

## **The Real Facts Regarding the Managers' Amendment to S. 515**

### Claim:

*The Senate Bill would rewrite Section 102 in its entirety and weaken the grace period now given to inventors to allow them to test, develop and commercialize their inventions before filing their patent applications.*

### Fact:

The Managers' Amendment strengthens the U.S "grace period" by protecting an inventor who publicly discloses his or her invention before seeking a patent by precluding another from using that public disclosure to file for a patent on that invention or on some obvious variation of that invention. The other person, even if the first to file for a patent, will have its patent denied and its earlier filing will be disregarded on the basis of the information disclosed by the publishing inventor.

### Claim:

*The first to file system of S. 515 will create a "race to the patent office" that will harm small businesses that cannot afford to flood the USPTO with patent applications.*

### Fact:

The contentions regarding the impact of S. 515 on the timing and number of patent filings are false. Current U.S. patent law already makes it imperative for small businesses to file for patents promptly in order to secure the advantage of being the first inventor to file for a patent. This is because the inventor who is first to file under existing law is presumed to be the first to invent, a presumption that is very difficult for a second inventor to file to overcome. Thus, the need to promptly file for a patent is already part and parcel of the patent filing strategies for inventors today and will remain entirely unchanged under S. 515.

### Claim:

*"The new willfulness proposal is a step back from current law that would make it easier to assert and prevail on the treble-damages claims that are a key factor in driving up settlement demands and litigation costs."*

Fact:

The Managers' Amendment continues a key part of existing law by codifying the Federal Circuit's decision in *In re Seagate Tech.* that, consistent with U.S. Supreme Court jurisprudence, willful patent infringement must be proven by clear and convincing evidence that an infringer acted with "objective recklessness."

Claim:

*"Rather than expanding the availability of PTO post-grant review procedures in order to encourage resolution of complex questions of patent validity by the experts at the PTO instead of lay jurors, the proposal actually imposes new restrictions that make invoking this procedure more difficult than it is today."*

Fact:

The Managers' Amendment actually expands the opportunities to challenge a patent in the PTO by retaining and improving the existing ex parte and inter partes reexamination procedures and by adding a robust new post-grant procedure in which a patent can be challenged on any ground of invalidity that could be raised in a court.

Claim:

*"First to file has much to commend itself in terms of compatibility with the systems used by our trading partners. But... [a]busers will seek patents on minor advances in technology—that practicing companies would not view as worth the cost of obtaining a patent—in order to use those patents to extort royalty payments."*

Fact:

While unscrupulous entities may seek patents on minor advances in technology under either system, it will be more difficult for them to succeed under the more open, transparent, and objective first-inventor-to-file system and greater public participation by the public both before and after patent grant provided by the Managers' Amendment than under the opaque, closed, first-to-invent system of existing law.

Claim:

*"Without expanded prior user rights—that apply across-the-board and not simply to method patents as under current law and that take account of these new realities—companies will have no real protection against this new form of abuse [entities seeking patents on minor advances]."*

Fact:

While many stakeholders would have preferred to see an expansion of prior user rights, a company has no protection under current law against a patent issued to a later inventor if the company practices the invention as a trade secret and hides the invention from the public. *W. L. Gore Associates, Inc. v. Garlock, Inc.*, 721 F.2d 1540 (Fed. Cir. 1983).

Claim:

*“...the proposal fails to include any new protections against ... abusive litigation... for...:  
“Reasonable royalty damages”*

Fact:

The Managers' Amendment adopts “gatekeeper” provisions to ensure that litigants have the explicit right to obtain early denial of unsupported damages allegations to preclude their being heard or decided by the jury as underscored by the Federal Circuit in the two *Lucent Technologies, Inc. v. Gateway, Inc.* decisions.

Claim:

*“...the proposal fails to include any new protections against ... abusive litigation... for...:  
“Willful infringement”*

Fact:

The Managers' Amendment requires patentees pleading willful infringement to comply with the pleading requirements set forth under Federal Rule of Civil Procedure 9(b) and, upon the request of a party, requires courts, absent good cause to refuse the request, to sequence determinations of validity and infringement before consideration of willful infringement.

Claim:

*“...the proposal fails to include any new protections against ... abusive litigation... for...:  
“Post-grant review procedures at the PTO”*

Fact:

The Managers' Amendment retains existing post-grant reexamination procedures and adds a robust, new post-grant procedure in which the cancellation of a claim may be requested on any ground of invalidity that could be raised in a civil action. It requires inter partes reexamination proceedings to normally be completed within one year (they currently take more than three years), which will benefit both challengers and patentees. Patentees are also protected against inappropriate serial challenges by estoppels that preclude a party from asserting invalidity in a later administrative challenge on the basis of issues that the party “raised or reasonably could have raised.”

Claim:

*“...the proposal fails to include any new protections against ... abusive litigation...for...:  
“Venue”*

Fact:

The Managers’ Amendment curtails forum shopping by requiring courts to transfer patent infringement actions upon a showing by an accused infringer that another venue is clearly more convenient than the venue chosen by the patentee.

Claim:

*The bill will hurt small entities because an “Inventor simply cannot risk disclosing an invention prior to filing because anyone hearing the idea could file their own application on the idea before the inventor.”*

Fact:

This is no different than existing law, but inventors can protect themselves today and under the Managers’ Amendment by filing an inexpensive, “provisional application” and protect against copiers filing an application on their inventions and can protect against loss of patent rights abroad.

Claim:

*The Managers’ Amendment “introduces or enhances the ways in which a well funded protagonist can stop a patent from issuing ....”  
“• Pre-issuance Submissions by Third Parties”*

Fact:

The Managers’ Amendment expands the public’s ability to submit information relevant to a pending application to help ensure that only valid patents are issued, but the information must be submitted in a time frame that allows its consideration without interrupting or delaying the normal examination process. Moreover, most independent inventors do not file outside the United States, so their US patent applications are not published and would not be subject to this provision.

Claim:

*The Managers’ Amendment “introduces or enhances the ways in which a well funded protagonist can ... kill [a patent] once it does issue.”*

“• *Post-Grant Review*”

Fact:

To promptly weed out overly-broad patents, the Managers’ Amendment adds a new Post-Grant Review procedure, but with a number of features to minimize abuses. These features include: a high threshold to initiate the procedure; a one-year time limit to complete it; the procedure will be handled by Administrative Patent Judges; and, an effective estoppel that prevents later administrative challenges on the basis of issues that the party “raised or reasonably could have raised” in the Post-Grant Review.

Claim:

*The Managers’ Amendment “introduces or enhances the ways in which a well funded protagonist can ... kill [a patent] once it does issue.”*

“• *Inter Partes Reexamination*”

Fact:

Contrary to this claim, the Managers’ Amendment adds safeguards to existing inter partes reexamination to prevent abuses, including a one-year time limit for completion, assigning the procedure to Administrative Patent Judges, and raising the threshold to initiate. It also retains the estoppels that prevent later challenges in the PTO or courts on the basis of issues that a party “raised or reasonably could have raised.”