

UPDATE

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PATENT REFORM ACT PROPOSED FOR 2009



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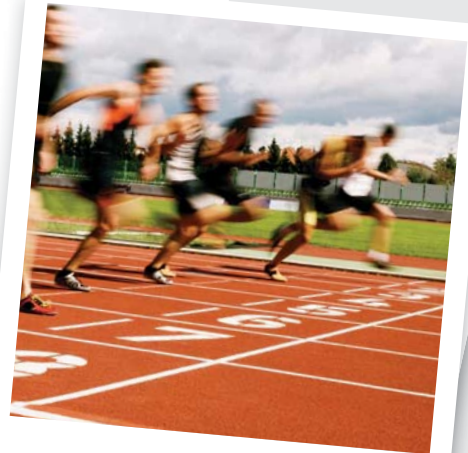
Patent reform bills introduced every year since 2005 have languished in Congress. This year, the patent reform debate continues as bipartisan bills were recently introduced in both houses of Congress. Patent reform bills H.R. 1260 and S. 515 include many of the same controversial provisions from prior bills that Congress failed to enact. The changes proposed in the 2009 patent reform bills are designed to improve patent quality, curb excessive litigation, and promote internal harmonization between United States and foreign patent laws. Like past years, financial, software, energy and computer technology companies favor the patent reform bill whereas biotechnology and pharmaceutical companies oppose the legislation believing its provisions would weaken intellectual property protection and reduce the value of patents.

PROVISIONS CARRIED OVER FROM PRIOR LEGISLATION

FIRST TO FILE: The 2009 bills would switch the United States to a first-to-file patent system from a first-to-invent system. Since the 1836 Patent Act, patent rights in the United States belonged to the person who was the first to invent the claimed subject matter. Under a first-to-file system, the first person to file a patent application for a claimed invention is entitled to any patent rights. Moving towards the first-to-file system would in most instances also eliminate the one year grace period for filing an application and eliminate

interference proceedings. The proposed legislation would also create a prior user rights defense for earlier inventors.

POST-GRANT REVIEW: One of the most sweeping and controversial changes proposed in the patent reform act is a post-grant challenge procedure. Under the post-grant procedure, a third party may within twelve months of the issuance of a patent, file a petition to cancel an issued patent on any ground of invalidity except best mode. [MORE](#)



First-to-file?

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[PATENT REFORM ACT, FROM PAGE 1]

While past legislation included a second window of opportunity to file a post-grant challenge, the 2009 legislation contains only one window.

EXPANDED REEXAMINATION PROCEEDINGS:

Presently, reexamination challenges are limited to prior art publications. The proposed legislation would additionally permit reexamination proceeding based on evidence of prior public use or sale in the United States. The

DAMAGES: The most controversial proposal in the patent reform bills is changes to determining the amount of reasonable royalty damages, should infringement be found. The proposed legislation would require the court to determine which method should be used to calculate a reasonable royalty, *i.e.* the entire market valuation, an established royalty based on marketplace licensing, or a valuation calculation. The entire market value (EVM) may be used for a royalty base only “upon a showing . . . that the claimed



Single Window of Opportunity

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legislation would create a administrative board (the Trial and Appeal Board) and administrative patent judges would preside over post-grant and reexamination proceedings.

invention’s specific contribution over the prior art is the predominant basis for market demand.” Damages may be made based on the terms of existing nonexclusive licenses in the marketplace “[u]pon a showing . . . that the claimed invention has sufficiently similar noninfringing substitutes in the relevant market, which have themselves been the subject of such nonexclusive licenses, and the . . . the infringer’s use is of substantially the same scope, volume, and benefit of the rights granted under such licenses.” Where evidence does not support application of the EVM or marketplace licensing, a reasonable royalty should be applied “only to the portion of the economic value of the infringing product or process properly attributable to the claimed invention’s specific contribution over the prior art.”

PRE-ISSUANCE SUBMISSION OF PRIOR ART BY THIRD PARTIES:

The 2009 patent reform bills would permit third parties to submit prior art publications and evidence of prior public use or sale in the United States to the patent office for consideration and inclusion in the record of a patent application. The submission must be filed within six months of publication of a patent application or before the first office action. The goal of this section of the bill is to improve the quality of patents by providing examiners with greater access to prior art by leveraging the resources of the private sector.

WILLFUL INFRINGEMENT: The proposed legislation would essentially codify *In re Seagate Technology*, 497 F.3d 1360 (Fed. Cir. 2007), and limit when willful infringement may be found. Reasonable reliance on advice of counsel or evidence that the alleged infringer modified its actions to avoid infringement would establish a good faith belief of invalidity and/or noninfringement and preclude a finding of willful infringement.

VENUE: The patent reform bills seek to limit a patentee's ability to choose the venue to bring claims of patent infringement. Under the proposed litigation, "a party shall not manufacture venue by assignment, incorporation, or otherwise to invoke the venue of a specific district court." Venue would be proper (i) where the defendant has its principal place of business or is incorporated, (ii) where the defendant has committed substantial acts of infringement and has an established facility or (iii) where the plaintiff resides if the plaintiff is an individual inventor or non-profit organization. The bills also include a provision that expressly permit a defendant to request a change of venue based on evidentiary burdens.

INTERLOCUTORY APPEALS: The proposed legislation would provide the Federal Circuit Court of Appeals with jurisdiction over interlocutory appeals of orders determining the construction of claims. The district court would have discretion over whether to approve the application for an interlocutory appeal and whether to stay the litigation pending an appeal.

CHANGES IN 2009 PROPOSED PATENT REFORM BILLS

INEQUITABLE CONDUCT

The 2009 patent reform bills do not address inequitable conduct. Earlier patent reform bills limited when inequitable conduct could be asserted (after a finding of infringement of a valid claim) and attempted to curtail what constituted inequitable conduct.

BEST MODE

The best mode requirement remains in the 2009 legislation. Provisions to eliminate the best mode requirement were contained in prior legislation.

PRIOR ART SEARCH

Earlier versions of patent reform bills required applicants to conduct prior art searches. The provision was intended to improve the quality of a patent. However, the increased costs on the patent system, and especially individual inventors, of requiring patent searches resulted in the elimination of this provision in the 2009 patent reform bills.

PATENT PUBLICATION

Unlike earlier patent reform bills, the 2009 version would not require that all applications be published at 18 months.

For four straight years, patent reform bills stalled in Congress. While many are hopeful that 2009 will finally result in the enacting of patent reform into law, this year's bill is largely the same as those that were not brought to a full vote. ■