PATENT REFORM LEGISLATION SUMMARIES

BASED ON H.R. 2795, INTRODUCED JUNE 8, 2005
WITH NOTES ON WHERE JULY 26 SUBSTITUTE DIFFERS

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APPORTIONMENT OF DAMAGES FOR COMBINATION INVENTIONS -- Section 6 of H.R. 2795 defines a factor in determining reasonable royalty damages for infringement of combination inventions. The section directs a court to consider the "inventive contribution" as distinguished from "other features of the combination . . . ." It is intended to clarify the doctrine of apportionment and the entire market value rule. The language is similar to factor 13 in the Georgia-Pacific case. [NOTE: The July 26 substitute uses only slightly different language, but the Sept. 1 Coalition Print refers to "contributions arising from the claimed invention" instead of the "inventive contribution." The difference between "inventive contribution" and "claimed invention" was a major sticking point at the Sept. 15 hearing.]

ASSIGNEE FILING -- Section 4 of H.R. 2795 permits an organization or person to whom the inventor has assigned or is under an obligation to assign the invention (i.e., the owner) to file the patent application. Under current U.S. law the inventor must file the application even if the rights are owned by the inventor's employer. Assignee filing is intended to simplify procedures. The bill provides that the patent will be granted to the invention owner upon such notice to the inventor as the USPTO considers to be sufficient.

BEST MODE OF CARRYING OUT INVENTION, ELIMINATION OF REQUIREMENT TO STATE -- Section 4 of H.R. 2795 deletes the patent code's requirement to "set forth the best mode contemplated by the inventor of carrying out his invention." The best mode requirement is unique to American patent law. It was identified in the 2004 National Academy of Sciences report as one of three subjective elements that contribute to high patent litigation costs. The report said, "Given the cost and inefficiency of this defense, its limited contribution to the inventor's motivation to disclose beyond that already provided by the enablement provisions of Section 112, its dependence on a system of pretrial discovery, and its inconsistencies with European and Japanese patent laws, the committee recommends that the best mode requirement be eliminated."

COMPONENTS SUPPLIED TO BE COMBINED ABROAD -- Section 10 of an April 14 Committee Print preceding H.R. 2795 would have amended patent code section 271(f), which provides that a party in the U.S. infringes a patent if it supplies components of the patented invention to be combined outside the U.S., in certain circumstances. The amendment stated that an item supplied from the U.S. is not a "component" under section 271(f) unless the item "is a tangible item that is itself combined physically with other components . . . ." This amendment was in response to recent court cases involving issues of whether software exported from the U.S. can be a component. [NOTE: This amendment does not appear in H.R. 2795 or the July 26 substitute. Section 6 of the Sept. 1 "Coalition Print," however, would repeal section 271 (f) outright.]

CONTINUATION APPLICATIONS -- Section 8 of H.R. 2795 would authorize the USPTO Director to limit by regulation the circumstances in which a continuation application can receive the filing date of an earlier application. The proposal is in response to complaints of abuse by applicants who file continuations, often strings of continuations, to delay or to modify their claims after other parties market products. [NOTE: The April 14, 2005 Committee Print would have restricted the ability to broaden claims. Neither the July 26 Substitute nor the Sept. 1 Coalition Print addresses continuation applications.]

FIRST-INVENTOR-TO-FILE -- Section 3 of H.R. 2795 changes the U.S. patent system from a first-to-invent system to a first-inventor-to-file system. The change is implemented by amending several complex, interrelated portions of the patent code. Often known as just first-to-file, the bill calls the new system "first-INVENTOR-to-file" to make clear that an individual cannot obtain a valid patent if he is not an inventor, i.e., if the individual derived the invention from someone else and filed. Under the new system, among two or more competing inventors the patent would go to the inventor with the earliest "effective" patent filing date.

Patent interference proceedings would no longer be conducted in the USPTO to determine which inventor was the first to invent. With the switch to first-inventor-to-file by the U.S., no country in the world would any longer have a first-to-invent system.

GRACE PERIOD FOR INVENTOR'S DISCLOSURES -- Section 3 of H.R. 2795 makes several changes in the definition of "prior art." In a rewritten patent code section 102(a), the bill defines a "grace period" of one year before patent filing during which public disclosures are not prior art if the disclosures are "by the inventor or by others who obtained the subject matter disclosed directly or indirectly from the inventor." Public disclosures other than those are prior art if made at any time before patent filing. This one-year grace period for the inventor's own disclosures is consistent with the first-inventor-to-file system of the bill. [NOTE: The July 26 Substitute provides a grace period of a year for any disclosures that were not "before the invention thereof by the applicant . . . ."].

INTER PARTES PATENT REEXAMINATION -- In addition to establishing a post-grant patent opposition procedure, section 9 of the H.R. 2795 expands the existing "inter partes" patent reexamination procedure. The bill allows a requester of inter partes reexamination to later raise a ground for patent invalidity in court unless the requester "raised" the ground during the reexamination. Current law reads "raised or could have raised." In addition, the bill makes all existing patents subject to requests for inter partes reexamination. Current law is limited to patents issued from original applications filed on or after November 29, 1999.

POST-GRANT OPPOSITION PROCEEDINGS -- Section 9 H.R. 2795 would establish a post-grant opposition proceeding in the USPTO to enable anyone to challenge the validity of a patent during a 9-month "window" of time following the date of patent grant or during a "second window" of 6 months after the challenger receives a notice alleging infringement. [NOTE: The July 26 Substitute removes the second window.] All issues of invalidity could be considered during the proceeding, although not issues of unenforceability. The opposer would have the burden to prove invalidity by a preponderance of the evidence. Discovery normally would be limited to cross-examination of persons submitting an affidavit or declaration. The opposer normally would be estopped from raising in a subsequent proceeding any issue of fact or law actually decided. The USPTO would render a decision within 1 year after the proceeding was instituted.

PRIOR ART SUBMITTED BY THE PUBLIC -- Section 10 of H.R. 2795 allows any person to submit potentially relevant patents or publications to be included in the record of a patent application for at least six months after the application is published, unless the USPTO issues a notice of allowance of the patent claims earlier. Submissions must explain concisely the relevance of each document. Under existing regulations, documents must be submitted within 2 months after publication and cannot include an explanation of relevance.

PRIOR USER RIGHTS -- Section 9 of H.R. 2795 broadens the scope of prior user rights. The 1999 patent act established a prior user defense against patent infringement for a party who independently reduces a patented invention to practice more than a year before patent filing and commercially uses the invention before the day of filing, subject to certain limitations. The bill (1) deletes the requirement for reduction to practice at least a year before patent filing, (2) deletes a limitation to "methods of doing or conducting business," and (3) extends prior user rights to "substantial preparations for commercial use."

PUBLICATION OF ALL APPLICATIONS AFTER 18 MONTHS -- Section 9 H.R. 2795 repeals the exception to publication of all patent applications 18 months after filing that allows applicants to avoid publication by certifying they are not filing in another country that requires publication 18 months after filing. About 10 percent of applicants take advantage of this exception under current law. Supporters of repealing the exception say repeal will provide more information to the public at an earlier date and increase certainty about the scope of patent rights being sought. The bill would retain exceptions to publication for applications no longer pending or subject to a secrecy order and for provisional and design applications. Publication of most patent applications after 18 months was first required by the 1999 American Inventors Protection Act.

TREBLE DAMAGES FOR PATENT INFRINGEMENT -- Section 6 of H.R. 2795 limits the availability of "treble" (triple) damages. Courts would continue to award treble damages for "willful" infringement, but treble damages could not be awarded based merely on knowledge of the patent by the infringer before the suit. Treble damages generally could be awarded only if (1) the patent owner gave the defendant written notice of infringement containing certain specific information or the defendant copied the invention and (2) the defendant did not have a basis for a good faith belief that the patent was invalid, unenforceable, or not infringed. Lack of an opinion by an attorney would not create an inference of willfulness.

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Intellectual Property Owners Association
1255 23rd Street, NW, Washington, DC 20037
info@ipo.org | www.ipo.org