



Proposed Patent Reform: Patent Act of 2005

An Overview of Issues of Interest with H.R. 2795



Presented by:

[Wilburn L. Chesser](#)

[Juliana Haydoutova](#)

September 27, 2005

Agenda

- I. Overview of Pending Legislation**
- II. Issues Addressed in Pending Legislation**
- III. Reasons for Contention in Bill Drafting**
- IV. Possible Changes to Pending Legislation**
- V. Issues Not Addressed in Pending Legislation**
- VI. Q & A**

Part I: Overview of Pending Legislation

Part I – Overview of Pending Legislation

H.R. 2795 – Overview

- Introduced on June 8, 2005, by Congressman Lamar Smith (R TX), Chairman of the House Subcommittee on Courts, the Internet, and Intellectual Property
- An Amendment in the Nature of a Substitute to H.R. 2795 dated July 26, 2005, has been circulated by Congressman Smith
- Hearing on Amendment in the Nature of a Substitute to H.R. 2795 held on September 15, 2005
- Ongoing negotiations and proposals made to the Subcommittee by ad hoc coalition of companies interested in patent reform

Part I – Overview of Pending Legislation

H.R. 2795 – Overview of Bill and Smith Substitute

Need for patent reform identified in:

- An FTC report of October, 2003
- A 2004 National Research Council report
- The Berman-Boucher bill, H.R. 5299, introduced on October 8, 2004

Part II: Issues Addressed in Pending Legislation

Part II – Issues Addressed in Pending Legislation

H.R. 2795 – Issues Addressed in Smith Substitute

- Switching from a “first to invent” to a “first inventor to file” standard, thus eliminating interferences (Section 3)
- Elimination of the best mode requirement in 35 U.S.C. §112 (Section 4 – new §118)
- Assignee of an invention may file for patent application (Section 4 – new §118)
- 18-month publication for all patent applications (Amending §122)

Part II – Issues Addressed in Pending Legislation

H.R. 2795 – Issues Addressed in Smith Substitute (continued)

- Submissions by third parties (Section 8 – amending §122)
- Inequitable conduct removed from the courts to the USPTO (Section 5 – new §§136-137)
- Post-grant opposition procedure (Section 7, especially new Chapter 32)
 - Single 9-month window after grant for initiating (new §323)
 - Burden of proof to invalidate a claim is preponderance of the evidence (new §332)

Part II – Issues Addressed in Pending Legislation

H.R. 2795 – Issues Addressed in Smith Substitute (continued)

- Willful infringement (Section 6 – amending §284) – only if:
 - Intentional copying, or
 - Continuing to infringe after judgment by court, or
 - After receiving notice and a reasonable opportunity to investigate, the infringer continued to infringe
- Reasonable royalties for combination products: courts may consider the portion of the realizable profit that should be credited to the inventive contribution (Section 6 – amending §284)
- Venue: a corporation “resides” where its principal place of business is located (Section 9 – amending 28 U.S.C. § § 1391(c) and 1400)

Part II – Issues Addressed in Pending Legislation

H.R. 2795 – Implications for Inventive Entities if Smith Substitute Becomes Law

- Old approach of careful, witnessed notetaking for developing inventions may be reduced or eliminated, and earlier patent application filing may become more important since no longer first to invent system

Part II – Issues Addressed in Pending Legislation

H.R. 2795 – Implications for Inventive Entities if Smith Substitute Becomes Law (continued)

- Costs for handling disgruntled or unavailable inventors should be reduced since assignees can now directly file
- Third party submissions and opposition may become more important
- More monitoring of published patent applications may be needed

Part II – Issues Addressed in Pending Legislation

H.R. 2795 – Implications for Inventive Entities if Smith Substitute Becomes Law (continued)

- It may be easier to design around competitors' products and to avoid costs of infringement accusations by patent holders since willfulness has been limited
- Royalties calculations become clearer for some special cases (e.g., for software, where hardware value was previously included in calculation)
- Forum shopping by plaintiffs will be reduced or eliminated due to changes to venue provisions

Part III: Reasons for Contention in Bill Drafting

H.R. 2795 – Reasons for Contention Among Parties Currently Involved in Bill Drafting

- BIO/Pharma/AIPLA vs. Tech/Software/Financial Services industries
- “Simple” vs. “complex” products
- Patent holders vs. patent defendants

Part IV: Possible Changes To Pending Legislation

H.R. 2795 – Possible Changes

- “Inventive contribution” vs. “claimed invention” for purposes of “combination” products
- Venue – principal place of business for corporations vs. limited transfer of venue provision
- Repeal of Section 271(f): Golden Master issue
- Post-Grant Opposition: clear and convincing standard vs. preponderance

Part V: Issues Not Addressed in Pending Legislation

H.R. 2795 – Issues Not Addressed

- Prior art and presumption of validity: preponderance of the evidence standard for art not considered
- Injunctions: patent trolls vs. strong protection of patent rights
- Continuation applications: no limitation vs. some limitation
- Post-Grant Opposition: one window vs. two for initiating



Part VI: Q & A



Wib Chesser
Chesser.Wib@arentfox.com
202.715.8434

Juliana Haydoutova
Haydout.Juliana@arentfox.com
202.715.8469

Smart in your worldSM
Arent Fox

Thank you for joining us!



Wib Chesser
Chesser.Wib@arentfox.com
202.715.8434

Juliana Haydoutova
Haydout.Juliana@arentfox.com
202.715.8469