

LAWYERS WEEKLY USA

Monday, May 23, 2005

Will Patent Reform Become A Reality?

Article of the week from *Lawyers Weekly USA* By Correy E. Stephenson

Patent lawyers may soon find themselves in the same situation as bankruptcy attorneys - coping with an overhaul of their legal system.

A draft of a reform bill has been circulated by the House Subcommittee on Courts, Internet & Intellectual Property, and already the patent bar is buzzing.

"Reform has been talked about for years, with proposals made time and time again, but this seems to have some legs underneath it," said Matt Buchanan, a Perrysburg, Ohio patent attorney.

University of Iowa patent law professor Mark Janis agreed.

"There are a lot of forces at work here," he said. "Pressure [is coming] from various industry sectors, such as software, biotechnology and pharmaceuticals, as well as a couple of recent studies, and academics are also getting a lot more interested and suggesting reform."

Dennis Crouch, a patent lawyer at McDonnell Boehnen Hulbert & Berghoff in Chicago and the author of the blog "Patently Obvious" (<http://patentlaw.typepad.com/patent>), noted that both the Federal Trade Commission and the National Academy of Sciences issued reports in 2004 advocating for change in the system.

Corporations like Microsoft and Intel have also come out in support of the proposed legislation, he said, as have various trade groups and patent attorney organizations.

"The proposals are really an amalgamation," Crouch said. "Everything is thrown in there."

One major problem the reform package seeks to address is the increase in patent litigation and the skyrocketing costs.

"A small case costs \$250,000 and those are rare - most cases cost over \$500,000," said Anthony Venturino, a Washington, D.C. patent attorney and President of the National Association of Patent Practitioners.

Among other changes, the proposed measure would bring the United States in line with the majority of the world by switching from a first-to-invent to a first-to-file system, altering the standard for obtaining an injunction against infringers and establishing a mechanism for post-grant review of a patent's validity.

Sources predict the bill is likely to be introduced before June 9, when Lamar Smith, R-Texas, chair of the subcommittee, is scheduled to speak at a meeting of the American Intellectual Property Law Association and the National Academies Board on Science, Technology and Economics in Washington, D.C.

And some practitioners believe reform could become a reality sooner rather than later.

"There's a strong likelihood that some portions of these proposals will pass this year," Crouch said. "There is a lot of support for change right now."

Venturino, a partner at Steven Davis Miller Mosher, agreed.

"This is a bigger push than I've ever seen before," he said. "Something is going to get passed this session or next."

International Issues

The United States isn't the only country in the world with a first-to-invent patent system - but it's in the significant minority, Buchanan noted.

Buchanan, a partner at Fraser Martin Buchanan Miller, said the patent office has struggled to achieve international harmonization of patent law.

"Obviously, we want recognition of U.S. patents in other countries, but when the patent office tries to negotiate [with] other countries, they need bargaining chips," he said.

Switching systems to bring the United States in line with the rest of the world would ease international patent relations.

The first-to-invent idea "goes straight back to the Constitution," Buchanan explained. Article I, Section 8, Clause 8 states the intention to: "promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries."

But enforcing the first-to-invent rule has resulted in huge practical difficulties.

"Trying to prove when you invented something can be ridiculous," Buchanan said. "The administrative cost, when two patents claim to be the first invented, has ballooned over the years."

Crouch agreed.

"For a lot of people, it can be very difficult to prove an invention date, because in reality, some inventions involve months, even years of research, and inventors don't necessarily maintain proper records," he said. "Under our current system, there's a lot of uncertainty."

But Crouch said some fear a change to a first-to-file system could cause a rush to file, resulting in lower quality patent applications.

And Venturino expressed concern for independent inventors.

"I'm not in favor of the switch," he said. "Small, independent inventors often don't have the money for a patent attorney, and they just can't [file] as fast as big companies."

Injunction Woes

"Absolutely the most contentious proposed change is the provision [dealing with] injunctions," Buchanan said.

According to Janis, under the current system, "patent holders almost automatically get a permanent injunction if they can show that their patent has been infringed."

Technically, he said the judge must exercise discretion in awarding the injunction, "but there is a long line of cases that hold that because of the time limits on patents, you don't have to

actually litigate over whether irreparable harm will result. Injunctions are almost always granted as a matter of course."

But the proposed changes "cast all of those cases into doubt," Janis said. "There will be no presumption of irreparable harm, and a factor in deciding whether or not to issue an injunction would be whether or not the patent owner is working the invention and employing the technology invented."

The intent is to ensure society benefits from the invention, Buchanan explained.

"If the patent holder has invested in the technology and built factories, then maybe the equities are in favor of awarding the injunction. But if he hasn't, then society may be benefiting from the infringer," he said.

Janis said the proposal is a reaction to a phenomenon popularly referred to as "patent trolls."

The derogatory label refers to individuals or corporations that purchase patents for the sole purpose of suing infringers, or using the threat of an injunction to shake down the users of the technology.

The idea is that they're acting like "a troll under the bridge, collecting a toll," Janis said.

But he acknowledged that the "patent troll" phenomenon could be over-stated.

"There haven't been any good empirical studies that I have seen," he said. "The real problem is isolated instances of spectacular bad behavior."

Buchanan said that various industries will fight over this provision because some of them haven't had to deal with the problem of "patent trolls."

"The software industry deals with 'trolls' all the time, but the drug companies haven't been hit with the problem, and they see the [ability to get an] injunction as the real power the patent holder has," he said.

The change would still allow courts to exercise their discretion, so it wouldn't be impossible to get an injunction, but "there is a clear message being sent," Janis noted.

Venturino, who is adamantly opposed to limitations on injunctions, believes this provision is too controversial to pass.

Opposition Proceedings

Another huge change would be the establishment of a system for post-grant review of patents, Buchanan said.

"Now, challenging the validity of a patent is reserved for litigation," he explained.

Known as "opposition proceedings" in Europe, post-grant reviews have a lot of support in the patent bar, he said.

"Everybody involved with the patent system knows that the system puts out invalid patents," Buchanan said. "Examiners can't know every piece of prior art, and we have to accept the fact that invalid patents exist. [But] we can put into place machinery to vet out the invalid patents more efficiently than the current system of litigation."

Crouch noted that permitted post-grant review would be cost-effective.

"It will likely be much cheaper than regular litigation," he said.

The mostly likely scenario would provide for an administrative proceeding run by the patent office that would enable third parties to challenge an issued patent as improperly granted, suggested Buchanan.

Of all the proposals under consideration, "this might be the one [most likely] to pass," opined Janis.

Other Proposals

While certain provisions have sparked the greatest debate, Janis said that many other changes could be made.

Another potentially controversial suggestion is the mandatory publication of all patent applications.

Venturino explained that historically, "the quid pro quo for disclosure of an invention was the patent."

But since most other countries have mandatory application disclosure, the U.S. recently agreed to a compromise that if "a patent was published somewhere else, then it would be published here," he explained.

This is helpful for smaller inventors, he said, because "if patent holders don't have the money or interest for foreign filing, they can maintain their inventions as a trade secret because they have never been published."

The proposed change would eliminate that option.

Another proposal would address patent attorneys' duty of candor.

In almost every patent case, said Crouch, defendants typically argue that the patent holder shouldn't be able to assert its rights because the attorney who filed its application failed to submit prior art to the patent office.

The allegation is "akin to charging someone with an ethics violation, saying that a patent attorney did something wrong," Crouch said. "It's a serious charge that is thrown around too lightly."

The proposed change would place the issue of the attorney's duty of candor under the jurisdiction of the patent office, eliminating it as a factor in patent litigation.

Read The Bill

The proposed legislation is the "Patent Act of 2005."

You can read or print the full text in the "Important Documents" section of Lawyers Weekly USA's website:

<http://www.lawyersweeklyusa.com/subscriber/treas.cfm>

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