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The Patent Reform Act of 2007: How It May Impact Patent Rights

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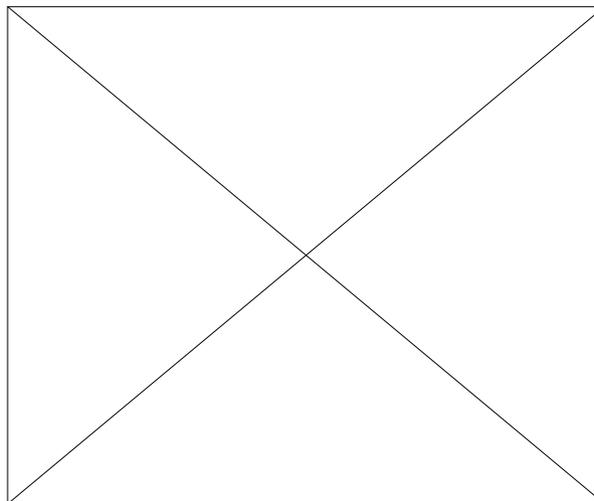
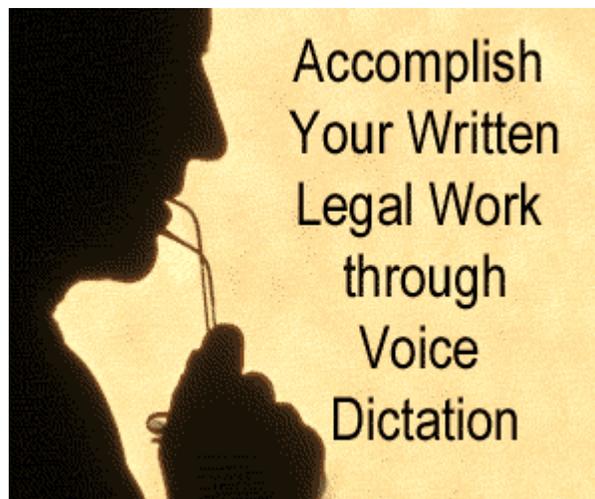
The United States patent statutes have remained essentially the same since 1952. That may soon change. The Patent Reform Act of 2007 introduced in Congress on April 18 proposes extensive changes that would reform the law governing how patents are obtained and enforced.

While patent reform acts introduced in recent years have languished in Congress, the Patent Reform Act of 2007 is a bipartisan, bicameral effort that appears to have enough support to become law. These bills also have the backing of numerous corporations and industry groups who believe many invalid patents are being granted and that patent litigation is out of control. This article discusses two significant changes proposed in the Patent Reform Act of 2007 and how those changes may impact patent rights.

IMPROVING PATENT QUALITY BY PROVIDING POST-GRANT REVIEW PROCEEDING

As the number of patent applications filed in the United States Patent and Trademark Office has exploded over the last two decades, so too have complaints about poor quality and invalid patents issued by the PTO. The Patent Reform Act of 2007 proposes a new post-grant proceeding that would allow anyone to seek cancellation of an issued patent. This new proceeding would provide a less expensive and more streamlined way to challenge patents. The post-grant proceeding would be available only for patents issued after the effective date of the bill, if enacted. Thus, the proceeding would not be available for existing patents.

Under this new proceeding, any person can oppose the grant of an issued patent within twelve months after the patent is granted. Additionally, a party may petition for cancellation at any time if the party can establish a "substantial reason" that the continuing existence of the patent "causes or is likely to cause" that party "significant



economic harm." The reform bill does not define what any of the quoted items mean. Instead, the bill empowers the director of the PTO to establish regulations governing the post-grant proceeding.

To challenge an issued patent, a party must set forth in writing the challenged patent claims, the basis for the challenge, and include copies of patents and prior publications relied upon by the petitioner. The PTO would determine whether the petition raised "sufficient grounds" to challenge the patent. If so, the PTO would initiate a post-grant proceeding. Next, the patent owner would file a response to the cancellation petition. The response would provide opposing factual evidence and expert opinion by way of declarations or affidavits explaining why the challenge should fail. The post-grant review proceeding would be conducted by a newly created Patent Trial and Appeal Board. The Patent Reform Act of 2007 mandates that a post-grant review have a final determination not later than one year after the proceeding is instituted, or eighteen months if good cause is shown. This proceeding will likely be less expensive than litigation and be completed much faster.

An important aspect of the post-grant proceeding is that the statutory presumption of validity attributed to a patent during litigation would not apply in the post-grant proceeding. Currently, patents are presumed valid by statute, and a party challenging a patent must prove invalidity by clear and convincing evidence. The Patent Reform Act of 2007 proposes a preponderance of the evidence burden of proof in the post-grant proceeding. The lower evidentiary standard in a post-grant proceeding will make it easier for poor quality issued patents to be invalidated.

The post-grant proceeding does have a potential downside for the unsuccessful petitioner. If a party loses a petition to cancel, that party would be precluded in subsequent litigation from asserting the invalidity of the patent claim "on any ground which the cancellation petitioner raised during the post-grant review proceeding." A party who has unsuccessfully tried to a final decision the validity of a patent in court may not thereafter file a post-grant petition on that same patent.

The post-grant proceeding is perhaps the most controversial change proposed in the Patent Reform Act of 2007. Critics argue that the new procedure would create uncertainty about the validity of patents and subject patent owners to increased costs to defend against challenges to issued patents. Corporations, such as drug companies, can spend hundreds of millions of dollars developing a new patented drug, and are concerned that the post-grant proceeding would too easily invalidate their patents. These concerns seem exaggerated because the bill would require "sufficient grounds" for a challenge before the PTO would initiate a post-grant proceeding. If the patent truly claimed a new and novel invention, it would survive the post-grant challenge. Furthermore, the bill requires the PTO director to enact regulations that would curb abuse of the proceeding.

CHANGING TO A FIRST-TO-FILE PATENT SYSTEM

The Patent Reform Act of 2007 would switch the United States to a first-to-file patent system that is followed by nearly all foreign countries. Under the proposed system, the first person to file a patent application for a claimed invention is entitled to any patent rights. Presently, when two or more different parties file an application on the same invention, the PTO invokes an interference proceeding to determine the first inventor who would then obtain any patent rights. Interference proceedings are costly, complex, and unpredictable. Switching to a first-to-file system would provide more certainty as to who is entitled to patent rights in an invention.

Moving to a first-to-file patent system will require inventors to reconsider when they apply for patents. The change will likely prompt inventors to file patent applications earlier than they would presently do, and file applications more often. The risk of losing patent rights to an earlier filer is too great in many industries, such as in pharmaceuticals.

CONCLUSION

Inventors and patent owners will need to review the other proposed reforms and evaluate the potential impact on their patent related activities. For example, the Patent Reform Act proposes a safe harbor that precludes a finding of willful infringement if an accused infringer received an opinion of counsel and relied in good faith on that opinion of counsel. This proposal, if enacted, should further encourage businesses to obtain thorough non-infringement and invalidity opinions from counsel to avoid a finding of willful infringement and limit the potential for treble damages. Should the Patent Reform Act of 2007 become law, inventors and patent owners will need to adapt to the changes. Whatever changes are enacted will generate new issues to consider in obtaining and enforcing United States patents.

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