

THE COALITION FOR 21ST CENTURY PATENT REFORM

Protecting Innovation to Enhance American Competitiveness

February 11, 2008

POSITION ON S. 1145

The Coalition for 21st Century Patent Reform wants patent reform, but has a number of concerns with S. 1145 as reported from the Senate Judiciary Committee. The changes outlined below are necessary to achieve balanced, supportable legislation:

1. Damages -- S. 1145 would dramatically reduce the damages for patent infringement by mandating use of a new “prior art subtraction” test. It would value patent rights at the wrong time (when the invention was made) against the wrong benchmarks (pre-invention art). Patent rights should instead be valued when the infringement began by a comparison with available, non-infringing alternatives. Our proposal would also add procedural safeguards to ensure that courts properly control the admission of evidence and instruct juries to base their awards only on factors on which substantial evidence has been admitted.

2. Post-Grant -- Given the needed predicate reforms on first-inventor-to-file, best mode and inequitable conduct are made, the Coalition supports an effective post-grant review to limit or cancel patents promptly after grant, supplemented by the enhanced inter partes reexamination procedure now in H.R. 1908. The post-grant review proceeding should presume the issued patent is valid and afford patent owners a right, at least once, to amend the patent by substituting a reasonable number of replacement claims for any challenged patent claim.

3. Inequitable Conduct -- S. 1145 fails to undertake any meaningful reform of the “plague on the patent system” from “inequitable conduct” charges leveled against patent owners. The recommendation of the National Academies to remedy this plague should be made part of S. 1145 by limiting the reach of the “inequitable conduct” defense in patent lawsuits so it cannot be used where the court finds that the patent was validly issued and where the alleged misconduct could not have impacted the patent examiner’s decision that the patent should be granted. Eliminating this litigation abuse would encourage greater cooperation between patent applicants and examiners.

4. Best Mode -- S. 1145 fails to implement the National Academies’ recommendation to limit patent infringement lawsuits to objective factors, including through the repeal of the largely redundant and highly subjective requirement that the contemplations of the inventor as to the “best mode” of carrying out an invention be somewhere set out in the patent. We propose to effectively eliminate the best mode defense from any enforcement proceeding.

5. Venue -- S. 1145 would base venue primarily on where the defendant resides in an effort to curtail alleged “forum shopping” in courts that have no meaningful connection to the parties or evidence in the case. The bill goes too far and unnecessarily penalizes most patent owners. We propose allowing venue in any district where a party to the lawsuit does substantial research, development or manufacturing. This curtails alleged “forum shopping,” but in a fair manner for all parties.

6. Interlocutory Appeals. -- S. 1145 permits interlocutory appeals of every claim construction ruling regardless of the posture of the case, increasing costs and adding delays. The Coalition opposes this provision. If it is maintained, it should be limited to permit appeals only when the trial court finds the evidentiary record sufficiently developed and the claim construction ruling sufficiently final that it is unlikely it will need to be revisited after appeal. Later appeals of any claim construction issue raised or that could have been raised in any initial appeal should be banned to reduce the potential for harassment.

7. First-Inventor-To-File; Transition Provisions. -- The Coalition supports first-inventor-to-file, but urges that the transition to a first-inventor-to-file rule should be tied to the “effective filing date” of an issued patent, not the patent issue date and, further, that the remaining provisions of the bill be given immediate effect wherever possible, except with respect to pending civil actions. In addition, the bill and its legislative history should be clear that patentability determinations should be based exclusively on objective factors, determined solely from information available to the public. To this end, the Coalition would support further clarification and technical refinements to the bill.

8. Applicant Responsibilities. -- S. 1145 mandates the PTO Director to require the submission of search reports and patentability analyses. This would double the average costs of preparing patent applications and significantly increase the risks of inequitable conduct charges during litigation, which risks are exacerbated by the failure of S. 1145 to adequately curtail this “plague” as noted above. Applicants should only be required to disclose material information known to them and to identify the content that caused the information to be regarded as material to the patentability.

9. PTO Funding & Fee Setting. -- S. 1145 would authorize the PTO Director to set fees and would require that these fees be deposited in a revolving fund to guarantee their use solely for PTO operations. Unless the fee-setting authority is coupled with such a legally binding mechanism to ensure that fee revenues would be used only for operating the PTO, the bill would not guarantee the funding necessary to achieve the quality and timeliness needs of users, and the fee-setting authority should remain with Congress.