

S. 1145 Talking Points to Consider

The various proposed and pending patent reforms that are occurring this year will make it more difficult and costly to obtain, maintain, defend, and enforce patents. On the legislative front, the House passed HR 1908, and S.1145 has passed the Senate Judiciary Committee and is being considered for a Floor vote. While the current version of S.1145 is much improved over the introduced bill, Senate leaders should continue to work with the various stakeholders to improve the language before Floor consideration. Since the House and Senate bills are not identical, should the Senate bill pass on a Floor vote, the two bills will go into conference for discussion with little input from the general public. Therefore, it is critical to ensure that lawmakers understand any issues or concerns you may have with the bills. Below are some specific points to consider on S.1145.

Switch to “First Inventor to File” system

- S. 1145 includes an effective grace period and strong inventor oath as requested by the university community.
- The Senate could consider adding language from the House bill that states the “first inventor to file” system would not go into effect until the President has determined that other major patenting authorities have a similar grace period.

New Post Grant Opposition System

- The existing inter partes reexamination procedure would be repealed.
- Within 12 months after issuance of a patent, a third party can request that the PTO conduct a post-grant review to challenge the validity of a patent. (“first window”)
- A “second window” of review can occur anytime during the life of the patent if the petitioner files the petition within 12 months after receiving an explicit or implicit notice of infringement and can demonstrate significant economic harm from the challenged claim.
- Some areas of potential concern: a subjective “implicit” notice of infringement that can trigger the second window review; weak estoppel language that does not prevent serial challenges for claims that petitioner “had actual knowledge of,” or “should have known about;” and a “preponderance of the evidence” standard for patent invalidation rather than the “clear and convincing” standard as in patent litigation.
- The open-ended second window with the concerns above would increase costs associated with defending one’s patent, increase the likelihood of one’s patent being invalidated, and provide a disincentive for industry to license technologies from the university.

Mandated Search Reports

- S. 1145 requires that patent applicants submit a search report and analysis in the manner and within the time period as required by USPTO, or the application shall be considered abandoned.
- The search reports and analysis will be extremely costly and burdensome on patent applicants, especially on universities, non-profit research institutions, and their small business licensees who have limited resources.
- Requiring the patent applicant to conduct the search report and subsequent analysis shifts the examination work from the patent examiner to the patent applicant.
- The search report and analysis may subject the patent applicant later to claims of inequitable conduct and failure to meet his duty of candor which could affect whether or not the patent holder can enforce the patent. The search and analysis should not be subject to such claims.

Apportionment of Damages

- Under current case law (*Georgia-Pacific* case), courts have sufficient discretion to determine an appropriate level of damages associated with infringement, taking into consideration the various elements of the case-specific circumstances.
- The stakeholders need to continue the dialogue with Senate staff before a Floor vote to develop a compromise that will ensure that no particular business model will be disproportionately disadvantaged and the U.S. patent system continues to spur innovation in all business sectors.
- Any damages language that would devalue an infringed patent will reduce the incentive needed to encourage licensees to invest the effort and resources into commercializing a university-developed invention.

Inequitable Conduct Provisions

- Inequitable conduct reform is necessary to encourage an open and candid communication between the patent applicant and the examiner while maintaining the integrity of the patent prosecution process.
- Lack of inequitable conduct reform could lengthen litigation activities and impose disproportionate penalties for often honest mistakes.
- The Senate could consider adopting the materiality standard used by the USPTO and requiring that it only affect enforceability of valid and infringed claims if the PTO relied on the misrepresentation in allowing the claims (“but for” standard).
- Coupled with the mandatory search report and analysis provision above, lack of inequitable conduct reform provides a mechanism for an infringer to render a patent unenforceable due to good faith admissions or omissions.

Venue Reform

- With some exceptions, S. 1145 requires that an infringement suit be brought in the district court of the infringer, not the patent holder, even if the district court is across the country. This greatly increases the costs to enforce one’s patent and favors the infringer.
- If the primary plaintiff is a university, a non-profit foundation conducting patenting and licensing for a university, or an independent inventor, then the suit can be filed where the primary plaintiff resides.
- Universities and their non-profit patenting and licensing foundations may be required to be party to more infringement suits (as the primary plaintiff) since local start up companies may not be able to afford to file an infringement suit in a different geographic locality.
- Non-profit research institutes are NOT exempted under S. 1145 and would need to file in the district of the infringer.
- In addition to exempting universities and non-profit foundations conducting patenting and licensing for a university, the House bill also allows non-profit research institutes and manufacturing entities, such as university licensees, to sue in their own judicial district.

Other Provisions

- Prior User Rights: S. 1145 maintains the current prior user rights limited to business method patents only and the standard remains “for sale to the public for one year.” S. 1145 supports a study on prior user rights in other countries. The university community supports this approach on prior user rights.
- Expanded PTO Rulemaking Authority: S. 1145 does not expand PTO rulemaking authority which the university community felt was written too broadly in the original Senate bill. S. 1145 would, however, grant the PTO authority to require search reports and analysis (see comments above.)

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