

New Patent Law Reform Bill Introduced in the Senate

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Revised bipartisan legislation (available [here](#)) which would make major reform to the patent laws was introduced in the Senate on March 4, 2010 by Senator Patrick Leahy (D-Vermont) and cosponsored by Senators Jeff Session (R-Alabama), Chuck Schumer (D-New York), Orrin Hatch (R-Utah), Jon Kyl (R-Arizona), and Ted Kaufman (D-Delaware).

The bill contains a provision directed toward inequitable conduct reform – the addition of a “supplemental examination” process. We understand that Senator Hatch has been a proponent of inequitable conduct reform. The supplemental examination process allows a patent owner to submit post-grant additional information (not limited to patents and printed publications) believed to be relevant to a patent and the PTO will consider whether that information raises a substantial new question of patentability warranting reexamination. If reexamination is ordered, it proceeds substantially under the rules for *ex parte* reexamination. The bill prohibits an allegation of inequitable conduct in litigation based on the information submitted in the supplemental examination procedure. However, in order to obtain this preclusive effect, the supplemental examination must be requested before a Paragraph IV notice letter is received alleging inequitable conduct, and the reexamination procedure must be concluded before the patent owner alleges patent infringement. This means that patent owners will need to review their portfolios early to determine if supplemental examination is warranted to maximize their strength against inequitable conduct attack. The proposed legislation would be a complement to the substantive tightening of inequitable conduct standards by the Federal Circuit, most recently in *Star Scientific, Inc. v. R.J. Reynolds Tobacco Co.*, 537 F.3d 1357 (Fed. Cir. 2008) and *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312 (Fed. Cir. 2009).

Other highlights of the revised legislation include the following:

- creates a first to file system and redefines prior art to be consistent with that system (essentially maintained from last year's patent reform bills)
- eliminates the current “best mode” requirement for patent validity
- changes interference practice to “derivation proceedings” that can be instituted by a patent applicant filing a petition if he or she believes another person derived the invention from him or her (essentially maintained from last year's patent reform bills)

- creates a new “post-grant review” procedure and significantly amends and renames the current *inter partes* reexamination procedure, with the *inter partes* “post-grant review” procedure occurring within nine months after the patent is granted
- provides judges with a specific “gatekeeping” function to determine the methodologies and factors relevant to assessing damages in a particular case and limiting the court or jury to considering only those methodologies and factors (essentially maintained from last year’s patent reform bills)
- provides that a district court “shall transfer” any patent action “upon a showing that the transferee venue is clearly more convenient than the venue in which the civil action is pending”
- codifies and amplifies the recent case law on willfulness, *e.g.*, *In re Seagate Tech., LLC*, 497 F.3d 1360 (Fed. Cir. 2007), and requires that for a holding of willfulness, the patent owner demonstrate by clear and convincing evidence that a party’s actions were “objectively reckless”
- adds a provision which requires courts, on the request of any party and absent good cause shown, such as the absence of significant damages or infringement and validity, to sequence a patent infringement trial so that the trier of fact decides the issues of infringement and validity before the issues of damages and willfulness are decided
- grants the PTO fee-setting authority to address its backlog problem, but does not grant the PTO substantive rule-making authority
- eliminates the provision from last year’s patent reform bills providing for interlocutory appeals of claim construction decisions



If you have any questions concerning these developing issues, please do not hesitate to contact any of the following Paul Hastings lawyers:

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