



AMERICAN BAR ASSOCIATION

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Statement of

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of the

American Bar Association

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of the

Judiciary Committee

United States House of Representatives

On

Committee Print Regarding Patent Quality

Improvement

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Thank you for the opportunity to testify on behalf of the American Bar Association and the Association's Section of Intellectual Property Law. My name is William L. LaFuze. I am a partner and co-head of the Intellectual Property Section of the law firm of Vinson & Elkins, and I currently serve as Chair of the ABA Section of Intellectual Property Law. I will be commenting on a number of patent reform issues today. The views that I express on awarding a patent to the first inventor to file have been adopted as ABA policy by our House of Delegates, and therefore represent views of the Association. Views expressed on other issues have not been approved by the House of Delegates or Board of Governors of the Association, and are those of the Section of Intellectual Property Law ("the Section") alone.

Two Areas for Reform: USPTO Capabilities and Substantive Patent Law

I would like to divide my comments between two distinct areas of particular importance to the continued success of the U.S. patent system. One area relates to the capabilities of the United States Patent and Trademark Office. The Office must have the resources needed for it to undertake its crucial role effectively and efficiently. The second area relates to substantive patent law. With the ever-growing costs of obtaining and enforcing patents, its need for clear, simple, and objective principles for determining the scope of patent rights and for securing their enforceability in the courts has never been greater.

We are fortunate in the United States to have a patent system that functions well and has well served the public interest. Today it provides important incentives to invest in the discovery and commercialization of new technologies. Few countries in the world today have systems for protection of intellectual property rights – including the institutions for administering and enforcing those rights – that match those in the United States. We would urge, therefore, that the starting point for 21st century patent reform should be to build on the existing strengths of our patent system and seek changes to it only where a clear consensus has developed on needed improvements.

In this regard, the 109th Congress may represent a unique opportunity for patent law reforms to be enacted into law. On many important issues facing the U.S. patent system, we see not only a developing national consensus on the need for improvements, but also an emerging consensus on the content of the needed improvements. This suggests to us ripeness for patent law reform touching the most important features of the patent law. My testimony today will focus largely on topics on which the Section has worked with other organizations seeking to build the needed consensus and where we have seen those efforts at consensus-building bear fruit.

The First-Inventor-to-File Principle: The ABA Position

I would like to begin with a discussion of a very significant aspect of the patent law where fundamental change appears ready for congressional consideration: the issue

of adopting the first-inventor-to-file principle. For several decades this topic would not have been on anyone's consensus-driven agenda for patent law reform. Indeed, the ABA took a position in 1967 that the United States should not adopt a first-to-file system. However, like many other organizations, as times and circumstances have changed, the ABA has changed its view on the issue of adoption of a first-inventor-to-file rule in the United States.

In February of this year the American Bar Association took the position that the United States should now move from its current patent law based on proofs of dates of invention to a first-inventor-to-file principle. This issue has not only been added to our Section's list of important patent law reform issues, it has come to the top of that list for reasons that I will explain in detail.

The position of the ABA adopted this past February is two-pronged on the subject of first-inventor-to-file reforms, with one prong calling for adoption of the principle as domestic law, and the second advocating its incorporation in international harmonization agreements.¹

The ABA continues to support efforts at greater international harmonization of the patent laws. Our Section has been a longstanding supporter of efforts to realize the many efficiencies that might come from even limited steps towards harmonization, such as establishing common standards for determining what is prior art to an invention claimed in an application for patent. Although efforts at this type of international agreement-driven harmonization have been ongoing for two decades, they have as yet achieved no discernable progress. The Section is one of many U.S.-based organizations that would like to see the fruits of greater harmonization achieved sooner rather than later. We support whatever efforts the Congress might undertake to encourage the Executive Branch to accelerate its efforts in this regard.

We believe, however, that there is one important step that the Congress could take now that would greatly advance the objective of greater international patent law harmonization. That step is the enactment of legislation that would institute a first-inventor-to-file rule. Indeed, we think that the negotiating position of the United States could be greatly enhanced if the United States were able to enter into international

¹ The ABA position is set out in the following resolution:

RESOLVED, That the American Bar Association supports enactment of legislation providing that the right to a patent shall belong to the inventor who first files an application for patent containing an adequate disclosure under 35 U.S.C. §112 of the invention or, in the event of an assignment of rights, shall belong to the assignee thereof;

FURTHER RESOLVED, That the American Bar Association supports concomitant efforts to conclude international patent harmonization agreements that incorporate such principles.

discussions having enacted patent laws that we would encourage other countries to adopt as a harmonized standard.

The United States is disadvantaged in international negotiations today because it has effectively conceded that adoption of a first-inventor-to-file principle is the best practice for a future harmonized patent law, not its current system based upon assembling proofs of invention dates. We face 30 European countries—and a European Patent Office—that can make the powerful argument that they already have an efficiently functioning patent system, based upon a first-to-file principle, and that these countries have now harmonized their patent laws by adopting *in toto* the European Patent Convention.

So long as it continues under the present system, the United States will remain disadvantaged in these international negotiations because it is now apparent that adoption of a first-inventor-to-file principle represents a “best practice” for operating a harmonized patent law. In 2001, the United States Patent and Trademark Office heard from a host of U.S.-based NGOs that the United States should advocate a first-inventor-to-file rule, not our current system based upon assembling proofs of invention dates, as the “best practice” for a globalized patent law.

What this means is that our possible willingness to abandon our current system no longer serves as a potential negotiating chip in international patent harmonization discussions. To the contrary, with so many U.S.-based NGOs having concluded that adoption of a first-inventor-to-file system would serve our national self-interest, and then failing to act to adopt such a system, we cannot tender a willingness to act in our self-interest as a negotiating concession.

Now to the most important point: what the Europeans want as a harmonized patent law is not what the Section wants – or what a chorus of other U.S.-based NGOs want out of a patent system that is harmonized around the first-inventor-to-file principle. The Section, in fact, opposes greater harmonization of the world’s patent laws by simply adopting the common European patent law principles.

Indeed, the Section has recently completed a careful study of the precise manner in which the United States ought to move forward with patent law changes in the context of an international patent harmonization agreement and concluded that the European patent laws contain many undesirable features. In many respects, our view on an international patent harmonization agreement is that it might well require far more changes, and more significant ones, to European patent laws than would be required to be made to U.S. patent law.

Allow me to address just a few key points. We afford inventors a one-year “grace period” during which an inventor can make a disclosure of an invention, but that disclosure cannot be used to deny the inventor a patent. The Europeans reach the opposite conclusion and bar the inventor’s patent. We protect inventors against so-called “self-collision” where an inventor’s earlier-filed application cannot be cited as a basis for denying the inventor a patent on a closely related invention filed in a later-filed

application. The Europeans reach the opposite conclusion and require that all such earlier-filed applications must be used as prior art against the inventor himself such that the novelty of a related invention can be defeated. We limit prior art arising from the work of persons other than the inventor to publicly accessible disclosures so that a disclosure that is not reasonably accessible to the public cannot be used to bar a patent to the inventor. The Europeans use a “divulgation” principle that states that even a single, oral, non-confidential disclosure made anywhere in the world – no matter how inaccessible it might be to persons skilled in the technology seeking that disclosure – counts as prior art and can block an inventor’s patent for the invention.

Harmonization has long been important to the Section, and remains so. Our vision of a patent harmonization agreement is an agreement calling for first-inventor-to-file, coupled with a host of “best practices” that would include each of the principles outlined above.

The second prong of the ABA position on first-inventor-to-file reforms calls for incorporation of first-inventor-to-file principles in international harmonization of patent laws. By separate expressions of support for domestic implementation and for international harmonization, our policy serves two purposes. First, it makes clear that we support enactment of the first-inventor-to-file principle in U.S. patent law irrespective of whether international patent harmonization efforts are further pursued or ultimately successful. The record of the ABA’s deliberations on the first-inventor-to-file policy contains a comprehensive analysis of why this reform is important – even urgent –with or without an international patent harmonization agreement. Second, it reflects our belief that adoption of first-inventor-to-file is not just a harmonization bargaining chip that the U.S. might give up in the end, but a core principle to take into and build upon in international harmonization efforts.

The Case for Awarding the Right to Patent to the First Inventor to File

At its core, the existing patent law, which is best described as a “proofs of invention date” system, is unacceptably expensive, complicated and unpredictable. The U.S. patent law today requires that rival inventors can be forced to fight for the right to patent an invention in a so-called “patent interference.”² No one today can dispute the inefficiency of this system. An interference fight proceeds at enormous expense, with prolonged uncertainty and little predictability as to the outcome.³

² Interference contests impact no more than one in 1,000 U.S. patents sought. A patent interference must be set up so that the needed proofs of respective invention dates as between the rival inventors can be established, *i.e.*, to determine which rival inventor qualifies as first in time. Then, the U.S. Patent and Trademark Office and/or the courts determine which inventor will retain the right to patent.

³ Even when a patent interference is not needed (and the patent for an invention is simply issued to the first inventor to seek the patent), the validity of a U.S. patent is never free from substantial uncertainty because of the relevance of invention date proofs. They are

The “proofs of invention date” system can be complex and unforgiving. It may require proofs of day-by-day “diligence” in the making of the invention. Other aspects of the required proofs may include demonstration of a “complete conception” and/or actual “reduction to practice,” including a demonstration that the invention was established and recognized as operable for its intended purpose. All these proofs need so-called “proofs of proofs,” i.e., independent “corroboration” of the inventor’s work.

This proofs-based system is significantly disadvantageous to the first to make the invention in these patent interference contests if the first to make the invention is not also the first inventor to file for a patent. The first to make the invention – indeed even the first inventor to file for a patent – can be barred from patenting the invention under the proofs-based system unless it can successfully assemble needed proofs. Moreover, the right to patent can be lost in a patent interference because an inventor has run afoul of one of many technicalities.

The crux of criticism that commentators have noted in the U.S. patent interference law lies in the realization that the enormous complexity provides so many ways for the first to make an invention and the first to seek a patent to nonetheless forfeit the right to patent the invention. The twice-first inventor (first to make and first to file) can still forfeit the right to patent if any one of the following defects applies once a patent interference is declared:

- The “conception” of the invention is deemed to be “incomplete” or otherwise inadequate,
- The required “independent corroboration” of the conception is found to be inadequate,
- The proffered proofs of diligence are rejected because the conception was incomplete, inadequate, or uncorroborated,
- Interruptions in the continuity of diligence in a “reduction to practice” cannot be explained or excused,
- The required records needed to establish the invention dates and diligence dates may be unavailable,
- The “reduction to practice” does not demonstrate the required operability for the intended purpose for the invention,
- The invention is deemed to have been “abandoned, suppressed or concealed,”

relevant to determinations of whether or not an invention meets the requirements for novelty and non-obviousness in view of prior art. However, unlike in a first-inventor-to-file system, “secret prior art” is part and parcel of our current law. This “secret prior art” arises when an invention is made by another inventor who can prove an early invention date based upon entirely secret activity. Such prior art can belatedly emerge and destroy the validity of a seemingly valid U.S. patent, compounding the uncertainty and unpredictability of attempting to access whether an apparently valid patent will be sustained in a court challenge.

- Patent claims of the rival inventor are not timely “copied” in the manner required by law,
- Proper preliminary motions are not made to allow use of the inventor’s “best proofs” of invention dates,
- An interference “estoppel” applies, or
- The inventor cannot sustain the delays, complexities or uncertainties of the patent interference contest and settles, quits or otherwise ends the contest before a favorable outcome can be achieved.

Finally, the right to patent can be lost solely because of an inability to afford the enormous financial burdens necessarily imposed by the U.S. proofs-based patent interference system. According to the 2003 Economic Survey of the American Intellectual Property Law Association, the median cost to an inventor in a simple two-party interference is \$113,000 to complete the preliminary phase (discovery) and over \$300,000 to the final resolution. For the “small entity” inventors (individual inventors, small businesses and universities), the risks of loss of the right to patent are significantly heightened because the resources and persistence needed to see the “proofs of invention date” system through to its completion are often severely limited.

In stark contrast, the fate of the “first and true inventor” is typically far better outside the United States. The first and true inventor – who by definition always has the ability to be first to file for a patent – can secure the award of the right to patent by the simple act of seeking the patent before any later, rival inventors make the same invention, much less are able to file for a patent on it. In short, in no other country of the world is the first inventor who is first to seek a patent put at this type of risk of loss of the right to patent.

The “Proofs Of Invention Date” System Particularly Disserves Independent Inventors.

Recent commentators have confirmed the “pain without gain” impact of patent interferences on the independent inventor community. Between 1983 and 2000, 98 independent inventors who were not the first inventor to file for a patent were able to use patent interferences to establish the right to patent, while 115 independent inventors that were the first to file for a patent had their rights to patent defeated in patent interferences. Thus, as a group, independent inventors – under the “proofs of invention date” system – invested multi-millions of dollars in the patent interference system only to incur a net loss of 17 patents compared to the outcome that they would have achieved under a “first-inventor-to-file” system. See Gerald J. Mossinghoff, *The First-to-Invent System Has Provided No Advantage to Small Entities*, 88 J. Pat & Trademark Off. Soc’y 425 (2002).

In May 1995, the Uruguay Round Agreements Act, Pub. L. 103-465, 108 Stat. 4809 (Dec. 8, 1994), became law. At that time, U.S.-based inventors lost the decisive advantage they had held since at least 1876 in interference contests. Foreign-based inventors, who had been barred from relying on home-country proofs of invention, were now placed on an equal footing in making “proofs of invention dates” as U.S.-based

inventors. With the impact of this change in the patent law lifting the ban on foreign invention date proofs, the net number of U.S.-based independent inventors that can be expected to lose patents because of patent interferences will only increase in the future.⁴

Another commentator has expanded the Mossinghoff analysis and reached an even more ominous conclusion concerning the impact on independent inventors:

[I]nterference proceedings are more often used by large entities to challenge the priority of small entities, not the reverse. This evidence further supports Mossinghoff's conclusion that the first to invent system is not working to the benefit of small entities. If anything, small entities are getting bogged down in interference proceedings initiated by larger companies. This makes some intuitive sense. Large, sophisticated entities are more likely to understand the patent system, including the rather arcane interference process, and use it to their advantage.

Mark A. Lemley and Colleen V. Chien, *Are U.S. Patent Priority Rules Really Necessary?*, 54 *Hastings Law Journal* 1299, 1323 (July 2003).

Finally, even patent lawyers recognized as the leading experts in the area of patent interferences (Charles L. Gholz) lament the complexity, difficulty, and societal costs of these proceedings:

A couple of years ago I was handling a big ticket interference in which my side's inventors were named the Inventors of the Year by the Intellectual Property Owners Association. At about the same time, my client assigned the lead inventor to us full time. That is, it told him that it was more important for him to work with us to win the interference than it was for him to work at his laboratory bench making more inventions!

My client's decision was good for us, but it was grotesquely bad for the nation. While the inventor spent his time racking his brain trying to remember what he had done and when he had done it years before (and more importantly, trying to find documents to substantiate his

⁴ The Mossinghoff statistics have been recently updated through 2004 and appear to confirm that the loss of patents by independent inventors has accelerated. During the past four years, the number of patents lost by independent inventors has increased by nearly two-thirds, to 28. See Mossinghoff, "Small Entities and the 'First-to-Invent' System: An Empirical Analysis," Washington Legal Foundation Working Paper (April 15, 2005).

hazy memory), he could have been back at his bench making more important inventions.

As things stand, important people (i.e., inventors—not patent attorneys!) spend enormous amounts of time on historical matters which, at least in most cases, are of absolutely no use to anyone apart from the interference and of no interest to anyone at all for any reason.

Charles L. Gholz, 82 J. Pat. & Tm.Off. Soc. 894 (2000).

The central complaint concerning the existing “proofs of invention date” system lies in its unavoidable cost and complexity, coupled with its inherent delays and uncertainties. Together, these features are inimical to the best interests of all inventors, but most particularly to the interests of the community of independent inventors.

With the last potential argument that a “proofs of invention dates” principle might benefit any class or category of U.S.-based inventors having been erased by Congress in 1994, the case for awarding the right to patent to the first inventor to file for a patent who provides an adequate disclosure of the invention has become compelling.

The “Duty of Candor” – Reforming the “Inequitable Conduct” Defense

A second area of needed patent law reform on which the Section but not the ABA has taken a position relates to the so-called “subjective elements” in patent litigation. These are allegations made in patent infringement cases – either by the patent owner or by the accused infringer – that make patent litigation among the most expensive lawsuits that the courts hear today. Among the most frequently cited of these “subjective elements” are the “best mode” defense, willful infringement allegations, and the “inequitable conduct” unenforceability defense.

Each of these three elements has a common characteristic: the merits of the allegation generally cannot be assessed from a study of public patent prosecution records. In each case, significant discovery is normally required to prove or disprove the allegation. In each case, the required discovery focuses on the state of mind of one or more individuals.

My testimony today will focus in detail on only one of these “subjective elements,” the “inequitable conduct” defense to the enforceability of a patent. This defense arises from the “duty of candor and good faith” that both the United States Patent and Trademark Office and the courts have long held requires those preparing, filing, or prosecuting patent applications to observe. That duty bars omitting material information or making a material misrepresentation to a patent examiner.

Let me start by observing that the Section is in no way criticizing – much less proposing any dilution of – the “duty of candor and good faith.” Indeed, given the *ex*

parte nature of the patenting process, important policy considerations have long supported imposing such a duty on the inventor and anyone involved in assisting the inventor in the preparation, filing or examination of a patent application. The problem facing the patent system today lies not in the existence of the duty, but in the consequences that flow from the role of the courts in imposing sanctions for adjudicated violations of the duty.

Under current law a violation of the duty of candor and good faith with an intent to deceive or mislead the United States Patent and Trademark Office is all that is needed to make out a defense of “inequitable conduct.” When the defense has been made out, a court is required to hold that the entire patent is permanently unenforceable. It is an appealing defense for an accused infringer – some might argue irresistible. Any accused infringer that succeeds in proving a single act of intentional misconduct wins the entire lawsuit. For an infringer facing a patent with one or more completely valid claims, this defense can turn a losing case into a winning case for the infringer.

Because of the complexity of patent procurement, in almost every case there will be some information that the inventor knew that was not communicated to the patent examiner. Almost any defect in the prosecution record can be turned into an allegation of intentional concealment of material information or its misrepresentation and place the patent at risk of being held unenforceable.

Equally importantly, the discovery burden on the patent owner when inequitable conduct is alleged can be significant and the costs of a defense can be substantial. The inventor’s ability to enforce a completely valid patent can be greatly compromised.

The conduct that can give rise to a holding of the permanent unenforceability of a patent can be relatively trivial and inconsequential. In one case, the Federal Circuit affirmed a trial court decision that a patent attorney – making a statement that he had done a search as part of a petition to accelerate the examination of a patent application – committed a fraud on the patent office because the search he testified that he had conducted had been through consultations with experts working in the field, not a search of the official patent office records. *General Electro Music Corp. v. Samick Music Corp.*, 19 F3d 1405 (Fed. Cir. 1994).

The many ways in which statements made during the examination of a patent application can be used as a basis for allegations of inequitable conduct have led to two undesirable consequences. Some attorneys fear withholding *any* information from a patent examiner and disclose massive quantities of information – even if it appears to be of little or no relevance to what a patent examiner needs to know to examine the patent. Other patent attorneys resist making any disclosure of any substance concerning the prior art out of fear that the disclosure will be the basis for an allegation of misrepresentation. Indeed, the patent bar has in general – and with justification – sought to block the United States Patent and Trademark Office from requiring more meaningful disclosures concerning prior art because of the unfairness to inventors of creating more fodder for “inequitable conduct” allegations.

The “inequitable conduct” defense, as it currently operates, has highly perverse and unintended consequences. Because it is pled in almost every major patent litigation, it might be said that the ubiquitous appearance of the defense suggests it cannot be serving as an effective deterrent to misconduct. Had it so operated, one would expect the defense to arise in those rare cases when the deterrent was inadequate.

Second, the “inequitable conduct” defense does little to assure accurate and complete work by the patent examiner. Compared to information that the patent examiner could best use to make the best examination decision, the “inequitable conduct” defense motivates patent attorneys to disclose too much (marginally relevant information to avoid any allegation of possible concealment) or too little (withholding any comments on possible relevance or significance of any prior art information provided).

We believe that substantial reform to the defense is in order. As reformed, the defense should operate to affirmatively encourage more meaningful and valuable disclosures of information to patent examiners. To this end, the Section has taken the position that the “inequitable conduct” defense should not arise in any patent litigation in which all the claims of the patent are confirmed as valid. In other words, there should be no defense of “fraud on the patent office” where there has been no fraud and the inventor has secured a completely valid patent. This affords the inventor an overarching incentive for the patent examiner to have important information needed and considered in order to get the examination right – thereby insulating the patent from the unenforceability defense.

Second, the Section’s position is that even if one or more patent claims are found to be invalid, the “inequitable conduct” defense should only succeed where the alleged misconduct was causally related to the decision of the patent examiner to allow at least one invalidated patent claim to have been issued, *i.e.*, a so-called “but for” standard. In short, before a patent owner should forfeit the entire patent based upon bad conduct, it should have been conduct that had some bad consequence, *i.e.*, caused an invalid patent claim to issue.

Post-Grant Opposition – Coordinating With First-Inventor-to-File and “Inequitable Conduct” Reform

The last major topic on which the Section but the ABA has taken a position that I would like to address in detail today is post-grant opposition. On this topic I would like to describe the major components of the Section’s position, but not dwell on the specific details. I take this approach because a number of proposals for instituting a post-grant opposition system have emerged recently. Most differ only in detail, not overall content. The broad support that these proposals represent suggests that post grant opposition merits serious consideration by the Congress.

Done right, a post-grant opposition system could improve the operation of the U.S. patent system. The Section, however, would urge Congress to move forward with

both caution and by developing a broad consensus on this topic. Done wrong, post-grant oppositions can produce unacceptable delays and uncertainties for an inventor. As we see opposition systems operating outside the United States, many have problematic features that we should seek to avoid. Among the most important is the lack of a timely conclusion to the opposition, producing an extended and unacceptable period of uncertainty for patent owners and the public.

As threshold matters, the Section would urge that Congress address first-inventor-to-file reforms as a predicate to adoption of a post-grant opposition system. Unless Congress does so, the post-grant opposition system will need to consider proofs of the inventor's dates of inventor in various circumstances. Also, adoption of the first-inventor-to-file principle creates an opportunity for a post-grant opposition to address all issues of patent validity. This would greatly increase its value as a means for correcting mistakes made in issuing patents.

Reforms to the "inequitable conduct" defense are equally desirable predicates to creation of a post-grant opposition system. Without inequitable conduct reforms, patent owners will face greatly increased exposure to allegations of inequitable conduct in attempting to defend patent rights during an opposition.

The post-grant opposition system that the Section supports would include the following features:

- [1] permit the filing of an opposition by any person, upon a suitable threshold showing, within a limited period of time not greater than 1 year after the date of the patent grant;
- [2] permit as grounds for opposition a broader scope of invalidity issues under 35 U.S.C. §§ 102 (except 102(c), (f) and (g)), 103 and 112 (except for the best mode requirement), than is available in reexamination proceedings;
- [3] permit a limited opportunity for amendment of the patent claims during the opposition;
- [4] provide completely inter partes proceedings, including the right of any party thereto to appeal an adverse decision to the Court of Appeals for the Federal Circuit;
- [5] provide that all evidence other than patents and printed publications be presented through affidavit or declaration, and that affiants and declarants be subject to cross-examination;
- [6] limit discovery to cross-examination of affiants, unless otherwise required in the interest of justice;
- [7] provide authority to the Board of Patent Appeals and Interferences to hear and decide all such post-grant review proceedings;
- [8] put the burden of proof on the Opposer to show invalidity by a preponderance of the evidence; and
- [9] require that the proceeding be completed within a specified period of time.

Other Needed Reforms to the U.S. Patent System

The Section has devoted considerable efforts over the past year to studying the work of others on the issue of 21st century patent law reforms. We have done so in the context of reviewing and commenting on two recent reports on the U.S. patent system, one by the Federal Trade Commission (“To Promote Innovation: The Proper Balance Between Competition and Patent Law and Policy,” October 2003, “the FTC report”) and the other by the National Research Council of the National Academies (“A 21st Century Patent System,” The National Academies Press, 2004 “the NRC report”).

The Section has prepared a response to each of these reports and appends to this statement a report of the Section’s response to the NRC report. As noted in our report, we support many of the NRC proposals for reforms to the patent system and recommend congressional consideration of their merits.

Congress Should Move Forward With a Comprehensive Reform Agenda

So where does this lead us in the road to developing the needed consensus on patent law reform? We believe Congress should start with selected recommendations from the two major studies of the patent system – both proposing fundamental changes to the patent law. These studies led the Section and other interested parties to develop legislative reform agendas. In particular, several organizations have focused on the NRC report as the basis for developing a potential consensus on the content of patent reform efforts. We are one such organization.

To summarize where we stand on various NRC issues and the manner in which they might be prioritized and coordinated for a 21st century patent system, let me offer the following synopsis of my testimony today, detailing how the Section views the NRC report recommendations:

1. Adopt first-inventor-to-file rule as the centerpiece of reform efforts. This matter has taken on increased importance with the TRIPs-mandated changes to U.S. patent law and the need to enhance the leverage of the United States in international patent harmonization discussions and the credibility of many U.S. patent law principles as the starting point for efforts at greater harmonization of patent laws.
2. End the “plague” of inequitable conduct allegations in patent litigation by reining in the unenforceability defense based upon inequitable conduct. While the Section would hope that the duty of candor and good faith could be strengthened and made more meaningful by the United States Patent and Trademark Office, the current adjudication of misconduct allegations in the courts actually undermines rather than advances the policy objectives that underlie the doctrine.
3. If a first-inventor-to-file rule is adopted and strict limits on the unenforceability defense due to inequitable conduct are instituted, establish a more prompt and facile means for correcting mistakes made by the United States Patent and Trademark Office. A fair and balanced system of post-grant opposition should be created. Depending upon the content of accompanying reforms, it is possible that

- the Section could support a system that addresses all issues of patent validity and could potentially correct all mistakes in issuing a U.S. patent.
4. Publish all patent applications at 18 months. Adoption of the first-inventor-to-file would remove many of the concerns expressed by small-entity inventors or potential loss of patent rights arising from publication. Unlike current law, the publication of an inventor's application for patent now places a "safe harbor" around a published application disclosure that categorically precludes others from attempting to patent the same invention or anything merely obvious from the published application. The opposite can happen under our current patent law because publication can attract others to seek to patent subject matter around or even into what is disclosed in the published patent application.
 5. Limit allegations of willful infringement. The pleading of willfulness of the infringement in virtually every patent litigation today complicates discovery and raises issues of scope of waiver of attorney-client privilege that could be avoided if appropriate reforms are enacted. The Section would like the opportunity to work with the Congress to define the most appropriate way forward to undertaking such reforms.
 6. Eliminate the "best mode" requirement. The Section currently favors elimination of the "best mode" requirement in the context of an international patent harmonization agreement, but has no position on this issue otherwise. Our position is that elimination of the "best mode" requirement represents a "best practice" in the patent harmonization context, a view the Section shares with virtually every other major U.S.-based NGO that has addressed the issue. Again, consistent with the Section's conditional position favoring elimination of this requirement, we would appreciate working with the Congress on when and how the Section's position might be best advanced into legislation.

Conclusion

I am again grateful for the opportunity to present the views of the ABA and its Intellectual Property Law Section on the important issues related to 21st century patent law reforms. We look forward to a constructive dialogue that will expand the areas on consensus for pursuing such reforms. We hope that our comments today will serve as a constructive part of the dialogue that an effort of this magnitude requires.

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Attachment: IPL Section NRC Response