

Patent Reform Bill Lands In House, Senate

By **Erik Larson**, erik.larson@portfoliomedia.com

Wednesday, April 18, 2007 --- Leading members of the U.S. Congress on Wednesday introduced a long-awaited bipartisan patent reform bill that has lawyers and corporations buzzing with optimism that major changes to the U.S. patent system will be implemented after years of delay.

Among many reforms, the spruced-up Patent Reform Act of 2007 would create a pure “first-to-file” system to bring the United States in line with the rest of the world’s patent systems. It would also create a more streamlined and effective way of challenging the validity and enforceability of patents, according to legislators.

The proposed bill retains most of the provisions trumpeted by experts since the proposals were first introduced two years ago, including the elimination of interference proceedings and a move to bring apportionment of damages in line with the actual economic value of a patent.

The bill would also make it more difficult to allege willful infringement by restricting discovery and presentations in the area until there’s an actual finding of infringement at trial. Many believe the current system makes it too easy to allege willfulness.

Other changes found in the bill include updates deemed important by patent application filers, such as permitting the filing of so-called substantive statements in lieu of inventors’ oaths, as well as permitting assignees to file applications in their own names.

The bill was introduced by Senate Judiciary Committee Chairman Patrick Leahy (D-Vt.) and Sen. Orrin Hatch (R-Utah). An identical House version was introduced by Rep. Howard Berman (D-Calif.), chairman of the House Judiciary Committee’s Subcommittee on Courts, the Internet, and Intellectual Property and Rep. Lamar Smith (R-Tex.), the committee’s ranking member.

Sen. Leahy said the House and Senate introduced the exact same proposal in order to send a message that the 110th Congress is serious about actually moving patent reform through Congress - not simply talking about it.

“Harmonization of the patent system is one thing. Harmonization of two different houses of Congress is really a stellar accomplishment,” Sen. Leahy said.

At a joint press conference, Rep. Berman stressed that high patent quality is

essential to continued innovation and suggested the current system - blamed for drawn out and costly litigation - is living on borrowed time.

"Litigation abuses, especially ones committed by those which thrive on low quality patents, impede the promotion of the progress of science and the useful arts. Thus, we must act quickly to maintain the integrity of the patent system," Rep. Berman said.

Legislators weren't the only ones pleased with the highly anticipated bill. Robert O. Lindefjeld, a partner at Jones Day LLP's Pittsburgh, Penn. office, said the new bill is a definite step in the right direction.

"The updated bill removes some of the disputes between the pharmaceutical-biotechnology industries and the software-technology industries. It takes out provisions that have been very controversial and prevented various industry groups from moving forward," Lindefjeld said.

For example, he added that the question over injunctions was dropped because it had been addressed by the U.S. Supreme Court's recent ruling in the eBay dispute, which clarified the application of injunctions. Until now that had been a major obstacle to reform.

More optimism was exuded by Robert G. Sterne of Sterne, Kessler, Goldstein & Fox, an intellectual property law firm in Washington, D.C. that is co-counsel in the high-profile KSR v. Teleflex Supreme Court case.

"Though there's been significant activity in the past few years on patent reform, it appears to have stronger legs at this time," Sterne said, adding that the new bill rewards innovators, while forcing them to be faster better, and smarter with their patent portfolios.

Sterne summed up the challenged Congress has faced in the battle over patent reform, which has pitted competing special interest groups against one another in hearings on Capitol Hill.

"The struggle policymakers face is setting the patent system to enable deserving innovators both large and small to reap the rewards from their inventions without encumbering active businesses taking risks in the marketplace," Sterne said.

Michael Messigner, also a partner Sterne Kessler, said the bill "gives more options for companies as they assess the competition to avoid infringing on the patents of others," said partner, adding that the bill would affect all industries in the United States and abroad.

Indeed, support for the bill was voiced by corporate America as well. Mark Chandler, senior vice president and general counsel at Cisco System Inc., said it's readily apparent that the current patent system is out of balance, discouraging both investment and risk-taking.

“We support the legislative efforts to make sure that someone accused of infringement has a fair chance to address patent validity issues when they learn they are being accused of infringement, and that patent damages actually reflect the new economic value that is reflected in the patent,” Chandler said.

The House Judiciary Committee held a hearing on patent reform in February, attended by witnesses from the Federal Trade Commission and the National Academy of Sciences, among others. The hearing was the first indication in 2007 that the 110th Congress planned to keep the ball rolling after years of delay.

The hearing was presided over by Rep. Berman, who took the reins as subcommittee chairman from Rep. Smith after the November election. Notably, Berman has been proposing patent reform bills since 2002 and also has a keen interest in seeing reform become a reality.

Rep. Smith sponsored the now-defunct 2005 version and fostered its development until Democrats swept to power in Congress in November. A spokesperson from Rep. Smith’s office said the Congressman would remain committed to shepherding the bill into law.

The 109th Congress was stymied in its effort for reform by a grab bag of contentious issues, including the breadth of patent claims sought by the pharmaceutical and biotech industries on drugs and disease screening methods.

In an oversight plan penned when the 110th Congress took root, the IP Subcommittee said it “may examine the extent to which current patent law permits and contributes to the issuance of overbroad patents, as well as other patent law problems.”

Earlier, the group stated it was also eyeing the operations of the U.S. Patent and Trademark Office to address “recent complaints governing the quality of patents issued that may lead to infringement disputes and related litigation.”

Until now, patent reform made the most progress in August 2006 when Sen. Hatch introduced a companion bill to the earlier House version. However, following several contentious hearings, the bill was watered down and met the same fate as the House version.

Delays have thus far been the hallmark of patent reform. Indeed, before its own failed attempts, the Senate pounced on delays in the House by saying it would launch its own bill and reduce the role played by industry groups and lobbyists.