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## **[Patent Reform Is Again Before Congress - The Patent Reform Act of 2011](#)**

Patent reform has been a topic of congressional debate since the introduction of the Patent Reform Act of 2005. Having failed to enact the 2005 legislation or any subsequently proposed reform, patent reform has again been introduced into the Senate, this time entitled The Patent Reform Act of 2011. (S. 23, 112th Cong. (2011).) In introducing the new bill, Senator Leahy noted the following: "China has been modernizing its patent laws and promoting innovation while the United States has failed to keep pace. It has now been nearly 60 years since Congress last acted to reform American patent law. We can no longer wait." (157 Cong. Rec. S131 (2011).)

As Leahy further explained, the proposed reforms aim to accomplish three goals: (1) "improve the application process by transitioning to a first-inventor-to-file system"; (2) "improve the quality of patents issued by the USPTO by introducing several quality-enhancement measures"; and (3) "provide more certainty in litigation." The most significant changes to implement these goals are described below.

### **The Application Process: Shift To First-To-File System**

In an effort to harmonize the U.S. patent system with the systems of other countries, The Patent Reform Act of 2011 proposes to change the U.S. Patent System from a first-to-invent to a first-to-file system. This change means that patents will be awarded to the earliest-filed application for a claimed invention, regardless of the date of actual invention. In other words, under the proposed reform, if A invents a new, novel and non-obvious widget in April but fails to file its patent application (or disclose it) until August, and B invents the same widget in June and files its patent application at that time, B gets the patent under the new system, not A.

The change to the first-to-file system also impacts the prior art analysis. Under current law, for prior art that is publicly -- available less than one year before an application for a patent is filed, an inventor can still obtain a patent if she can prove that she invented the claimed invention prior to the date of the prior art. The new bill, however, appears to limit a patent applicant's ability to negate prior art. Namely, only disclosures by the inventor or someone who obtained the disclosure from the inventor are excluded as prior art.

However, inventors that get beat to the patent office are not entirely out of luck; the reforms provide for "derivation" proceedings to determine if the inventor of an earlier-filed patent "derived" the invention from the inventor of a later-filed application. In other words, returning to the example above, if A could show that B's widget invention was derived from his widget invention, A may nonetheless obtain a patent despite B's earlier filing date.

### **Patent Quality: Submission of Prior Art / Post-Grant Review Procedures**

In an effort to improve patent quality, the proposed act establishes the opportunity for third parties to submit information (i.e., prior art) related to a pending application. This, in turn, should assist the examiner in determining whether an applied-for patent is indeed patentable.

In addition, the proposed act incorporates a post-grant 9-month window in which a person who is not the patent owner can institute a post-grant review proceeding to cancel as unpatentable one or more claims of the patent. However, post-grant review can only commence if, following petition, it is determined that it is more likely than

not that at least one of the claims challenged is unpatentable.

To protect against abuse of the post-grant review procedure, the act also specifies that an accused infringer may not seek review (1) after it has already filed a lawsuit in district court challenging the patent, or (2) more than three months after the date the accused infringer must answer, or otherwise respond to, a complaint for patent infringement filed by the patentee. The post-grant review proceeding also has estoppel effect, i.e., the petitioner in a post-grant review proceeding cannot raise in a subsequent action any ground of invalidity that was raised or reasonably could have been raised in the post-grant proceeding.

### **Improve Certainty Surrounding Litigation: Damages**

The proposed legislation aims to provide more certainty to litigants as to damage calculations and enhanced damages.

Specifically, the act empowers judges to serve as a gatekeeper on damages. The proposed legislation specifies that the court "shall identify the methodologies and factors that are relevant to the determination of damages, and the court or jury shall consider only those methodologies and factors relevant to making such determination." As Senator Leahy explained: "the gatekeeper compromise on damages . . . is what is needed to ensure an award of a reasonable royalty is not artificially inflated or based on irrelevant factors."

In addition, on a showing of good cause, litigants are entitled to have the trial sequenced such that the trier of fact decides the questions of validity and infringement prior to damages.

Finally, the proposed legislation would codify case law regarding willfulness, requiring a plaintiff to demonstrate by "clear and convincing evidence that the accused infringer's conduct with respect to the patent was objectively reckless." Objectively reckless conduct will be found where the infringer acted "despite an objectively high likelihood that his actions constituted infringement of a valid patent, and this objectively-defined risk was either known or so obvious that it should have been known." Mere knowledge of a patent is insufficient to show willfulness for an enhanced damage award.

### **Conclusion**

As Senator Leahy explained in his remarks presenting the bill to the Senate, reform of the American patent law system is long overdue. Overall, the proposed legislation is similar to previously proposed legislation; indeed it was structured around the legislative proposal from 2005. The 2011 Patent Reform Act proposes significant changes to American patent law, surely to receive comment from those in favor and those against. Whether patent reform will actually make its way onto the books is a question yet to be determined.

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