

Patent Advisory Bulletin

Patent Reform Nearing Reality in 2007

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Last week, legislators in both the Senate and the House of Representatives introduced bills that, if enacted, will create broad reforms in the prosecution and litigation of patents. On April 18, 2007, Senators Patrick Leahy (D-VT) and Orrin Hatch (R-UT), and Representatives Howard Berman (D-CA) and Lamar Smith (R-TX) sponsored the introduction of similar bills titled “The Patent Reform Act of 2007.” [Click here](#) to view the Senate bill; [click here](#) to view the House bill. Although the Act touches a variety of aspects of U.S. patent law, following are some of its key components.

The Act would change U.S. patent law from a “first to invent” to a “first to file” system, giving priority to the first applicant for a patent on an invention. This marks a fundamental shift in the U.S. patent system, more closely aligning U.S. patent law with the patent laws of other countries. Rather than using interference proceedings to determine who invented first, a “derivation” procedure would be used to check if an earlier application was filed by a proper applicant. The United States is the only country currently using the “first to invent” system for patentability.

The Act allows use of a “substitute statement” that should make it easier for organizations to obtain patent protection when the actual inventor is unable or unwilling to sign the inventor’s declaration. An assignee or another person showing sufficient proprietary interest in the invention would be able to file the application.

Most other proposed changes in the Act are aimed at reforming patent infringement litigation. For example, the “reasonable royalty” damage measure would be limited to reflect only the economic value of the patent’s “specific contribution over the prior art.” Although this is likely to have an impact on numerous industries, this feature of the Act is believed to be particularly important to the software industry where one product may rely on hundreds of patented components. Also, the “willful infringement” definition is changed so that proving willfulness would be more difficult, although an award of treble damages would remain available if willfulness is proven. In addition, there are proposed limitations to jurisdiction and venue that impact where an infringement suit may be brought and thereby limit forum shopping.

Another significant change is the replacement of reexamination proceedings with a post-grant review procedure initiated by a party filing a “petition for cancellation.” The petition can be filed within 12 months of a patent’s issuance (the “first window”) or later if the petitioner can show significant economic harm, has received a notice of infringement from the patent holder, or has obtained the consent of the patent owner (the “second window”). Rules and standards for the new proceeding are authorized in an effort to ensure a final decision is reached within 12 months of filing. The presumption of patent validity would not be used in the cancellation, and the patent owner may file only one motion to amend, cancel, or propose a substitute to the challenged claims. A petitioner whose petition is denied may not pursue reexamination, interference, post-grant review, or assert the invalidity of such claims in a lawsuit based on the same arguments. The post-grant review procedure is intended to provide a streamlined alternative to civil litigation, but if used, to also limit the ability to litigate.

In the words of Rep. Berman, the Act “contains a number of provisions designed to improve patent quality, deter abusive practices by patent holders, [and] provide meaningful, low-cost alternatives to litigation for challenging the patent validity.” Rep. Berman’s April 18, 2007 statement introducing the

legislation, [available here](#).

Generally speaking, the high-tech industry supports new limitations on certain aspects of patent litigation, including limits on forum shopping and damages. Various lobbying groups, among them, the Innovation Alliance, the Business Software Alliance (BSA), and the Coalition for Patent Fairness, have issued statements in support of the Act. The biotech and pharmaceutical industries, on the other hand, are less supportive. Groups such as the Pharmaceutical Research and Manufacturers of America (PhRMA) and the Biotechnology Industry Organization (BIO) have issued statements announcing their concerns. Links to some of these position statements are found below:

- [Innovation Alliance](#)
- [BSA](#)
- [PhRMA](#)
- [Coalition for Patent Fairness](#)
- [BIO](#)

Similar legislation was introduced in the past two years, but the changes in congressional leadership may now give the Act the needed votes to become law. This will have significant ramifications for current patent owners as well as those that are currently pursuing or may in the future seek patent protection for valuable technologies.

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