

LEGISLATIVE UPDATE: THE PATENT REFORM ACT OF 2009

By Randall Schwartz

Introduced by the House and Senate in March, the Patent Reform Act of 2009 has gathered mixed reactions from corporations in high-tech and other industries. In particular, the most disputed aspect of the pending bill is a damages provision limiting damages in patent infringement cases based upon the specific contribution over the prior art provided by the invention.

The Senate and House bills include reforms that were presented in previously stalled legislative efforts, e.g., the Patent Reform Acts of 2007 and 2008. Several high-tech corporations, such as Google, Micron Technology, and Hewlett-Packard, are lined up to support the pending legislation, while corporations in other industries, such as pharmaceuticals and manufacturing, are opposing the measures. The Senate has already heard testimony from several corporate and legal experts on components of the bill.

The controversial damages provision limits patent infringement damages based upon the specific contribution by the invention over the prior art. The current damages statute, which awards at least “a reasonable royalty for the use made of the invention,” is criticized for allowing juries to award damages that exceed the true economic worth of the plaintiff’s invention, particularly where the invention is a component within a larger claimed device. Another concern about excessive damages involves non-practicing entities (NPEs). An NPE is generally a company or entity that does not manufacture or sell patented goods, but aggressively asserts patent rights against manufacturers. Some corporations favoring patent reform argue that they are unfairly targeted by NPEs because of the present state of patent laws. More specifically, they assert that NPEs pressure manufacturers to pay royalties on patents by threatening expensive litigation and the risk of paying an excessive jury verdict.

The Senate bill includes a number of other important provisions:

- **The “first-to-file” rule:** Invention would be predicated on being the first to file a patent application instead of being the first to invent. Furthermore, third-party publications before the filing date would be considered prior art, and patentees would no longer be entitled to the one-year grace period before filing.
- **Venue:** The new venue provision would restrict plaintiffs from selecting a plaintiff-friendly forum.
- **Reexamination:** Practice would be expanded to permit “any person at any time” to file a request for reexamination, and requests could be based on “any prior art or documentary evidence.”
- **Post-grant review:** Would allow a petition for cancellation of a patent within 12 months of issuance.
- **Preissuance submissions by third parties:** In a pending application, any person may submit “any patent, published patent application, or other publication of potential relevance” if the submission is made within six months after publication or before the first office action, whichever occurs later.

Randall Schwartz is an associate at Hovey Williams. You can contact Randall at rschwartz@hoveywilliams.com.