

THE PATENT REFORM ACT OF 2007 (S. 1145)

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Topics for Discussion

- ❑ Background and Origin of the Bill
- ❑ Proposed Changes to 35 U.S.C.
- ❑ Arguments by Different Organizations in Support and Opposition of the Bill
- ❑ Current State of the Bill

Background and Origin of the Bill

- Most comprehensive patent reform since the Patent Act of 1952
- Closely resembles the patent bills presented in 2005 and 2006
 - Attempted to harmonize U.S. patent law with those of other countries

Background and Origin of the Bill

- Introduced in the House of Representatives (as H.R. 1908) and Senate (as S. 1145) on April 18, 2007
- Passed in the House on September 7, 2007 by a vote of 220-175
- Still pending in the Senate as of April 30, 2008
 - Senate bill is sponsored by Sen. Patrick Leahy

Purpose of the Bill

- "[T]o ensure that the patent system in the 21st century accurately reflects the 18th century Constitutional imperative [to promote the Progress of Science and useful Arts] while ensuring that it does not unduly hinder innovation."

Concerns addressed by the Bill

- Whether the current standard for obtaining a patent is too low
 - Also addressed by the Supreme Court last year in *KSR v. Teleflex*
- USPTO's ability to handle the number of new patent applications
- Applicants' responsibility to file high-quality applications
- Ways to stem high cost and uncertainty of patent litigation
- Lack of harmonization with patent laws in other countries

Supporters of the Bill

- View the bill as needed reform to reduce the abuses of the patent system, which are stifling innovation
- Organizations include:
 - American Institute of Certified Public Accountants
 - Business Software Alliance
 - Coalition for Patent Fairness
 - Intellectual Property Owners Association

Supporters of the Bill

- Companies that support the bill include:
 - Amazon.com
 - Apple
 - Cisco
 - Dell
 - Hewlett-Packard
 - IBM
 - Intel
 - Microsoft

Supporters of the Bill

- Generally sell devices that include several patented elements
 - Argue that the USPTO makes it too easy to obtain patents on questionable inventions, collect huge damages, and shut down product lines that include a small infringing piece
- Seek reduced damage awards to deter unwarranted lawsuits by “patent trolls”
 - i.e., companies who do not actually manufacture products, but obtain patents to collect royalties from those who do

Opponents of the Bill

- View the bill as weakening the rights of patent holders and/or favoring larger and foreign corporations
- Organizations include:
 - American Federation of Labor and Congress of Industrial Organizations (AFLCIO)
 - Bio Technology Industry Organization
 - Coalition for 21st Century Patent Reform
 - Innovation Alliance
 - National Association of Patent Practitioners (NAPP)
 - POPA, the union of US patent examiners

Opponents of the Bill

- Companies who oppose the bill include:
 - 3M
 - General Electric
 - Johnson & Johnson
 - Procter & Gamble
 - Eli Lilly
 - Glaxo Smith Kline
 - Merck
 - AstraZeneca
 - Monsanto

Opponents of the Bill

- Most opposition is by the pharmaceutical industry
 - Unlike the tech industry, even blockbuster drugs may have just one or two patents
 - Seeks to continue the threat of high damages to protect their intellectual property

Proposed Changes to 35 U.S.C.

- Right of First Inventor to File
- Inventor's Oath or Declaration
- Apportionment of Damages
- Post-Grant Procedures
- "Quality Enhancements"
- Venue Changes
- Applicant Quality Submissions
- Inequitable Conduct
- USPTO Regulatory Authority and Funding

Right of First Inventor to File

- Almost every country, with the exception of the U.S., uses a “first to file” system for patent priority
 - When more than one application claims the same invention, the right to seek a patent goes to the earlier-filed application
- Current law in U.S. is based on a “first to invent” system
 - When two applications claim the same invention, priority is established based on proof as to which party was the first to invent the claimed subject matter

Right of First Inventor to File

- Proposed bill changes U.S. law to a “first to file” system
 - Priority is based on the filing date of the application
 - No longer based on factual evidence re: who was the first to invent

Right of First Inventor to File

- Proposed bill states that a patent for a claimed invention may not be obtained if the invention was patented, described in a printed publication, in public use, on sale or otherwise available to the public:
 - More than 1 year before the filing date
 - For public disclosures by anyone, including the inventor seeking patent protection
 - 1 year or less before the filing date
 - For public disclosures other than those by/obtained from the inventor or a joint inventor

Right of First Inventor to File

- Public use/On-sale bar is not limited by geography
 - Current law only bars an application for patent based on prior public uses/sales “in this country” that occur more than 1 year before the filing date of an application

Right of First Inventor to File

- A patent may not be obtained if the claimed invention was described in a prior-filed patent or published patent application that names another inventor
 - A prior patent or application is considered prior art as of its filing date or earliest claimed priority date—no more swearing behind
 - “Another inventor” refers to any difference in the inventive entity

Right of First Inventor to File

- Exceptions—§102(b) 1-Year Grace Period
 - Current law allows an inventor 1-year to file a patent application from the date of any public disclosure
 - Proposed bill maintains this grace period
 - A public disclosure by/obtained from the inventor (or a joint inventor) is not prior art if an application is filed within the one-year grace period
 - HR 1908 proposes that First-to-File provisions should not take effect until Japan and Europe adopt a similar 1-year grace period

Right of First Inventor to File

- Exceptions—Derivation from the Inventor
 - A prior-filed patent or published application by another is not considered prior art to a present application if its subject matter was:
 - Obtained from the inventor or a joint inventor of the present application,
 - Publicly disclosed by the inventor or joint inventor before the filing date of the prior-filed patent/published application, or
 - Owned by/subject to an obligation of assignment to the same person as the present application

Right of First Inventor to File

- Exceptions—Joint Research Agreement
 - Preserves CREATE Act, including the exception for disclosure of subject matter made by parties to a joint research agreement
 - Claimed invention is considered to be owned/assigned to the same person (and thus, not prior art) if:
 - Made pursuant to joint research agreement
 - Within the scope of the joint research agreement; and
 - Application discloses names of parties to agreement
 - Joint Research Agreement = a written contract, grant, or cooperative agreement between 2 or more entities for research purposes

Right of First Inventor to File

- Eliminates Interference Proceedings
 - Current law provides interference proceedings to determine who was the first to invent when two or more patent applications claim the same invention
 - No longer needed in a first to file system

Right of First Inventor to File

- Provides for a "derivation proceeding" to determine which inventor has the right to file an application for a claimed invention
 - Is used to prove that the first-to-file is also the true inventor when two or more applications claim the same invention
 - Requirements for derivation proceeding:
 - Must set forth basis for finding that an earlier applicant derived the invention from another and filed an application without authorization
 - Must be filed within 12 months of 1st publication of the application

Inventor's Oath or Declaration

- Current law presumes that inventors file their own patent applications
 - Requires inventors to file an oath or declaration with the application, stating that they indeed invented the subject matter
 - However, most inventors are obligated to assign their applications to their employers as part of their employment contract
 - Makes it difficult for a company to file an application in situations where the inventor is no longer an employee and/or refuses to cooperate

Inventor's Oath or Declaration

- Proposed bill allows an applicant to submit a substitute statement in lieu of the inventor's oath or declaration in certain circumstances, such as when:
 - Inventor is unable to provide oath/declaration
 - Inventor is unwilling but is under an obligation to assign the invention to the applicant
- No longer requires a diligent effort to find/reach inventor, nor a statement of irreparable damage to file an application without the inventor's oath/declaration
- Includes a savings clause
 - If a failure to comply with the oath/declaration requirements is remedied by a supplemental corrected statement, there is no basis for invalidity or unenforceability of the patent

Apportionment of Damages

- Current remedies for patent infringement include an injunction and damages
 - Current law gives the court discretion to determine amount of damages based on case-specific circumstances
 - Damages are typically based on:
 - Lost profits due to infringement (where available); or
 - A “reasonable royalty”
 - Difficult to determine what constitutes a reasonable royalty
 - Courts generally consider the value of the entire product, even when only one component of the product infringes a patent
 - Often results in unreasonably high damage awards

Apportionment of Damages

- HR 1908—Proposes calculation of reasonable royalty based on one of 3 methods:
 - Economic value of the patent's specific contribution over the prior art
 - Entire market value of the infringing product/process
 - Only where the patent's specific contribution creates the demand for the infringing product/process
 - Terms of non-exclusive marketplace licensing of the patent or other relevant factors
 - If neither of the above methods are appropriate

Apportionment of Damages

- S 1145—Proposes calculation of reasonable royalty based on one of 3 methods:
 - Entire market value of the infringing product/process
 - Only if the patent's specific contribution creates the demand for the infringing product/process
 - Established royalty based on comparable non-exclusive marketplace licensing of the patent
 - Economic value of the patent's specific contribution over the prior art
 - If neither of the above methods are applicable

Willful Infringement

- Current law allows for treble damages upon a finding that the infringement was “willful”
 - Requires proof that the infringer was put on notice of its infringing behavior
 - Is decided by the jury
- Proposed bill still allows for treble damages upon a finding of willfulness
 - But willful infringement is decided by the judge
 - And only after a finding that the patent at issue was both valid and infringed

Willful Infringement

- Must demonstrate that (any of the following):
 - The infringer received written notice alleging the acts of infringement and continued infringing activity
 - Notice must be sufficient to provide a reasonable apprehension of suit; and
 - Must identify each claim of the patent, each infringing product/process, and the relationship between the product/process and the claim
 - The infringer intentionally copied the patented invention with knowledge that it was patented; or
 - The infringer continued infringing activity after having been found to infringe the same patent by a court

Willful Infringement

- Standard of proof is by clear and convincing evidence
- Good faith belief of non-infringement, invalidity, or unenforceability is a defense
 - Good faith may be established by:
 - Reasonable reliance on advice of counsel
 - Evidence of modified conduct after learning of the patent, or
 - Other evidence of good faith
 - Failure to present evidence advice of counsel is not relevant to determining willfulness
 - See *Knorr-Bremse v. Dana*—removed adverse inference based on failure to present evidence of advice of counsel

Prior User Rights

- Current law provides a defense to patent infringement when an inventor of a “method of doing or conducting business” uses the invention, but does not file a patent application
 - For example, where an earlier inventor makes a secret commercial use of an invention, but another person later independently invents the same technology and obtains patent protection

Prior User Rights

- ❑ Originally proposed bill extended this defense to all types of patents, not just business method patents
- ❑ Currently proposed bill merely extends the defense to affiliates of the first inventor

Best Mode Requirement

- Current law requires inventors to set forth the “best mode” for carrying out the invention in the application
 - This requirement is unique to U.S. law
 - Is used to prevent inventors from concealing the best way to implement the invention
 - Failure to comply can be used as a basis to invalidate the patent
- HR 1908 prohibits failure to provide the best mode as a basis for invalidity
- S 1145 does not address the best mode requirement

Post-Grant Procedures

- Current law allows for post-grant review via reissue, interference, or reexamination
 - Reissue: is a process where the patent holder may request to correct mistakes in the issued patent
 - Interference: is an inter partes priority contest to determine who is entitled to priority (i.e. who was the first to invent) when two or more patent applications claim the same invention
 - Reexamination: is a process whereby a third party can have a patent examined by a different patent examiner based on prior art that raises a “substantial new question of patentability” not raised during the original prosecution

Post-Grant Procedures

- S-1145 Provides for a 3rd Party Post Grant Review (PGR) Proceeding
 - Allows 3rd parties to petition the USPTO to review a patent
 - Replaces and eliminates inter partes reexamination
- Differences between PGR and current post-grant review options:
 - May assert all challenges available under the patent statute
 - Is decided within 1 year
 - Or a maximum of 18 months where the additional time is justified
 - Current reexamination process may require several years

Post-Grant Procedures

- Petition for post-grant review can be filed in any of the following circumstances:
 - Within 12 months of issuance of a patent
 - Referred to as the “1st Window”
 - When there is an issue of significant economic harm to the petitioner AND within 12 months of receiving notice of infringement
 - i.e. anytime during the life of the patent
 - Referred to as the “2nd Window”
 - This section was removed in HR 1908
 - When the patent owner consents (2nd Window)

Post-Grant Procedures

- Requirements of Petition
 - Necessary fee, identification of real parties in interest, identification of each claim challenged, grounds for challenging each claim, and evidence supporting each challenge
 - Grounds for challenging each claim must raise a substantial new question of patentability
- PTO's decision whether or not to grant the petition for post-grant review is not appealable

Post-Grant Procedures

- Petitions for post-grant review are publicly available
 - Petitions are published in the Federal Register and available on USPTO website
 - Available to the public unless filed with a motion to seal

Post-Grant Procedures

□ Prohibited filings

- Same party can't file successive petitions on the same patent, even if it raises new issues
 - Prevents abuse of the system/harassment of patent owner by providing only "one bite at the apple" for the petitioner
- Can't file petition if the petitioner has already filed suit challenging the validity of at least one claim of the patent

□ Consolidation of proceedings

- Petitions can be consolidated where more than 1 petition (each raising a substantial new question of patentability) is submitted against the same patent
- Parties who file a petition against the same patent may be joined

Post-Grant Procedures

- Evidentiary standards
 - Must prove invalidity by a preponderance of the evidence
 - Presumption of validity of the patent does NOT apply where a post-grant petition is filed within 12 months of the patent issuance
 - i.e., within the 1st window
 - Presumption of validity still applies when filed within the 2nd window

Post-Grant Procedures

□ Patent Owner Response

- After a post-grant review proceeding has been initiated, the patent owner has the right to file a timely response
 - Can include affidavits, declarations, additional factual evidence, and/or expert opinions
 - Can amend the claims and/or specification

Post-Grant Procedures

- Amendment of the Patent
 - During a post-grant review proceeding, patent owner may file one motion to amend the patent, which may:
 - Cancel any challenged claim;
 - Propose a substitute claim for any challenged claim;
 - Amend the drawings and/or other portions of the patent
 - Additional motions to amend may be permitted upon a showing of good cause
 - Any amendments may not enlarge the scope of the claims or introduce new matter

Post-Grant Procedures

- Settlement of PGR Proceeding
 - Proceeding can be terminated by a joint request by the patent owner and the petitioner
 - Termination of a PGR proceeding does not estop the petitioner from filing a future petition
 - Any agreement between the parties to terminate a proceeding must be in writing and filed with the USPTO

Post-Grant Procedures

- Decision of PGR proceeding is by Patent Trial and Appeal Board (formerly known as the Board of Patent Appeals and Interferences)
 - If not appealed, a certificate is published canceling any claims determined to be unpatentable and adding new claims determined to be patentable
 - Final decision of validity in a civil action precludes filing of a subsequent petition for post-grant review
 - Final decision of patentability in a PGR proceeding precludes (for any ground raised during PGR):
 - Filing of a subsequent derivation proceeding
 - Filing of a civil action asserting invalidity

"Quality Enhancements"

- Repeals Exception for 18-month Publication of patent applications
 - Requires mandatory publication of all applications within 18 months of filing
 - Current law allows a request for non-publication if the application will not be filed in other countries

"Quality Enhancements"

- Allows 3rd parties to submit information before issuance that is relevant to examination
 - Must include a concise statement of the relevance of the submission
 - Current law only allows 3rd parties to submit a patent or publication
 - Does not allow for explanation as to why the prior art was submitted and/or why it is relevant to the application

Venue Changes

- Current law allows for an action to be filed in any district where defendant could be subject to personal jurisdiction
 - Federal Circuit has clarified that personal jurisdiction exists wherever a product is made, used, or sold
 - Since most products are sold nationally, a patent holder can file suit in virtually any judicial district, even when the defendant has no ties to the district
 - Supporters of the bill argue that current law encourages forum shopping by the patent holder

Venue Changes

- Proposed bill provides that a civil action for patent infringement may be brought:
 - Where the defendant has its principal place of business
 - Where the defendant has committed substantial acts of infringement and has an established physical facility
 - Where the primary plaintiff resides
 - for universities and nonprofits
 - Where the plaintiff resides
 - for sole inventor who qualifies as a "micro-entity"

Applicant Quality Submissions

- USPTO statistics:
 - Over 440,000 applications filed in 2006
 - 25% of applications filed do not disclose any prior art
 - 25% of applications filed cite 20 or more references, without any explanation as to their relevance
- Assistance from applicants would greatly aid examiners and improve patent quality

Applicant Quality Submissions

- Proposed bill requires a patent applicant to conduct a patentability search and submit a search report with and explanation/analysis of patentability
 - Current law requires inventors to disclose prior art of which they are aware, but does not require a search and/or explanation
- Failure to comply with search report/analysis requirements results in abandonment of the application

Applicant Quality Submissions

- Micro entities are exempt from the requirements
 - A micro-entity may be an inventor or organization that:
 - Qualifies as small entity (less than 500 employees)
 - Has not been named on five or more previously filed patent applications; and
 - Either has not assigned a license or any other ownership interest in the application OR has assigned a license or other ownership interest to an entity that has 5 or fewer employees
 - Bill also specifies gross income requirements for a micro-entity or an assignee of a micro-entity

Inequitable Conduct

- S 1145 codifies case law re: proof and consequences of inequitable conduct
- A party alleging inequitable conduct for unenforceability of a patent must prove that:
 - Material information was misrepresented or omitted from the patent application
 - With the intention of deceiving the USPTO

Inequitable Conduct

- Material information is defined as:
 - Non-cumulative information
 - That a reasonable examiner would consider important in deciding whether to allow the application
- Intent to deceive may be inferred based on the circumstances
 - But cannot be inferred solely based on gross negligence
 - Nor solely based on the materiality of the information that was misrepresented/omitted

Inequitable Conduct

- Standard of proof is by clear and convincing evidence
- Upon a finding of inequitable conduct, the Court has discretion to:
 - Hold the entire patent unenforceable
 - Hold one or more claims unenforceable; or
 - Deny patentee injunctive relief and limit damages to a reasonable royalty

USPTO Regulatory Authority

- Allows USPTO to set or adjust all of its fees
 - Under current law, most PTO fees are set by Congress
 - Fee amounts may only “reasonably compensate” the USPTO for the services it performs
 - Proposals for fee changes must be published in the Federal Register and be open for public comment for at least 45 days

Authority to Accept Late Filings

- Patent applicants and practitioners must comply with numerous deadlines, both during prosecution and after issuance
- Current law provides for:
 - Revival of an application for unintentional delay;
 - Reinstatement of a patent for unintentional delay;
 - Revival of an application for unintentional or unavoidable delay in submitting the filing fee or oath; and
 - Revival if failure to prosecute was unavoidable

Authority to Accept Late Filings

- Proposed bill expands authority to accept any filings when the filer:
 - Files a petition within 30 days after the missed deadline, and
 - Demonstrates that the delay was unintentional
- Decisions re: late filings cannot be appealed
- Does not apply to statutory deadlines required by treaty

USPTO Funding

- Currently, although the USPTO collects fees from applicants, the fees are deposited in the Treasury
 - USPTO is funded by annual Congressional appropriations
- USPTO attributes backlog of unexamined applications and pendency of applications at least partially to this fee diversion
 - Current backlog is over 730,000 applications
 - Average pendency is (substantially) over 31 months

USPTO Funding

- Proposed bill terminates appropriation of USPTO fees by other governmental entities
- Allows all fees collected by the USPTO to be available until expended
 - No fiscal year limitations

Arguments in Support and Opposition

- ❑ Coalition for Patent Fairness
- ❑ Business Software Alliance (BSA)
- ❑ Innovation Alliance
- ❑ Coalition for 21st Century Patent Reform
- ❑ Patent Office Professional Association (POPA)
- ❑ National Association of Patent Practitioners (NAPP)
- ❑ American Federation of Labor and Congress of Industrial Organizations (AFLCIO)
- ❑ Bush Administration
- ❑ North Carolina Senators

Coalition for Patent Fairness

- Represents companies including Microsoft, Apple, Cisco, and Google
- Supports bill
- Argues that current law promotes litigation due to unreasonable damages awards
 - Rewards patent holders and attorneys, rather than those who actually produce new products
 - Favors large corporations over small entities
 - Damages should correspond to actual harm, not the entire value of the infringing product

Coalition for Patent Fairness

- Argues that current law:
 - Encourages forum shopping by allowing suit to be filed in places with no real connection to the defendant
 - A corporation can be sued in any district in which it is subject to personal jurisdiction
 - Results in poor quality patents for trivial or insignificant improvements
 - Encourages companies to obtain patents not for the right to produce or sell goods, but to extract licensing fees
 - Greater burden should be placed on applicants to prevent abuse of the system

Coalition for Patent Fairness

- Believes that proposed patent reform will better align patent law with other fields of law where frivolous litigation has been problematic
 - For example, personal injury and class actions

Business Software Alliance (BSA)

- Represents several of the world's largest software companies, including Microsoft, Apple, Adobe, Symantec, and Oracle
- Supports bill
- Argues that current law needs to be updated:
 - Patents were originally conceived to cover physical goods
 - In contrast, software patents essentially describe complex systems that have no visual or mechanical components
 - Makes it difficult to judge what truly deserves a patent and what doesn't

Business Software Alliance (BSA)

- Argues that patents, at least in the software industry, have become akin to lottery tickets
 - Many who patent software aren't even involved in the tech industry
 - Apply for patents hoping the Patent Office will issue a broad patent that will let them sue those who actually develop and market the technology
 - Disproportionately large damage awards only encourage this behavior

Business Software Alliance (BSA)

- Believes that proposed bill will address these concerns by:
 - Reducing incentives to litigate by more fairly calculating damages
 - Discouraging forum shopping by permitting suit to be filed only in jurisdictions that have some reasonable connection to the matter at hand
 - Reducing the issuance of “bad patents” through heightened applicant requirements and more efficient post-grant procedures

Innovation Alliance

- Represents companies including Dolby, Qualcomm, and LSI
- Opposes the bill
 - One of few organizations in the tech industry that opposes the bill
- Argues that proposed bill:
 - Encourages infringement by inflexibly limiting damages
 - Opposes approach based on patent's specific contribution over the prior art; referred to as "prior art subtraction" test
 - Imposes additional burden on PTO with post-grant opposition proceedings
 - Benefits infringers by limiting suit to locations where the infringers have an established physical facility

Innovation Alliance

- Argues that proposed bill:
 - Increases costs of obtaining patents by mandating a patentability search and analysis for all applications
 - Is especially burdensome to solo inventors and small companies
 - Makes it more difficult for patent-heavy startups to acquire funding
 - Increases frivolous litigation by codifying problems in current law regarding inequitable conduct

Coalition for 21st Century Patent Reform

- Represents companies such as GE, 3M, Procter & Gamble, and Johnson & Johnson
- Opposes bill; argues that proposed bill:
 - Values patent rights at the wrong time against the wrong benchmarks
 - Believes that patents should be valued at the time of infringement, not when the invention was made
 - Also believes that that patents should be valued by comparison with non-infringing alternatives, rather than against pre-invention art

Coalition for 21st Century Patent Reform

- Argues that proposed bill:
 - Merely codifies current law regarding inequitable conduct, without any meaningful reform
 - Proposes limiting allegations of inequitable conduct so that they cannot be raised where:
 - Court finds the patent valid; and
 - Alleged misconduct did not impact the examiner's decision to grant
 - Goes too far in venue limitations to prevent forum shopping
 - Proposes allowing venue in any district where a party does substantial research, development, or manufacturing

Coalition for 21st Century Patent Reform

- Argues that proposed bill:
 - Increases costs of preparing applications and risks of inequitable conduct by requiring search reports/patentability analysis
 - Proposes that applicants should only be required to disclose material information and identify the content that caused the information to be regarded as material
 - Proposes procedure where applicants can work with examiners to answer questions regarding the relevance of known information to the patentability

Patent Office Professional Association (POPA)

- Represents more than 5,200 patent examiners at the USPTO
- Opposes bill; argues that proposed bill:
 - Unnecessarily transfers search responsibilities from patent examiners to applicants
 - Search is critical to examination; should be performed by examiners, who are free of conflicts of interest
 - Proposes a simpler solution: provide examiners with sufficient time and resources so they can uncover the relevant prior art during examination

Patent Office Professional Association (POPA)

- Notes that, despite more complex applications, the time allocated to examining a patent application has not changed since 1976
- Believes that we should not adopt a first-inventor-to-file system unless and until foreign patent systems provide for grace periods for inventors analogous to existing U.S. patent laws

National Association of Patent Practitioners (NAPP)

- Represents over 500 patent attorneys and agents whose practices primarily focus on patent preparation and prosecution
- Opposes bill
- Believes that inventors who merely invent, but do not actually manufacture products, do not deserve any less patent protection
 - Cites universities and government researchers as good examples

National Association of Patent Practitioners (NAPP)

- Argues that adoption of a first-to-file system places a greater burden on patent practitioners:
 - First-to-file system will decrease patent disclosure quality
 - As practitioners typically operate with a backlog of cases, it will result in rushed filings
 - Also will increase the opportunity for attorney-malpractice
 - Notes that interference proceedings (currently used to resolve priority issues) are very rare
- Notes that mandatory publication of applications at 18 months will prevent applicants from relying on trade secret protection as a fall-back if a patent cannot be secured

AFLCIO

- Is the largest federation of unions in the U.S.
 - Made up of 54 national and international unions
 - Represents more than 10 million workers
- Opposes the bill, mostly due to concern about overseas piracy of U.S. goods
 - Nearly 70 percent of the patents filed in the U.S. are related to manufacturing

AFLCIO

- Believes that reduced damages and mandatory 18-month publication of applications will lead to more counterfeiting of U.S. goods and sending U.S. jobs overseas
 - Argues that mandatory publication of applications makes it easier for overseas competitors to copy U.S. inventions
 - Reduced damages lessens the consequences for counterfeiting
- Union concerns are important to lawmakers
 - Tech companies gave \$1.3 million to Democratic candidates in 2007-2008
 - Organized labor gave more than \$24 million in the same period

White House/Bush Administration

- Supports Applicant Quality Submissions provision to improve patent quality
 - Applicant has greatest opportunity, information, and incentive to explain why an application deserves a patent
 - Reducing the number of poor quality applications will reduce backlog, as well as reduce the likelihood of excessive litigation

White House/Bush Administration

- Supports statutory changes to the doctrine of inequitable conduct in conjunction with the Applicant Quality Submissions provisions
 - Believes that diminishing the penalties for misrepresenting facts before the PTO (i.e., the changes to inequitable conduct) without also increasing the applicant's requirements to provide quality information may invite abuse of the patent system

White House/Bush Administration

- Supports establishment of post-grant patent review process as a lower-cost alternative to litigation
- Opposes proposed calculation of damages
 - Argues that proposed changes are too restrictive
 - Would limit courts' discretion and lead to less than reasonable royalty calculations
 - Believes that the proposed damages calculation undermines the assurance that patent owners will be fully compensated for harm caused by infringement, which will reduce incentive to innovate

North Carolina Senators

- Burr: Opposes the bill in its current form
 - "While the existing patent system is certainly worthy of reform, I have significant concerns with the reforms proposed in S. 1145...The provisions of S. 1145 arguably would bring about the most sweeping reforms to the U.S. Patent system since the nineteenth century, and I do not support S. 1145 in its current form."

North Carolina Senators

- Dole:
 - Recognizes that patent law does need reform
 - But has serious reservations re: the damages provisions of S. 1145
 - Feels that proposed apportionment of damages is too restrictive
 - Believes that formulation of damages should be argued as part of the case

Current State of the Bill

- As of last week, S. 1145 has been pulled from the floor schedule
- Main players on judiciary committee:
 - Leahy and Hatch support
 - Specter and Kyl oppose
- Leahy and Specter cannot agree on several provisions
 - Apportionment of damages is the principal disagreement

Current State of the Bill

- Former USPTO solicitor John Whealan (advisor to Sen. Patrick Leahy) recently resigned his post
 - Prior to the resignation, Leahy planned to bring a revised version of the bill back to the Senate floor the week of April 21, 2008
 - Some speculate that Whealan's unexpected departure may signal the death of the bill, at least in its present form
- However, suspensions of negotiations on legislation are common, so it is still too early to pronounce S 1145 dead for the year

Questions?

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- Thank You!