

Patent Reform Legislation
Press Release from the United States Senate

**Leahy, Sessions, Hatch, Schumer, Kyl, Kaufman Unveil
Details Of Patent Reform Agreement**

WASHINGTON (Thursday, March 4, 2010) – Leaders of the Senate Judiciary Committee Thursday announced details of an agreement on long-pending legislation to make needed reforms to the nation’s patent system.

This is the third consecutive Congress in which Senator Patrick Leahy (D-Vt.), the chairman of the panel, and Senator Orrin Hatch (R-Utah), a former committee chair, have introduced patent reform legislation. A bipartisan majority of the Committee advanced the legislation last April. In the months since, Leahy, Hatch, and Senators Jeff Sessions (R-Ala.), the Committee’s ranking Republican, and Chuck Schumer (D-N.Y.), Jon Kyl (R-Ariz.), and Ted Kaufman (D-Del.) have continued to work toward an agreement to make the legislation ready for Senate consideration.

“With this agreement, we are closer than ever to advancing patent reform legislation through the Senate,” **said Leahy**. “Senator Hatch and I have worked through many Congresses to make meaningful reforms to the nation’s patent system, and I appreciate his commitment to this effort. This compromise may not be everything that everyone wants, but it makes important reforms to the outdated patent system. Strengthening American patents will improve the quality of our inventions and innovations, which will translate into jobs and economic growth in Vermont and across the country. Congress is committed to strengthening our economy, and the Patent Reform Act is an important component of that effort. I hope the leaders will soon schedule floor time for this important legislation.”

“This important bipartisan agreement would institute reforms that significantly streamline and strengthen the U.S. Patent System,” **said Sessions**. “In doing so we are strengthening our ability to protect Americans’ ideas and inventions—developments that have done, and will continue doing, so much to improve and to enrich the world. These reforms would guard individuals, small businesses, and universities from frivolous legal challenges and help prevent abuse of the administrative process. They would also provide greater clarity and cut red tape that needlessly wastes time, money, and resources. American innovation goes to the heart of our economy, and our success as a nation must be protected. I urge the Senate to consider and act on this legislation and hope these needed reforms will soon be signed into law.”

“Senator Leahy has worked tremendously hard to get this proposal where it is today and he should be commended for it. This bill doesn’t include all the changes I originally sought, but I believe we must come together to reform our patent system,” **said Hatch**. “It’s the right thing to do. If the United States is to maintain its position at the forefront of the world’s economy and continue to be the global leader in innovation, then we must have an efficient and streamlined patent system. As this legislation moves forward, the full Senate will have an opportunity to weigh in, make changes and see if we can garner even greater support for this proposal.”

The proposed agreement makes changes to first-window post-grant review, inter partes review, willfulness, interlocutory appeals, Patent and Trademark Office funding, and supplemental

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examinations. The agreement retains several critical improvements in the Committee-reported bill, including the transition to a first-inventor-to-file system, the gatekeeper compromise on damages, the new district court pilot program, and more. The full text of the substitute amendment is [available online](#).

Leahy and Hatch introduced the Patent Reform Act in [March 2009](#). Judiciary Committee reported the legislation in [April 2009](#). The legislation proposes the first major reforms to the nation’s patent system in more than 55 years. The bill makes needed updates to the system to improve patent quality and increase certainty among parties in litigation.

Since the Judiciary Committee reported the legislation to the full Senate for consideration, industries and stakeholders from all sectors of the patent community have urged action on the legislation.

The Judiciary Committee [held a hearing](#) last year to examine proposed reforms to the patent system. A Committee Report to accompany the reported legislation was [filed in May](#).

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Significant Changes in the Managers’ Amendment to S. 515, as Reported

For Background Purposes Only

The Managers’ Amendment includes nearly all of the improvements to the patent laws that were part of the reported version of the Patent Reform Act of 2009, and contains changes to strike a more precise balance among all users of the patent system. In particular, the substitute preserves (1) the transition to a first-inventor-to-file system; (2) important changes to improve patent quality, including by allowing third parties to comment on pending patent applications; (3) a new, first-window post-grant review proceeding to weed out patents that should not have issued; (4) the gatekeeper compromise on damages; (5) the compromise on venue; (6) fee-setting authority for the PTO to address its back-log problem; (7) amendments to best mode; (8) the new district court pilot program; and (9) increased incentives for government laboratories to commercialize inventions.

The Managers’ also makes these important changes:

First-window post-grant review: Shortens the window from 12 months to 9 months, and raises the threshold for instituting a proceeding to a showing that it is “more likely than not” that at least one claim is unpatentable.

Inter partes review: (1) Slightly raises the threshold for instituting an IPR to a “reasonable likelihood” that the challenger would prevail in invalidating a claim of the patent; (2) creates additional safeguards to prevent a challenger from using the administrative process to harass patent owners; and (3) inserts “reasonably could have raised” estoppel, preventing a challenger from raising in court an argument that reasonably could have been raised during an inter partes review that the challenger instituted.

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Willfulness: Codifies the recent case law on willfulness, which requires willfulness to be demonstrated by clear and convincing evidence that the infringer acted with objective recklessness, and adds additional substantive and procedural safeguards for alleged infringers, including (1) requiring willfulness to be pled with particularity; (2) preventing mere knowledge of the patent to support a finding of willfulness; (3) requiring specificity in pre-suit notifications; (4) upon motion, prohibiting increasing damages where there is a determination that a “close case” on infringement, validity or enforceability exists; (5) permitting a party to request the damages and willfulness phases be sequenced to occur after the infringement stage; and (6) failing to obtain advice of counsel may not be used to show willfulness or inducement.

Interlocutory appeals: Removes the provision that would have required the Federal Circuit to accept interlocutory appeals of claim construction determinations.

PTO Funding: Requires that the PTO to reduce fees by 50% for small entities and by 75% for the new classification of “micro-entities” created by the bill.

Supplemental Examinations: Permits a patent holder to provide additional, potentially material prior art regarding the patent to the PTO. If the PTO considers the information and determines it has no effect on patentability, that additional information cannot serve as the basis for an inequitable conduct claim later in court. The information must be presented to the PTO and any reexamination must be completed prior to litigation.

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Key Changes To Current Law Made By The Managers’ Amendment To S. 515, The Patent Reform Act

For Background Purposes Only

The Patent Reform Act will keep America in its longstanding position at the pinnacle of innovation. The U.S. patent system has not been updated significantly in more than 55 years. In the intervening years, our economy has changed dramatically. A well functioning and efficient patent system is critical to American invention and innovation, which are the cornerstones of our economy and job creation.

The bipartisan Managers’ Amendment makes the following changes to current law:

- Transitions the U.S. to a **first-inventor-to-file system**, which will simplify the application system and harmonize it with our trading partners, reduce costs, and improve the competitiveness of American inventors seeking protection globally;
- Makes important changes to **improve patent quality**, including by allowing third parties to comment on pending patent applications and explain to the PTO why certain prior art is relevant and by establishing a new, first-window post-grant review proceeding to weed out a patent that should not have issued during the first year after the patent is granted;

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- Improves the current system for **administratively challenging the validity of a patent** at the PTO throughout the life of the patent by transitioning from a reexamination model to an oppositional model which the PTO can complete in 12 months, while also preventing challengers from abusing the inter partes process or pursuing unmeritorious claims, and removing uncertainty from the system that has impeded its use.
- Includes a more robust, procedural, **gate keeping role for the court**, pursuant to which judges will assess the legal basis for the specific damages theories and jury instructions sought by the parties. The gate keeping provisions will ensure consistency, uniformity, and fairness in the way that courts administer patent damages law. The damages section will also provide more certainty for parties in the standard for increasing damages for willful infringement;
- Creates a **supplemental examination process** to incentivize patent owners to commercialize their inventions despite potential flaws in the application process; and
- Authorizes **fee setting authority** for the PTO Director to ensure the PTO is properly funded and can reduce the backlog of patent applications, but mandates a reduction of fees by 50% for small entities and 75% for micro-entities.

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