

# PATENT PRACTITIONER UPDATE™ FLASH REPORT July 2005

## Proposed Patent Reform Bill Introduced In The United States House Of Representatives

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The Patent Act of 2005 (H.R. 2795), a sweeping patent reform proposal, was introduced in the U.S. House of Representatives on June 8, 2005 by Rep. Lamar Smith of Texas, Chairman of the House Subcommittee on Courts, the Internet, and Intellectual Property. The bill includes some radical and controversial changes to the U.S. Patent system.

The bill proposes to change the current first to invent system to a first to file system, allow filing in the name of the assignee, eliminate the "best mode" requirement, limit the ability to raise duty of candor issues in litigation, place limits on willful infringement and damages for combination inventions, limit permanent injunctions, allow the Director of the U.S. Patent and Trademark Office (PTO) to place limits on continuation applications, provide a post-grant opposition procedure, and expand third party submission practice in pending applications.

### First to File

The first to invent system in the United States dates back to the 1836 Patent Act. While it has been previously argued that the first to invent system is helpful to individual inventors and small businesses, the first to invent system has proven to be a barrier to international patent harmonization. That fact, combined with the expense and uncertainty of interference practice, has made what just a few years ago would have been considered impossible—the switch to a first to file system— a distinct possibility.

Of course the novelty provisions of 35 U.S.C. §102 will be changed if the proposal becomes law. However, the bill would retain a one year grace period for an inventor's own disclosures. Novelty would be defeated if the claimed invention was patented, described in a printed publication or otherwise publicly known (1) more than one year before the effective filing date of the claimed invention or (2) before the effective filing date of the claimed invention, other than through disclosures made directly or indirectly by an inventor. The term "effective filing date" is defined as the filing date of the patent or application for patent containing the claim to the invention or the filing date of an earlier U.S. or non-U.S. application disclosing the claimed invention. However, with respect to disclosures more than one year before the effective filing date, the bill contains a provision stating that the term "effective filing date" shall be construed by disregarding any right of non-U.S. priority until both the European Patent Convention and the patent laws of Japan are amended to provide a one year grace period for an inventor's own disclosures in those jurisdictions.

Rep. Smith's proposal would retain a modified 102(e)-like provision in that U.S. patents and published applications, other than those of the inventor, would be available as prior art as of their earliest effective filing date, but with common ownership/joint research exceptions.

Subject matter must be "reasonably and effectively accessible through its use, sale, or disclosure by other means" or must be "embodied in or otherwise inherent in subject matter that has become reasonably and effectively accessible" for it to be considered "publicly known" according to the bill.

The bill would eliminate interferences and repeal the requirements for inventions made abroad now contained in 35 U.S.C. §104, but establish an "inventor's rights contest" for resolving disputes as to the right to a patent application under proposed amended 35 U.S.C. §101, including disputes as to the naming of the correct inventor.

### Filing by Other Than Inventor

The bill would simplify filing procedures by allowing a person to whom the inventor has assigned (or is under an obligation to assign) the invention to file the patent application in its own name.

### Best Mode Elimination

Designed to reduce the cost of patent litigation, the bill proposes to eliminate the "best mode" requirement now in 35 U.S.C. §112, first paragraph.

### Duty of Candor Limitations

Another proposal designed to reduce litigation costs would require, before a court can allow an accused infringer to plead a defense of unenforceability based on fraud or inequitable conduct, that the court has previously entered a judgment in the action that a claim in the patent is invalid. The bill clarifies what constitutes a violation of the duty of candor and contains a controversial provision that would require a court to refer the matter to the PTO for an investigation, determination and imposition of sanctions.

### Limitations on Damages

Two proposals are certain to please those of the view that damage awards in patent infringement suits are excessive. One would expressly limit the reasonable royalty on combination inventions to that portion of the profit credited to the inventive contribution. The second would allow a court to find willful infringement (and therefore award increased damages) only in limited circumstances— (1) after written notice "particularly" alleging infringement, (2) where there has been intentional copying of the patented invention with knowledge that it was patented, or (3) after having been found by a court to have infringed the patent, the infringer engages in conduct "not colorably different" from the conduct previously found to have infringed that patent.

### Injunctions

In one of the more controversial proposals, the bill gives guidance to the court as to when permanent injunctions are appropriate for successful patentees. A previous, draft version of the bill likely would have effectively required a patentee to make use of the invention to be entitled to an injunction. The modified provision in H.R. 2795 now requires that, "[i]n 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," leaving open the question of what facts and interests the court should consider.

### Continuation Applications

Some parties have testified before the House Subcommittee on Courts, the Internet, and Intellectual Property in favor of limitations on continuation practice, including time limits for enlarging the scope of claims. The bill leaves the question open and allows the Director of the

PTO to handle this issue. Without providing much guidance, the bill states that:

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.

#### **Post-grant Opposition**

Rep. Smith's proposal establishes a post-grant opposition procedure broader in scope than the current reexamination procedures.

The current proposal allows for the filing of a post-grant opposition within nine months of issue of the patent or within six months after receipt of notice from patent holder alleging infringement. The second time period has drawn some criticism.

The issues upon which the opposition may be based include double patenting, 101 issues (who is inventor, patentable subject matter), 102 issues (novelty), 103 issues (obviousness), 112 (support, definiteness), and 251(d) issues (broadening reissue within 2 years).

The scope of estoppel arising from the opposition has been the subject of some debate. The estoppel section that is currently in the bill provides that an opposer may not later assert "that any claim of that patent addressed in the opposition proceeding is invalid on the basis of any issue of fact or law actually decided by the panel and necessary to the determination of that issue."

#### **Third Party Submissions**

The bill would allow third party submissions in pending applications before the earlier of (1) the date a notice of allowance is mailed or (2) either (i) six months after publication or (ii) the date of the first rejection, whichever is later. This would expand the current time periods for third party submissions. Unlike current practice in which the submitter may not comment on the submitted art, the bill would require the submission to include a concise description of the required relevance.

#### **Applicability**

The bill proposes different effective dates for various sections. The change to a first to file system and the accompanying novelty provision changes will apply to applications for patent, and any patents issuing thereon, that contain a claim to a claimed invention that has an effective filing date one year or more after the effective date of the Act.

The assignee filing provisions, the deletion of the best mode requirement, the changes to 35 U.S.C. §101, and the revised damages and injunction provisions take effect on the date of enactment of the Act but will not apply to any action brought in any court before the date of enactment.

The duty of candor changes will take effect on the date of enactment and apply to patents issued on or after the date of enactment.

Any regulations issued by the Director of the PTO regarding continuation applications may not take effect before the end of one year following the date of enactment.

Post-grant oppositions may not be filed until one year after the date of enactment or such later date as the Director of the PTO may establish. The third party submission provisions will take effect one year after the date of enactment.

Finally, the bill provides that, for the purpose of determining validity of a claim in a patent or the patentability of a claim in a nonprovisional application made before the effective date of the amendments to 35 U.S.C. §102, other than in an action brought in a court before the effective date of enactment, the provisions of 35 U.S.C. §102(c), (d) and (f) shall be deemed to be repealed, and the term "in public use or on sale" in 35 U.S.C. §102(b) shall be deemed to exclude subject matter that had not become reasonably and effectively accessible to persons of ordinary skill in the art.

#### **Chances for Passage**

While many predict the bill will pass in one form or another, few are willing to guess at what changes will be made before passage. Even its sponsor, Rep. Smith, has said "[t]he bill is a good first-cut of what we envisioned when this process commenced. No doubt, it will undergo changes as we proceed to markup."

#### **About the Authors**

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#### **Translation**

The Japanese language version of the Patent Practitioner Update has been prepared by the Kuroda Law Offices & Kuroda Patent Offices, a Tokyo based law and patent firm whose services cover intellectual property law as well as general and international law practice, including civil, commercial, construction, corporation, antitrust, labor, investment, finance, commerce and trade, product liability, and immigration, tax. The firm opened a Shanghai Representative Office in Shanghai, China in December 2004.

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