

The Patent Reform Act of 2009

March 5, 2009

In another attempt at reforming the U.S. patent system, leaders of the Senate and House Judiciary Committees recently introduced bipartisan patent reform legislation aimed at making “needed updates to the system which will improve patent quality and increase certainty among parties in litigation.”

The proposed legislation, which is touted by lawmakers as the most significant reform of the U.S. patent system in 50 years, picks up where patent reforms left off in previous years. And it includes some contentious provisions also present in earlier versions of the legislation that never emerged from Congress.

The Senate bill includes the following proposed changes to the patent system:

First Inventor to File. Under the proposed legislation, the United States would move to a first-inventor-to-file system, giving priority to the earlier-filed application for a claimed invention. This would harmonize U.S. patent law with that of the rest of the industrialized world. Interference proceedings would be replaced with a derivation proceeding to determine whether the applicant of an earlier-filed application was the proper applicant for the claimed invention. This provision would compel inventors to eliminate delay in filing patent applications.

Damages. The proposed law seeks to codify the methodology used to calculate damages. When reasonable royalty is the award, it must reflect the economic value of the invention’s “specific contribution over the prior art.”

The Senate bill also codifies the Federal Circuit’s holding in its recent *In re Seagate* decision, in which the court revised its 20-year-old precedent regarding the standard to prove willfulness. Courts would now require a plaintiff to demonstrate with clear and convincing evidence that the infringer acted in a manner that was objectively reckless, which would also be subject to a good-faith defense.

Expanded Reexamination Proceedings. The bill aims to strengthen the *inter partes* reexamination system at the U.S. Patent and Trademark Office, in part by allowing *inter partes* reexaminations to be heard by an administrative patent judge. Third-party requesters would be provided a greater opportunity to file written comments. And the bill clarifies that parties would be estopped from filing *inter partes* reexamination requests after a district court judgment.

Establishment of a Post-Grant Review Procedure. Within 12 months after issuance, a third party would be able to file a cancellation petition, which would move forward only if the Director determined there was a substantial question of patentability. The presumption of validity would not apply in this proceeding, but the burden of proof would be on the party advancing the petition.

Pre-issuance Submissions. Third parties could submit timely pre-issuance prior art, including a concise statement of the art's relevance.

Litigation Venue. In an attempt to curtail forum shopping, the bill states that patent infringement actions, including declaratory judgment actions, could only be brought in

a judicial district (1) where the defendant has its principal place of business or is incorporated or formed, or, for a foreign corporation with a U.S. subsidiary, where its primary United States subsidiary has its principal place of business or is incorporated or formed; (2) where the defendant has committed substantial acts of infringement and has a regular and established physical facility that the defendant controls and that constitutes a substantial portion of the operations of the defendant; (3) where the primary plaintiff resides, if the primary plaintiff in the action is an institution of higher education or a nonprofit patent and licensing organization (as those terms are defined in this section); (4) where the plaintiff resides, if the sole plaintiff in the action is an individual inventor who qualifies as a "micro-entity" pursuant to section 123 of title 35. A defendant could request the case be transferred where (1) any of the parties has substantial evidence or witnesses that otherwise would present considerable evidentiary burdens to the defendant if such transfer were not granted, (2) transfer would not cause undue hardship to the plaintiff, and (3) venue would be otherwise appropriate under section 1391 of title 28.

Inventor's Oath. This proposal would ease the requirement that the inventor submit an oath as part of a patent application, thus making it easier for patent owners to file applications.

Interlocutory Appeals. The Federal Circuit would have jurisdiction over interlocutory appeals of claim construction when approved by the district court.

Patent Office Fees. The U.S. Patent and Trademark Office would be granted more autonomy in setting or adjusting its fees.

Micro-Entities. A new definition would be created for "micro-entity" status, which could be used by the U.S. Patent and Trademark Office to craft rules appropriate to truly small inventors.

The Senate Judiciary Committee will hold a hearing on this patent reform legislation on March 10, 2009. Morgan Lewis will continue to monitor the path of this proposed legislation as it moves through Congress.

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