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PATENT REFORM (110th Congress):

A comparison of H.R. 1908 as passed by the House and S.1145 as reported out of the Senate Judiciary Committee, highlighting primary differences

UPDATED: 03/28/2008 (9:45 AM)

Issues	H.R. 1908 (As passed by House of Representatives, September 7, 2007) ¹	S.1145 (As reported out of Senate Judiciary Committee; July 19, 2007) ²	IPO Position
First-Inventor-to-File	Changes the U.S. to a first-inventor-to-file system contingent upon finding that major patenting authorities have adopted a grace period having substantially the same effect as that in the bill. (Sec. 3)	Similar to H.R. 1908, but not contingent upon finding. (Sec. 2)	IPO supports a first-inventor-to-file system along the lines of the Senate provision. <i>(Source: Joint Statement on Patent Law Harmonization, 5/03/2004)</i>
Inventor's Oath / Assignee Filing	Provides more flexibility in completing the oath requirements, particularly in cases where it is difficult to reach an inventor. (Sec. 4)	Similar to H.R.1908. Specifically provides that the assignee may apply for the patent. (Sec. 3)	IPO supports. <i>(Source: IPO Resolution, 11/3/2002)</i>
Apportionment of Damages	Court selects method of calculating a reasonable royalty from: (a) economic value attributable to patent's specific contribution over prior art; (b) entire market value; or (c) if neither (a) nor (b) is appropriate, the terms of any nonexclusive marketplace licensing of the invention and other relevant factors. (Special provision for combination inventions applied to (a) & (b).) (Sec. 5) Also requires a study of patent damage awards (from 1990 to the present) based on a reasonable royalty. (Sec. 19)	Court selects method of calculating a reasonable royalty from: (a) entire market value; (b) established royalty based on marketplace licensing; or (c) if neither (a) nor (b) are shown, the economic value of infringing product or process attributable to the claimed invention's specific contribution over prior art, with special rules for combination inventions. (Court may allow consideration of any other relevant factors in determining reasonable royalty.) (Sec. 4)	IPO supports codification of damages law, but has alternative language. IPO supports amending 35 USC 284 to codify the existing law on damages for calculating a reasonable royalty to: <ol style="list-style-type: none"> (1) <u>Base any apportionment</u> on infringer's incorporation of features that contribute economic value to the infringing product separately from the economic value of the use made of the invention; and (2) Place <u>burden on infringer</u> to show that apportionment is needed to ensure that award is not greater than the economic value of the invention; and (3) Places the <u>burden on plaintiff patent owner</u> to show that entire market value rule should be used. <i>(Source: IPO Resolutions 1/31/2007 & 3/28/2007)</i>

¹ House Judiciary Committee Report on H.R. 1908 -- H. Rep. 110-314 (Sept. 4, 2007)

² Senate Judiciary Committee Report on S.1145 -- S. Rep. No. 110-259 (January 24, 2008)

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Willful Infringement	Heightens standards for finding willfulness. (Sec. 5)	Same as H.R.1908. (Sec. 4)	IPO supports. (Source: IPO Resolution, 6/4/2003)
Prior User Rights	Struck from the bill as passed by the House. Legislation now calls for a comparative study of such defenses as used in other countries. (Sec. 5)	Extends the current defense to affiliates. (Sec. 4)	IPO does not support House provision. IPO supports Senate provision, but much more is needed. IPO supports (1) extending the prior user rights defense to all fields of technology, (2) including “substantial preparation” in the requirements for raising the defense, and (3) removing the 1-year reduction to practice requirement. This limited right is even more important under a first-inventor-to-file system. IPO also supports making the defense available to corporate affiliates along the lines of the Senate bill. (Source: IPO Resolution, 9/9/2007; IPO Positions on the 2003 FTC Report, 7/8/2004 and in support of the 1999 American Inventors Protection Act)
Post-Grant Opposition Proceeding in the USPTO	Establishes 1 st window post-grant review proceedings. No 2 nd window. No presumption of validity. Burden of proof is preponderance of the evidence. Discovery: PTO to issue regulations, including limiting evidence to that directly related to factual assertions advanced. (Sec. 6)	Establishes 1 st and 2 nd window. 2 nd window petition must be filed within 12-months of infringement notice <u>and</u> show that continued existence of challenged claim causes or is likely to cause “significant economic harm.” No presumption of validity for 1 st window, but applicable in 2 nd window. Invalidity must be proven by preponderance of evidence in both windows but, in the 2 nd window, the existence, authentication, availability, and scope of invalidity evidence must be shown by clear and convincing evidence. Discovery: Similar to H.R.1908. (Sec. 5)	IPO supports a first-window, post-grant opposition system along the lines of the House provision. IPO also supports maintaining (a) a presumption of validity for any patent after it is granted and (b) a <u>clear and convincing</u> burden of proof in any such proceeding, <i>i.e.</i> , the same standard as in U.S. District Court. (Source: IPO Resolution, 1/30/2005)

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Inter Partes Reexamination	Expands <i>inter partes</i> reexamination in lieu of a 2 nd window in post-grant. Requires that an administrative patent judge hear petitions (instead of an examiner) and allows for oral hearings. (Sec. 6)	Repeals <i>inter partes</i> reexamination. (Sec. 5)	IPO supports House provision. IPO opposes Senate provision. (Source: IPO Senate Testimony, 6/14/2005)
Publication of All Applications at 18 Months	Retains a modified version of exception under current law. For applicants who certify that they will not seek protection abroad, requires publication at the later of 18 mos. or 3 mos. after 2 nd Office action. (Sec. 9)	Requires publication for all pending applications at 18 months. (Sec. 7)	IPO opposes House provision. IPO supports Senate provision. (Source: House Letter, 9/6/2007; IPO Resolution, 9/10/2002)
Submission to USPTO of Prior Art by 3rd Parties	Allows pre-issuance prior art submissions for at least 6 months after publication; effective 1 year after enactment. (Sec. 9)	Same as H.R.1908. (Sec. 7)	IPO supports. (Source: IPO Resolution, 6/24/2005)
Tax Methods Not Patentable	Provides an exception to 35 USC §101 for tax planning methods. (Sec. 10)	Not addressed.	IPO opposes. (Source: IPO Resolution, 9/9/2007)
Venue	Includes defendant-based venue provisions and carve-out provisions for certain plaintiffs. Cannot manufacture venue. Treats venue for DJ actions the same as for infringement actions. <i>Cases involving foreign defendants;</i> <ul style="list-style-type: none"> • with U.S. subsidiary, based on the incorporation/location of primary subsidiary • without U.S. subsidiary, involving only foreign defendants, any district. Carve-out provisions for certain plaintiffs including universities, inventors and companies engaged in substantial R&D activities. If none of the above, where any defendant has substantial evidence or witnesses. (Sec. 11)	Similar to H.R. 1908. Does not address foreign corporations without a U.S. subsidiary. Carve-out provisions for certain plaintiffs including universities and inventors. May transfer where venue would be proper under general venue statute (§ 1391) based on evidentiary burdens to defendant, if no undue hardship to plaintiff. (Sec. 8)	IPO supports limiting venue to address forum shopping by patent owners and declaratory judgment plaintiffs, but more work is needed. Specifically, IPO supports, in principle, amending 28 USC §1400, including: (1) defendant-based venue provisions; and (2) language basing venue on activity relating to the invention or where the plaintiff has R&D or manufacturing (instead of “carve-outs” for certain plaintiffs) IPO does not support language that would give foreign corporations an advantage over U.S. corporations. (Source: IPO Resolutions, 6/12/2007 & 9/9/2007)

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Interlocutory Appeals	Upon District Court approval, requires the Federal Circuit to hear an interlocutory appeal on claim construction determinations. Petitions must be made within 10 days of order; court may stay proceedings. (Sec. 11)	Same as H.R.1908. (Sec. 8)	IPO opposes. (Source: IPO Resolution, 12/6/2006)
Inequitable Conduct	Adopts a materiality standard to codify a standard similar to the existing PTO Office Rule 1.56 of: "a reasonable examiner would have made a <i>prima facie</i> finding of unpatentability." Refers attorney misconduct to the Office for disciplinary action. Provides a range of remedies. (Sec. 12)	Codifies the <i>important to a reasonable examiner</i> standard for materiality. Includes some passages similar to H.R.1908. (Sec. 12)	IPO opposes the House and Senate provisions. IPO strongly supports addressing inequitable conduct but additional work needed. IPO believes the standards for establishing the defense of inequitable conduct should be raised, not lowered or remain the same, in order to improve patent quality and the interaction between examiners and applicants. (Source: IPO Resolutions, 3/28/2007 & 9/9/2007)
Mandatory Search Reports (§123)	Authorizes USPTO to require patent applicants to submit a search report and other information relevant to patentability (called an "Applicant Quality Submission" report). Provides exemption for micro-entities. (Sec. 12)	Similar to H.R.1908, but mandatory requirement -- not at USPTO's discretion. Includes exemption for micro-entities. (Sec. 11)	IPO opposes. (Source: IPO Resolution, 9/9/2007; IPO Senate Letter, 7/17/2007)
Best Mode Requirement	Prohibits using best mode as basis for an invalidity action in either litigation or as part of a post-grant opposition proceeding. (Sec. 13)	Not addressed.	IPO supports eliminating the best mode requirement entirely. The House bill fails to address unenforceability. (Source: IPO Resolution, 03/29/2007)
Enhanced Rulemaking Authority	Confirms authority of USPTO to promulgate rules on continuation applications. Also adds additional congressional review procedures for any rules published related to this new authority. (Sec. 14)	Fee-setting authority only (see below). (Sec. 9)	IPO opposes. (Source: IPO Resolution, 12/6/2006)

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Patent Marking	Not addressed.	Limits damages to up to 2 years before actual notice for inventions not in articles made, offered for sale, sold, or imported in the U.S. (including, but not limited to, business methods), as compared to up to 6 years for other inventions. (Sec. 4)	IPO opposes. (Source: IPO Resolution, 9/9/2007)
Venue for USPTO	Not addressed.	Changes venue in certain suits where PTO is a party from D. of the District of Columbia to E.D. of Virginia. (Sec. 8)	No position.
PTO Funding	Not addressed.	Attempts to permanently end user fee diversion at USPTO by creating a revolving fund for all fees collected. (Sec. 15)	IPO supports. (Source: IPO Resolutions, 12/6/2005; multiple letters)
Fee-Setting Authority	Not addressed.	Transfers authority to set fees from Congress to the USPTO. (Sec. 9)	IPO opposes. (Source: IPO Testimony and letters to Congress)
Residency Requirement for Federal Circuit Judges	Not addressed.	Repeals DC-area residency requirement for Federal Circuit judges. (Sec. 10)	No position.
Authority of the Director to Accept Late Filings	Not addressed.	Provides USPTO with additional discretion to accept late patent or trademark filings if an applicant files a petition within 30 days after deadline. (Sec. 13)	No position.
Limits on Remedies in Infringement Actions Related to Check Imaging Methods	Not addressed.	Remedies for infringement not available in suits against financial institutions using patented check collection systems in compliance with certain federal laws. (Sec. 14)	No position.