U.S.C. § 103(c) to proposed § 102(b)(2)).

<sup>53</sup> *Id.*

<sup>54</sup> Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 3 (2005).

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.<sup>55</sup>

In essence, where a written joint research agreement is in place and the claimed invention was developed under that joint research agreement, other co-pending applications otherwise qualifying as prior art under proposed § 102(a)(2), but which are owned by the parties of the agreement, are not considered prior art for an obviousness determination under proposed § 102(b)(2).<sup>56</sup> 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 co-pending applications.<sup>57</sup> This use of joint research agreements in the context of excluding certain types of prior art could potentially be a very broad prior art exemption, but because the CREATE Act of 2004 is relatively new, the impact of the joint research opinion can only be estimated.<sup>58</sup>

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

As with any new legislation, changes in terminology will likely result in uncertainty and litigation. While terms such as “publication” and “patent” have a well known meaning in patent law, the creation of new categories of “publicly known”

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<sup>55</sup> *Id.*

<sup>56</sup> See Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 3 (2005).

<sup>57</sup> See *id.*; see also CREATE Act of 2004, Pub. L. No. 108-453, § 2, 118 Stat. 3596, 3596 (2004) (codified at 35 U.S.C. 103(c) (2000 & Supp. 2005)).

For purposes of this subsection, 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.

35 U.S.C. 103(c) (2000 & Supp. 2005).

<sup>58</sup> Generally, scenarios implementing the CREATE Act include research between Universities and a company and/or a Government agency and a company. See 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).

prior art will create uncertainty in the short term. As noted above, unlike the relatively well known terms currently set forth in 35 U.S.C. § 102, 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 § 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.”<sup>59</sup> Because this definition merely redirects the inquiry to what event makes the invention “reasonably and effectively accessible,” proposed § 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.”<sup>60</sup> No further explanation is provided to clarify what undue efforts are or when one of ordinary skill in the art is able to comprehend the subject matter.<sup>61</sup>

While concrete no meaning is expressed in the Patent Reform Act, it appears that the definitions in § 102(b)(3) of the Act reflect definitions in existing trade secret law.<sup>62</sup> Under trade secret law, trade secrets are often defined in terms of whether information has been made available to the public through distribution of a completed product.<sup>63</sup> In essence, if a member of the public can readily reverse engineer a product such that the underlying technology, method, or method of manufacture can be understood, there is no trade secret protection for that information.<sup>64</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 proposed § 102(a).<sup>65</sup> Thus, under the proposed definition of the term “publicly known,” whether a non-public event involving the invention, such as licensing of

<sup>59</sup> Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 3 (2005).

<sup>60</sup> *Id.*

<sup>61</sup> *See id.*

<sup>62</sup> *See* Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 3 (2005); *see also* 1 ROGER M. MILGRIM, MILGRIM ON TRADE SECRETS § 1.06 (2005). 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 “[t]rade 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.

VA. CODE ANN. § 59.1-336 (2005).

<sup>63</sup> *See* 1 MILGRIM, *supra* note 62, § 1.06.

<sup>64</sup> *See* Uniform Trade Secrets Act, § 1 (1985). The Uniform Trade Secrets Act, model legislation, 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 . . .” *Id.*

<sup>65</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.

software, will be considered “publicly known” will not be clear until courts 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 proposed § 102(b)(2) applies.<sup>66</sup> Otherwise, the law of obviousness has not been greatly changed. In this regard, the Patent Reform Act has not adopted one of the major recommendations of the reports issued by the National Academies and the Federal Trade Commission, which advised tightening the obviousness standard by making obviousness easier to demonstrate.<sup>67</sup> The lack of this amendment led certain commentators to criticize the Patent Reform Act as not being responsive to the perceived need to invigorate the obviousness standard.<sup>68</sup>

#### B. *Limitations on Injunctions*<sup>69</sup>

One of the more sweeping and controversial elements of the Patent Reform Act is the new standard for granting injunctions under 35 U.S.C. § 283.<sup>70</sup> Outside of extraordinary circumstances, when infringement is found, the court will grant an injunction to prohibit the continued infringement.<sup>71</sup> Typically, courts are also supposed to account for principles of equity under 35 U.S.C. § 283.<sup>72</sup> Furthermore, courts also recognize that a failure to prevent a continued illicit 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>73</sup> In order to ensure that this

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<sup>66</sup> Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 3 (2005).

<sup>67</sup> SYSTEM FOR THE 21ST, *supra* note 14.

<sup>68</sup> Publicknowledge.org, *H.R. 2795: The Patent Reform Act of 2005*, <http://www.publicknowledge.org/issues/hr2795> (last visited Nov. 1, 2005).

<sup>69</sup> See Posting of Dennis Crouch to Patently-O: Patent Law Blog, [http://patentlaw.typepad.com/patent/2005/08/patent\\_reform\\_a.html](http://patentlaw.typepad.com/patent/2005/08/patent_reform_a.html) (Aug. 18, 2005) (“In the latest amendment, Representative Smith has eliminated some of the most controversial aspects of the bill, including the injunction provision . . .”); *Patent Reform Prompts Intellectual Tug-Of-War*, NATURE 437, 1230–1231, Oct. 27, 2005. However, no formal revision has been submitted which confirms this removal.

<sup>70</sup> 35 U.S.C. § 283 (2000) (“The several courts having jurisdiction of cases under this title [35 USCS §§ 1 et seq.] 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>71</sup> See Schacht, *supra* note 22, at 32–34.

<sup>72</sup> 35 U.S.C. § 283 (2000).

<sup>73</sup> This is not to say courts have not denied imposing injunctions for patent infringement. See *Milwaukee v. Activated Sludge, Inc.*, 69 F.2d 577, 593 (7th Cir. 1934) (effectively granting a compulsory license in a case where the facts did not warrant injunctive relief). However, such denials have been given only in very limited situations and fact patterns. *Id.* (refusing to grant the injunction because the injunction would have required the city to dump large quantities of sewage into Lake Michigan); see also David A. Dillard, *Injunctive Remedies*, 1995,

determination of equity is more robust, the Patent Reform Act requires that the courts make certain findings before granting injunctions.<sup>74</sup> Moreover, after an injunction is granted, a court could grant 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.<sup>75</sup> 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.<sup>76</sup>

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, notably the pharmaceutical industry,<sup>77</sup> intellectual property bar associations,<sup>78</sup> the small business industry,<sup>79</sup> and the university community.<sup>80</sup> Thus, while this provision is most enthusiastically supported by the electronics<sup>81</sup> and financial services<sup>82</sup> industries as a mechanism to prevent patent “trolls” from unduly interfering with

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<http://www.cph.com/Publications/injunctive.html> (last visited Nov. 1, 2005) (discussing injunctions and when they are denied).

<sup>74</sup> Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 7 (2005) (“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.”).

<sup>75</sup> *Id.*

<sup>76</sup> *Id.*

<sup>77</sup> See, e.g., *An Amendment in the Nature of a Substitute to H.R. 2795, the “Patent Act of 2005”*: Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Property of the Comm. on the Judiciary H.R., 109th Cong. (2005) (statement of Philip S. Johnson, Chief Patent Counsel, Johnson & Johnson); *An Amendment in the Nature of a Substitute to H.R. 2795, the “Patent Reform Act of 2005”*: Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Property of the Comm. on the Judiciary H.R., 109th Cong. (2005) (testimony of Robert B. Chess, Executive Chairman, Nektar Therapeutics).

<sup>78</sup> See, e.g., *Hearing on H.R. 2795, “Patent Act of 2005” Before Subcommittee on Courts, the Internet and Intellectual Property United States H.R.* (2005) (statement of Gary Griswold, Past President of the American Intellectual Property Law Association); *Committee Print Regarding Patent Quality Improvement: Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Property of the Comm. on the House Judiciary*, 109th Cong. (2005) (statement of J. Jeffrey Hawley, President, Intellectual Property Owners Association).

<sup>79</sup> See, e.g., *Perspectives on Patents: Hearing Before the Subcomm. on Intellectual Property of the Comm. of the S. Judiciary*, 109th Cong. (2005) (statement of William Parker, Chief Executive Officer, Director of Research, Diffraction, Ltd).

<sup>80</sup> See, e.g., *The Patent Act of 2005: Hearing of the Courts the Internet, and Intellectual Property Subcomm. of the H. Judiciary Comm.*, 109th Cong. (2005) (testimony of Carl Gulbrandsen, Managing Director, Wisconsin Alumni Research Foundation).

<sup>81</sup> See, e.g., *Patent Quality and Improvement: Hearing Before the Subcomm. on Courts, the Internet and Intellectual Property of the H. Judiciary Comm.*, 109th Cong. (2005) (testimony of Richard J. Lutton, Jr., Chief Patent Counsel, Apple).

<sup>82</sup> See, e.g., *Patent Quality Improvement: Hearing Before the Subcomm. on Courts, the Internet and Intellectual Property of the H. Judiciary Comm.*, 109th Cong. (2005) (testimony of Darin Bartholomew, Senior Counsel, Deere and Company).

their product development, the opposition is sufficiently vocal enough to prevent passage of the entire act.<sup>83</sup>

### *C. Limitation on Actual Damages*

Under another controversial provision, the Patent Reform Act limits actual damages in combination patents by linking the determination of a reasonable royalty to the inventive contribution of the claimed invention.<sup>84</sup> Specifically, proposed § 284(1)(B) would expand the first paragraph to include:

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.<sup>85</sup>

The purpose of this provision is 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. As noted by a commentator, this provision would prevent a situation where the inventive element is for a hinge, the claim is drawn to a hinge used in a door, and damages are awarded based on sales of the combination of the hinge and door.<sup>86</sup> Proposed § 284 would limit damages to only the use of the hinge because the invention is really the hinge.<sup>87</sup> However, because all patents can be construed as combination patents, the effect of proposed § 284 would appear to simply encourage litigation and appeal of damage awards.<sup>88</sup> Moreover, this provision has also been criticized as presenting possible unintended consequences and not accounting for its effect on lost profits-type damages.<sup>89</sup> As such, this provision has not necessarily been seen as an improvement over the existing state of the law of damages.<sup>90</sup>

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<sup>83</sup> See, e.g., *Hearing on H.R. 2795, "Patent Act of 2005" Before Subcommittee on Courts, the Internet and Intellectual Property United States H.R.* (2005) (statement of Gary Griswold, Past President of the American Intellectual Property Law Association); *Perspectives on Patents: Harmonization and Other Matters: Hearing Before the Subcomm. on Intellectual Property of the Comm. of Judiciary United States S.*, 109th Cong. (2005) (testimony of The Honorable Q. Todd Dickinson, Vice President and Chief Intellectual Property Counsel, General Electric).

<sup>84</sup> See Schacht, *supra* note 22, at 35–36

<sup>85</sup> Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 6 (2005).

<sup>86</sup> See Schacht, *supra* note 22, at 35.

<sup>87</sup> *Id.*

<sup>88</sup> *Stratoflex, Inc. v. Aeroquip Corp.*, 713 F.2d 1530, 1540 (Fed. Cir. 1983) (explaining that virtually all patents can be construed as combination patents); see also Schacht, *supra* note 22, at 36.

<sup>89</sup> See Schacht, *supra* note 22, at 36.

<sup>90</sup> See *Hearing on H.R. 2795, Before the H. Subcomm. on Courts, the Internet and Intellectual Property* (2005) (statement of Gary Griswold, Past President of the American Intellectual Property Law Association); *Hearing on Patent Act of 2005 Before the S. Subcomm. on Intellectual Property of the S. Comm. on the Judiciary* (2005) (statement of Charles E. Phelps, Provost, University of Rochester, On behalf of the Association of American Universities); see also *Patent Reform Prompts Intellectual Tug-Of-War*, NATURE 437, 1230–1231, Oct. 27, 2005 (discussing the positions of the

#### *D. Stricter Guidelines on Willful Infringement*

##### *1. Grounds for Assertion Clarified*

Currently, under 35 U.S.C. § 284, treble damages can be assessed by the court, but there has been little statutory guidance as to when increased damages can be assessed.<sup>91</sup> This state of uncertainty has been criticized because it appears to discourage industry members from reviewing patents in their field.<sup>92</sup> 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.<sup>93</sup> As such, the Patent Reform Act provides specific guidance in order to ensure that willful infringement is only found in specific situations where the accused infringer receives written notice, and subsequently continues to infringe, allowing for a reasonable time for investigation.<sup>94</sup> Specifically, the proposed section states:

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.<sup>95</sup>

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, situations where the infringer knew of the patent and deliberately copied the patented product anyway is the very behavior (i.e., piracy) that 35 U.S.C. § 284

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software and biotechnology industries on such damage limitations in the context of attracting capital investment).

<sup>91</sup> 35 U.S.C. § 284 (2000) (“[T]he court may increase the damages up to three times the amount found or assessed.”).

<sup>92</sup> See Schacht, *supra* note 22, at 37.

<sup>93</sup> See Schacht, *supra* note 22, at 36–37.

<sup>94</sup> Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 6 (2005); see also Schacht, *supra* note 22, at 37.

<sup>95</sup> Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 6 (2005).

was intended to prevent.<sup>96</sup> Thus, the amendment of 35 U.S.C. § 284 to include proposed § 284(b)(2)(B) and (C) is not overly controversial.

However, proposed § 284(b)(2)(A) is a more dramatic limitation having a reach that is not well publicized. Under current law, the type of notice required need not always create a reasonable apprehension of suit,<sup>97</sup> but 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.<sup>98</sup> This distinction is important because, by perfecting notice without risking a declaratory judgment, the patent owner is able to claim enhanced damages, without losing control of its litigation strategy.<sup>99</sup> Under the Patent Reform Act, the patent owner is no longer able to provide notice without risking a declaratory judgment because the Act specifically requires that the written notice be sufficient to give the recipient a reasonable apprehension of suit.<sup>100</sup> 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, it appears to have the support of members of industry as an improvement over the current state of the law.<sup>101</sup>

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<sup>96</sup> Dow Chem. Co. v. Chem. Cleaning, Inc., 434 F.2d 1212, 1214 (5th Cir. 1970) (stating that the court has power to award exemplary damages under 35 U.S.C. § 284 where the infringement is “conscious and deliberate,” and which terms are the “substantially exact equivalent of ‘deliberate and willful’”).

<sup>97</sup> SRI Int’l Inc. v. Advanced Tech. Labs. Inc., 127 F.3d 1462, 1470 (Fed. Cir. 1997). In *SRI International*, 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. *Id.* at 1479. 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].” *Id.* at 1470. Thus, the letter was sufficient for providing notice of the patent while not creating grounds for filing a declaratory judgment because no suit was threatened. *Id.*

<sup>98</sup> O’Hagins, Inc. v. M5 Steel Mfg., Inc., 276 F. Supp. 2d 1020, 1024–25 (N.D. Cal. 2003).

[I]nterpreting the requirement of an ‘actual controversy,’ the Federal Circuit has held that there must be both “(1) an explicit threat or other action by the patentee, which creates a reasonable apprehension on the part of the declaratory plaintiff that it will face an infringement suit, and (2) present activity which could constitute infringement or concrete steps taken with the intent to conduct such activity.”

*Id.* (quoting Phillips Plastics Corp. v. Kato Hatsujou Kabushiki Kaisha, 57 F.3d 1051, 1052 (Fed. Cir. 1995)).

<sup>99</sup> *SRI Int’l Inc.*, 127 F.3d at 1470. The problem is exacerbated by the Supreme Court’s holding in *Holmes Group, Inc. v. Vornado Air Circulation Sys.*, which held that the Federal Circuit does not have exclusive jurisdiction to patent counter claims brought in defense to a declaratory judgment action. 535 U.S. 826, 829 (2002). 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 of declaratory judgment actions. See, 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 (Sept. 2, 2005) (decision by the Eight Circuit voluntarily applying Federal Circuit precedent in patent counterclaim for declaratory judgment).

<sup>100</sup> Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 6 (2005) (amending § 284 (b)(2)(A)(i)).

<sup>101</sup> Steven R. Ludwig, et al., *U.S. Patent Reform and the Future of Nanotechnology*, WASH. LEGAL FOUND., Aug. 12, 2005, <http://www.wlf.org/upload/081205LBLudwig.pdf>.

## 2. *Specific Defense for Informed Opinion of Non-Infringement*

Currently, obtaining a good faith opinion of non-infringement based upon the totality of the circumstances provides the infringing party with a popular defense to willful infringement.<sup>102</sup> The Patent Reform Act amends 35 U.S.C. § 284 to provide an explicit exception to willfulness where the infringing party obtained a good faith and informed opinion that the behavior was non-infringing.<sup>103</sup> Specifically, proposed § 284(b)(3) provides:

(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).<sup>104</sup>

In proposed §§ 284(b)(3)(A) and (C), the Patent Reform Act generally codifies the present state of the law, which states that whether an opinion of counsel was sought and was reasonably relied upon is only one factor in finding non-willfulness.<sup>105</sup> In contrast, proposed § 284(b)(3)(B) provides that the reliance on an opinion of counsel provides an absolute shield to a finding of willful infringement.<sup>106</sup> Thus, the Patent Reform Act appears to strongly encourage potential infringers to obtain opinions of counsel at an early stage.

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<sup>102</sup> *Wilden Pump & Eng'g Co. v. Pressed & Welded Prod. Co.*, 655 F.2d 984 (9th Cir. 1981) (holding that advice of outside counsel stating that claims not in contention presented an infringement risk, a claim that was being contended was either invalid or not infringed, thus defeating evidence of willful infringement). 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 that the opinion was or would have been unfavorable. As noted by the Federal Circuit in *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 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.” 383 F.3d 1337, 1347 (Fed. Cir. 2004) (citing *SRI Int'l v. Advanced Tech. Lab.*, 127 F.3d 1462, 1465 (Fed. Cir. 1997)).

<sup>103</sup> Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 6 (2005).

<sup>104</sup> *Id.*

<sup>105</sup> *See* *Rolls-Royce, Ltd. v. GTE Valeron Corp.*, 800 F.2d 1101, 1109 (Fed. Cir. 1986).

<sup>106</sup> Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 6 (2005). Of course, this does not mean that any opinion letter will serve as a defense under proposed § 284(b)(3)(B) because reliance must be reasonable, thereby requiring the opinion letter itself to be thorough. *See, e.g.*, *Johns Hopkins Univ. v. CellPro, Inc.*, 152 F.3d 1342 (Fed. Cir. 1998) (upholding a finding of willful infringement where opinions of counsel were so conclusory and sufficiently incomplete as to not be reasonably relied upon).

### *E. 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,<sup>107</sup> (2) commissioner ordered reexaminations under 35 U.S.C. § 303(a),<sup>108</sup> and (3) *inter partes* reexamination under 35 U.S.C. § 311.<sup>109</sup> However, these mechanisms have been considered ineffective or inadequate in the past and until recently have not, for a number of reasons, been widely used.<sup>110</sup> In order to cure this situation, the Patent Reform Act creates a fourth type of opposition system: a post grant opposition system.

As set forth in proposed § 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.”<sup>111</sup> Consistent with the existing reexamination proceedings, this proposed opposition procedure is based upon a preponderance of the evidence standard, a lower burden of proof as compared to showing invalidity in court.<sup>112</sup>

The advantages the proposal holds over existing reexamination proceedings are generally that the proposed opposition may rely on any ground of invalidity available under 35 U.S.C. §§ 101, 102, 103, 112, and 251(d).<sup>113</sup> Additionally, unlike *ex parte* and commissioner ordered reexaminations, true participation by the opposing party is required in the same way as it is required in *inter partes* reexaminations: the patent owner’s statements will be more thoroughly challenged by 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.<sup>114</sup>

However, there is a timing disadvantage for the proposed opposition proceeding. In order to relieve the patent owner from having to defend the patent from opposition throughout the life of the patent, the proposed oppositions can only be filed within two windows.<sup>115</sup> The first window is open for 9 months from the date of issuance.<sup>116</sup>

<sup>107</sup> See 35 U.S.C. § 302 (2000).

<sup>108</sup> See 35 U.S.C. § 303(a) (2000).

<sup>109</sup> See 35 U.S.C. § 311 (2000).

<sup>110</sup> See Schacht, *supra* note 22, at 38. 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, [http://www.uspto.gov/web/offices/dcom/olia/reports/reexam\\_report.htm](http://www.uspto.gov/web/offices/dcom/olia/reports/reexam_report.htm) (last visited Nov. 11, 2005).

<sup>111</sup> Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 9 (2005).

<sup>112</sup> Compare *id.* § 332, with *Ludlow Corp. v. Textile Rubber & Chem. Co.*, 636 F.2d 1057, 1059 (5th Cir. 1981) (explaining that the burden of proof required to overcome presumption of patent validity is significantly more than mere preponderance of evidence and ranges between clear and convincing evidence and proof beyond reasonable doubt).

<sup>113</sup> See Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 9; 35 U.S.C. §§ 301–02 (2000). According to proposed § 324, 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).” Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 324 (2005).

<sup>114</sup> Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 9 (2005).

<sup>115</sup> This concern reflects a consistent worry that oppositions and reexaminations allow endless contests to patents without such timing limitations. Erica Werner, *Bill Targets 'Patent Trolls', but Some Small-time Inventors Fear the Proposed Law Would Hurt Them in Favor of Big Corporations*,

The second window opens only for six months after receiving notice from the patent holder alleging infringement.<sup>117</sup> Otherwise, the proposed opposition cannot be used except with the consent of the patent owner, thereby leaving the existing reexamination proceedings as the only potential remedy.<sup>118</sup>

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.<sup>119</sup> While these proceedings in some ways have many of the costs associated with a conventional invalidity defense in a 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 under proposed § 332, as compared to clear and convincing evidence under 35 U.S.C. § 282.<sup>120</sup> Moreover, because the proposed estoppel provisions under § 336 are narrower as compared to the estoppel provisions for existing inter partes reexaminations under 35 U.S.C. § 315,<sup>121</sup> the use of the opposition proceeding appears to provide a preferred route for an accused infringer to invalidate a patent.<sup>122</sup>

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ASSOCIATED PRESS, Oct. 22, 2005; *cf.* H.R. REP. NO. 107-120 (2001); 35 U.S.C. § 303 (2000) (requiring safeguard of substantial new question of patentability standard for reexaminations since it similarly "preserves the necessary safeguard in the Patent Act against harassment of the patentees with the safety-valve of a 'substantial new question of patentability' standard, not merely 'any sort of question.'").

<sup>116</sup> *Id.*

<sup>117</sup> *Id.* The proposed § 323 states that a person

may not make an opposition request under § 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.

However, the proposed second window is facing opposition and its removal is being considered in view of opposition from at least the biotechnology industry. *Patent Reform Prompts Intellectual Tug-Of-War*, NATURE 437, 1230–1231, Oct. 27, 2005; *Compromise Patent Reform Bill Still a Step Forward, Sponsor Insists*, IP LAW BULLETIN, Oct. 3, 2005. However, no formal change has been submitted.

*Id.* § 323.

<sup>118</sup> Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 9 (2005).

<sup>119</sup> *See* Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 9 (2005); 35 U.S.C. §§ 135, 146 (2000).

<sup>120</sup> Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 10 (2005); 35 U.S.C. § 282 (2000); *see* Schumer v. Lab. Computer Sys., Inc., 308 F.3d 1304, 1315 (Fed. Cir. 2002).

<sup>121</sup> *Compare* Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 10 (2005), *with* 35 U.S.C. § 315 (2000). 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." *Id.* However, suitable changes in proposed § 336 appear to make the estoppel provisions of the proposed § 336 less onerous as compared to those in 35 U.S.C. § 315(c). *Id.*

<sup>122</sup> *See* NTP v. Research In Motion, Ltd., 418 F.3d 1282 (Fed. Cir. 2004). Of course, the institution of an opposition proceeding will not prevent a district court from proceeding with an infringement proceeding. *Id.* at 1291–92. 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. *Id.* at 1292, 1325–26 (affirming the district court in part, reversing and remanding on other grounds); Reexamination Control Nos. 90/006,491, 90/006,492, 90/006,493, 90/006,494, 90/006,495, 90/006,533, 90/006,675,

## 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 or before notice of allowance was mailed, and (2) a Third Party Submission under 37 CFR § 1.99, which is filed within two months after publication of the application or before the allowance was mailed.<sup>123</sup> However, because 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.<sup>124</sup> Proposed § 122 would allow submission at any time within six months after publication of the application.<sup>125</sup> As compared to opposition proceedings, the aim of expanding the public's right to submit information is to improve patent examining quality in order to prevent the issuance of invalid patents. Because this improvement in patent quality is a generally acknowledged goal, this passage has not generated a great deal of controversy.<sup>126</sup>

### F. *Best Mode Requirement Removed*

In another change made to more closely reflect the international norm, the Patent Reform Act proposes to amend 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.<sup>127</sup> Because 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 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 as it removes a trap whose detriments outweigh the purported benefit.<sup>128</sup>

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90/006,678, 90/006,679, 90/006,680, 90/006,681; inter partes Reexamination Control Nos. 95/000,011 and 95/000,020.

<sup>123</sup> 37 CFR §§ 1.291, 1.99 (2005).

<sup>124</sup> *Id.*

<sup>125</sup> Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 10 (2005). Also, proposed § 122 and existing 37 C.F.R. § 1.99 limit the submissions if a notice of allowance or office action is issued before these periods. With the present backlog of cases at the United States Patent and Trademark Office, these limitations are ineffective in shortening the submission window. *See id.*

<sup>126</sup> Schacht, *supra* note 22, at 26–27. However, independent inventors have raised concerns that such a provision would allow large corporations to "endlessly contest" patent applications. Thus, independent inventors oppose expanding such a submission right. Erica Werner, *Bill Targets 'Patent Trolls', but Some Small-time Inventors Fear the Proposed Law Would Hurt Them in Favor of Big Corporations*, ASSOCIATED PRESS, Oct. 22, 2005.

<sup>127</sup> 35 U.S.C. § 112 (2000).

<sup>128</sup> Schacht, *supra* note 22, at 21–22.

### G. Limits on Continuation Applications<sup>129</sup>

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>130</sup> Because this practice allows patent holders to add claims covering newly discovered technologies, certain industries have decried the practice as unfair.<sup>131</sup> In order to limit the ability to add such new claims in later continuation applications, the Patent Reform Act adds proposed § 123, which would entitle the United States Patent and Trademark Office (“PTO”) to regulate the addition of new claims in continuation applications that are not within the scope of the claims in the parent application as originally filed.<sup>132</sup> While there is no requirement that any such regulation be promulgated, this provision would potentially prevent applicants from later adding claims that broaden the scope of the claims. Reexaminations and narrowing reissues contain similar statutory scope restrictions which prevent applicants from broadening claims.<sup>133</sup> For this reason, this provision has been viewed skeptically by individual inventors and industry, and is supported only to the extent the regulations do not impede legitimate uses of continuation applications.<sup>134</sup>

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<sup>129</sup> See Posting of Dennis Crouch to Patently-O: Patent Law Blog, [http://patentlaw.typepad.com/patent/2005/08/patent\\_reform\\_a.html](http://patentlaw.typepad.com/patent/2005/08/patent_reform_a.html) (Aug. 18, 2005) (“In the latest amendment, Representative Smith has eliminated some of the most controversial aspects of the bill, including . . . the provision that would limit the scope of claims in continuing applications.”).

<sup>130</sup> Continuations and continuations-in-part of applications have minimal requirements. See 37 C.F.R. § 1.53(b) (2005); see also *In re Bogese*, 303 F.3d 1362, 1369 (Fed. Cir. 2002) (holding that 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*, 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. 277 F.3d 1361 (Fed Cir. 2002).

<sup>131</sup> Entities adding claims in continuations in this manner are often referred to as patent trolls. Schacht, *supra* note 22, at 28.

<sup>132</sup> Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 8 (2005).

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.

*Id.*

<sup>133</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>134</sup> *Hearing on H.R. 2795, “Patent Act of 2005” Before Subcommittee on Courts, the Internet and Intellectual Property United States H.R.* (2005) (statement of Gary Griswold, Past President of the American Intellectual Property Law Association); *The Patent Act of 2005: Hearing of the Courts the Internet, and Intellectual Property Subcomm. of the H. Judiciary Comm.*, 109th Cong. (2005) (testimony of Carl Gulbrandsen, Managing Director, Wisconsin Alumni Research Foundation); Schacht, *supra* note 22, at 28.

### *H. 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 PTO for resolution. Under proposed § 136(c), the PTO is the sole forum for investigating and determining misconduct.<sup>135</sup> There exists a concern over whether the PTO has sufficient funding, making this provision especially controversial to the extent there is doubt as to whether the agency would be able to implement the law.<sup>136</sup> However, there remains a belief that some form of the provision is needed in order to formalize the ability of the PTO to regulate patent practitioners.<sup>137</sup> As such, other than the impact on funding, this provision is not overly controversial.

Of greater interest to patent 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>138</sup> To remedy this situation, proposed § 136(c) of the Patent Reform Act limits the defense of inequitable conduct to situations where: (1) the conduct 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.<sup>139</sup>

As a further limitation, elements 3 and 4 must be proven by clear and convincing evidence.<sup>140</sup> Given the standard of proof and the limited circumstances in which the defense 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>141</sup> Because the concerns were that inequitable conduct is overly and improperly used as a defense, the restriction on its use has been generally supported.

### *I. Prior User Rights*

Under existing law, 35 U.S.C. § 273 provides a defense which allows users of a business method, which is later patented, to continue using the business method so long as the prior user can establish that the method was used, in secret, for more

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<sup>135</sup> Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 5 (2005).

<sup>136</sup> See *Perspectives on Patents: Harmonization and Other Matters: Hearing Before the Subcomm. on Intellectual Property of the Comm. of Judiciary United States S.*, 109th Cong. (2005) (testimony of The Honorable Q. Todd Dickinson, Vice President and Chief Intellectual Property Counsel, General Electric).

<sup>137</sup> Schacht, *supra* note 22, at 24–25.

<sup>138</sup> *Id.* at 23–24.

<sup>139</sup> See Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 3 (2005).

<sup>140</sup> 35 U.S.C. § 136(d)(3) (2000).

<sup>141</sup> Patent Reform Act of 2005, H.R. 2795, 109th Cong. §§ 136(c), (d)(3) (2005). 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.

than one year prior to the patent being filed.<sup>142</sup> Under the Patent Reform Act, 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>143</sup>

Specifically, under the proposed § 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.<sup>144</sup>

While not explicitly 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 issuance of the patent. However, as written, proposed § 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.<sup>145</sup>

Assuming that the prior user right of proposed § 273 is limited to uses prior to the filing of the application, with the proposed removal of 35 U.S.C. § 102(g), others in the field will not be able to use prior development by another to invalidate the patent.<sup>146</sup> Therefore, as compared to the present state of law, the combination of §§ 102(a) and 273 actually reduces the ability to practice inventions based upon prior use.

## *J. 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 eighteen months under certain circumstances.<sup>147</sup> The purpose of this provision is to allow small companies and independent inventors to maintain secrecy as to the content of the patent application because 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>148</sup> As a result, the Patent Reform Act generated controversy in the independent inventor community by deleting this exception to publication.<sup>149</sup> However, the PTO has generally argued

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<sup>142</sup> 35 U.S.C. § 273 (2000). 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>143</sup> Schacht, *supra* note 22, at 29–31.

<sup>144</sup> Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 9 (2005).

<sup>145</sup> *Id.*

<sup>146</sup> *See, e.g.*, Thomson S.A. v. Quixote Corp., 166 F.3d 1172 (Fed. Cir. 1999) (holding prior secret development of another prior user 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>147</sup> 35 U.S.C. § 122(b)(2)(B)(i) (2000).

<sup>148</sup> Schacht, *supra* note 22, at 25–26.

<sup>149</sup> Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 9 (2005).

that the provision is burdensome and sufficiently underutilized to merit its elimination.<sup>150</sup>

## 2. Assignee Entitled to File on Behalf of Inventors

Under existing law, only inventors are entitled to file an application even if the inventors are not the actual owners of the application.<sup>151</sup> While an assignee can file in place of the inventor, the assignee is only able to do so in limited circumstances.<sup>152</sup> In order to simplify the filing process, and in accordance with the international norm, proposed § 118 allows the true owner of the patent to file on behalf of the inventors.<sup>153</sup> This provision has enjoyed historic support and is not deemed especially controversial.<sup>154</sup>

## 3. Oath of Applicant Simplified

Currently, 35 U.S.C. § 115 requires that the applicant take a complex oath requiring statements of citizenship, an affirmation that the applicant is the first inventor, and that the oath is made in a manner which complies with the country of citizenship.<sup>155</sup> In order to simplify this oath, 35 U.S.C. § 115 would be amended to only require “the applicant to make an oath setting forth particulars relating to the inventor and the invention.”<sup>156</sup>

## 4. Changes to Inventorship

Under current law, inventorship is difficult to determine and corrections of inventorship become difficult to make to issued patents. Not the least of these difficulties is showing that the error arose without deceptive intent because in issued applications the statement of the lack of deceptive intent must be accompanied by a proof of facts.<sup>157</sup> As such, the Patent Reform Act amends 35 U.S.C. §§ 116 and 256 to no longer require a showing that the error is without deceptive intent.<sup>158</sup>

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<sup>150</sup> Moreover, because 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.

<sup>151</sup> 35 U.S.C. § 118 (2000).

<sup>152</sup> *Id.* The circumstances are usually related to death or unavailability of all of the inventors, and always require the submission of evidence of death or unavailability of the inventors. *Id.* (“an inventor refuses to execute an application for patent, or cannot be found or reached after diligent effort”).

<sup>153</sup> Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 4 (2005).

<sup>154</sup> Schacht, *supra* note 22, at 20–21.

<sup>155</sup> 35 U.S.C. § 115 (2000).

<sup>156</sup> Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 3 (2005).

<sup>157</sup> 11A DONALD S. CHISUM, CHISUM ON PATENTS § 4000(3) (2005) (discussing *PerSeptive Biosystems, Inc. v. Pharmacia Biotech, Inc.*, 225 F.3d 1315 (Fed. Cir. 2000)).

<sup>158</sup> Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 5 (2005).

## II. 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, AIPLA, the Intellectual Property Owners, the Association of American Universities, and the PTO 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 remain.

Moreover, various other groups, especially those connected to small businesses, such as the National Association of Patent Practitioners and the Professional Inventors Alliance USA, are also opposed to these provisions. However, these other groups are also against the provisions that 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 an 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.<sup>159</sup> Thus, while numerous elements of the Patent Reform Act are indeed beneficial, unless certain 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.

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<sup>159</sup> Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 136 (2005) (“OTHER FORA PRECLUDED- No court or Federal department or agency other than the Office, and no other Federal or State governmental entity, may investigate or make a determination or an adjudication with respect to . . . inequitable conduct . . .”).