

Will patent reform become a reality? Stay tuned . . .

By CORREY E. STEPHENSON

Patent lawyers may soon find themselves in the same situation as bankruptcy attorneys – coping with an overhaul of their legal system.

A draft of a reform bill has been circulated by the House Subcommittee on Courts, Internet & Intellectual Property, and already the patent bar is buzzing.

“Reform has been talked about for years, with proposals made time and time again, but this seems to have some legs underneath it,” said Matt Buchanan, a Perrysburg, Ohio patent attorney.

Long Island-based patent attorneys said legislators are considering steps that would significantly alter the patent landscape, though it’s hard to say what, if anything, will pass.

“There’s always a need to reform things,” said Paul Esatto, a partner at Scully, Scott, Murphy & Presser, an intellectual property law firm based in Garden City. “There’s some talk of major changes.”

University of Iowa patent law professor Mark Janis said he sees the push gathering steam.

“There are a lot of forces at work here,” he said. “Pressure [is

coming] from various industry sectors, such as software, biotechnology and pharmaceuticals, as well as a couple of recent studies, and academics are also getting a lot more interested and suggesting reform.”

Dennis Crouch, a patent lawyer at McDonnell Boehnen Hulbert & Berghoff in Chicago and the author of the blog “Patently Obvious,” noted that both the Federal Trade Commission and the National Academy of Sciences issued reports in 2004 advocating for change in the system.



Paul Esatto

Corporations like Microsoft and Intel have also come out in support of the proposed legislation, he said, as have various trade groups and patent attorney organizations.

“The proposals are really an amalgamation,” Crouch said. “Everything is thrown in there.”

One major problem the reform package seeks to address is the increase in patent litigation and the skyrocketing costs.

“A small case costs \$250,000 and those are rare – most cases cost over \$500,000,” said Anthony Venturino, a Washington patent attorney and president of the National Association of Patent Practitioners.

Among other changes, the pro-

posed measure would bring the United States in line with the majority of the world by switching from a first-to-invent to a first-to-file system, altering the standard for obtaining an injunction against infringers.

“That’s a tremendously big change,” Esatto said. “It’s been talked about for many, many years. It would make the U.S. conform to the rest of the world.”

He cautioned, however, that small firms and individual inventors could face a tougher time in that structure.

“The impact would be for small inventors and smaller businesses that don’t have a lot of money to file a lot of patents,” Esatto said. “Big companies obviously have lots of money.”

The proposed legislation also would establish a mechanism for post-grant review of a patent’s validity, bringing U.S. practices in line with procedures in much of the world.

“We have a re-examination period, but our rules are limited,” Esatto said.

Sources predict the bill is likely to be introduced before June 9, when Lamar Smith, R-Texas, chair of the subcommittee, is scheduled to speak at a meeting of the American Intellectual Property Law Association and the National Academies Board on Science, Technology and Eco-

nomics in Washington.

And some practitioners believe reform could become a reality sooner rather than later.

"There's a strong likelihood that some portions of these proposals will pass this year," Crouch said. "There is a lot of support for change right now."

Venturino, a partner at Steven Davis Miller Mosher, agreed.

"This is a bigger push than I've ever seen before," he said. "Something is going to get passed this session or next."

The United States isn't the only country in the world with a first-to-invent patent system – but it's in the significant minority, Buchanan noted.

Buchanan, a partner at Fraser Martin Buchanan Miller, said the patent office has struggled to achieve international harmonization of patent law.

"Obviously, we want recognition of U.S. patents in other countries, but when the patent office tries to negotiate [with] other countries, they need bargaining chips," he said.

Switching systems to bring the U.S. in line with most of the world would ease international patent relations.

Esatto said that the government may choose to switch to a first-to-file system, but that he believes post-grant review is more likely to be signed into law.

"Either of those is possible," he said. Of all "That's [post-grant review] got a better chance of passing."

The first-to-invent idea "goes

straight back to the Constitution," Buchanan explained. Article I, Section 8, Clause 8 states the intention to: "promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries."

But enforcing the first-to-invent rule has resulted in huge practical difficulties.

"Trying to prove when you invented something can be ridiculous," Buchanan said. "The administrative cost, when two patents

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– Anthony Venturino

claim to be the first invented, has ballooned over the years."

Crouch agreed.

"For a lot of people, it can be very difficult to prove an invention date, because in reality, some inventions involve months, even years of research, and inventors don't necessarily maintain proper records," he said. "Under our current system, there's a lot of uncertainty."

But Crouch said some fear a change to a first-to-file system could cause a rush to file, result-

ing in lower quality patent applications.

Opposition proceedings

Another huge change would be the establishment of a system for post-grant review of patents, Buchanan said.

"Now, challenging the validity of a patent is reserved for litigation," he explained.

Known as "opposition proceedings" in Europe, post-grant reviews have a lot of support in the patent bar, he said.

"Everybody involved with the patent system knows that the system puts out invalid patents," Buchanan said. "Examiners can't know every piece of prior art, and we have to accept the fact that invalid patents exist. [But] we can put into place machinery to vet out the invalid patents more efficiently than the current system of litigation."

Crouch noted that permitted post-grant review would be cost-effective.

"It will likely be much cheaper than regular litigation," he said.

The mostly likely scenario would provide for an administrative proceeding run by the patent office that would enable third parties to challenge an issued patent as improperly granted, suggested Buchanan.

Of all the proposals under consideration, "this might be the one [most likely] to pass," opined Janis.

Correy E. Stephenson is a writer for *Lawyers Weekly USA*, a sister paper.

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