

Comments of the
National Association of Patent Practitioners
Regarding
HR2795 – The Patent Reform Act of 2005
(Substitute Bill introduced on July 26, 2005)

Submitted by Joy L. Bryant, Executive Director

September 13, 2005

EXECUTIVE SUMMARY

The National Association of Patent Practitioners (NAPP) hereby submits these comments regarding HR2795 – The Patent Reform Act of 2005 (substitute Bill introduced on July 26, 2005). NAPP has previously commented on a Committee Print of a Bill that was later introduced as HB2795. A Substitute Bill of July 26, 2005 makes certain changes from the Bill as introduced and from the Committee Print. NAPP expresses its observations with respect to the Act, as set forth in the Substitute Bill, focusing most closely on issues involving patent prosecution practice.

NAPP is a nonprofit organization dedicated to supporting patent practitioners and those people working in the field of patent law in matters relating to patent law, its practice and technological advances. NAPP members generally represent inventors in procuring patents in the United States Patent and Trademark Office (USPTO). The current focus of NAPP is to foster professionalism in the patent practitioner community and to aid patent agents and patent attorneys in remaining current in matters relating to practice before the USPTO.

In this paper, NAPP raises issues and concerns with respect to the Bill from a patent prosecution perspective. In particular, NAPP addresses: 1) Right of the first inventor to file; 2) Right to a patent; 3) Duty of candor; 4) Right of the inventor to obtain damages; 5) Post-grant procedures and other quality enhancements; and 6) Submissions by third parties.

- NAPP maintains that should Congress decide to move to a first-to-file system, such a decision should be made under advisement and with regard to establishing an internationally accepted grace period. NAPP expresses concerns regarding:
 - Ramifications of unintentionally delayed filings;
 - Diminished quality of patent applications;
 - Litigation resulting for practitioner malpractice;
 - Loss of ability for inventors to pre-date (“swear back”) references cited; and
 - Lack of clarification with respect to what constitutes prior art for nonobviousness determinations.
- NAPP supports the changes in the Bill regarding oaths and assignee filings and believes that such changes will improve our present patent system.
- NAPP supports the changes in the Bill regarding the duty of candor.
- NAPP remains opposed to the proposed amendments to 35 USC §122(b), requiring publication of all applications at 18 months. Should Congress decide to move to universal publication, such a decision should address concerns about provisional remedies and speed of Patent Office examination.
- NAPP is opposed to the provisions in proposed 35 USC §315(c) that cramp the estoppel against parties who try but fail to invalidate an issued patent through *inter partes* reexamination.
- NAPP supports post-grant opposition with several reservations.
- NAPP supports the provisions in proposed 35 USC §122(e), allowing for preissuance submissions by third parties.

As an organization, NAPP takes no position with respect to the provision relating to venue, because this section does not invoke significant patent prosecution related issues. However, those members who are also patent litigators have expressed concern as to why a nonprofit educational institution should be treated differently than other nonprofit entities or for-profit patent holders.

NAPP thanks Congress for the opportunity to present its views on such important legislation and looks forward to working together to craft legislation that, in a balanced manner, promotes innovation.

TABLE OF CONTENTS

Introduction.....	1
Comments by Section	2
Section 3 – Right of the first inventor to file	2
Section 4 – Right to Patent.....	3
Section 5 – Duty of Candor	4
Section 6 – Right of the inventor to obtain damages	4
Section 7 – Post-grant procedures and other quality enhancements.....	4
Section 7(a) – Publication.....	4
Section 7(d) – Reexamination.....	5
Section 7(f) – Post-Grant Opposition Procedures.....	5
Section 8 – Submissions by third parties	6
Section 9 – Venue	7
Conclusion	7

**Comments of the
National Association of Patent Practitioners
Regarding
HR2795 – The Patent Reform Act of 2005
(Substitute Bill introduced on July 26, 2005)**

Introduction

The National Association of Patent Practitioners (NAPP) appreciates the opportunity to present its viewpoint regarding the Patent Reform Act of 2005 to the members of Congress. NAPP is an organization of patent agents and patent attorneys whose practices focus on procedure before the US Patent and Trademark Office (USPTO). In particular, NAPP's members are deeply involved in patent prosecution practice, as a majority of the members are patent agents. NAPP was founded in 1996 and has nearly 500 members in 13 countries. NAPP conducts two e-mail discussion forums, enabling its members to communicate on a daily basis. In preparation of these comments, members were provided with the opportunity to discuss the issues in the e-mail forum. Therefore, the information presented in this paper is believed to be accurate and representative of the majority viewpoint of the NAPP membership.

The purpose of the Patent Reform Act of 2005 is to provide a framework for protection of rights to inventions in the US. It has long been recognized that the US patent system is a primary engine of the American economy, providing not only a means for protection of inventor rights but a means for employment for many individuals. Therefore, the Act should provide a mechanism of encouraging invention by providing exclusive rights to the first inventor, in accordance with the constitutional mandate to promote the useful arts. To achieve the policy goal of spurring innovation, patents must have teeth. Placing obstacles in the way of practitioners and their client-inventors with respect to securing patents will clearly hinder innovation and remove the financial incentives to invent and disclose inventions. Removing obstacles promotes the policy goal.

As part of its efforts to assist Congress and its various committees in evaluating this Bill, NAPP has focused in on how the Act would operate in patent prosecution practice. As practitioners who seek to procure patents, NAPP members are intimately aware of how such changes would impact inventors who are seeking patent protection. Unique among patent related organizations, NAPP combines its knowledge of patent prosecution practice with a pro-inventor perspective to address prosecution related issues in the Bill.

Comments by Section

Section 3 – Right of the first inventor to file

NAPP acknowledges Congress' objective to move towards patent harmonization by changing our present system from a first-to-invent system to a first-to-file system. In general, NAPP supports the provisions redefining prior art, including elimination of the *In re Hilmer* treatment of foreign-filed prior art and the elimination of 35 USC §102(d), (e), (f), and (g)(2).

However, NAPP believes that Congress should take one further step to also amend 35 USC §103 to be consistent with the Bill's proposed amendments to 35 USC §102. More specifically, 35 USC §103 should be amended to ensure that obviousness rejections will only be made based on prior art that meets the "reasonable and effective accessibility requirement" as set forth in proposed 35 USC §102(b)(2). Inclusion of this language brings clarity and consistency to the statute and promotes patent harmonization. European law presently does not allow for "secret prior art", such as patent applications filed and pending in a Patent Office but not publicly available at the time of the priority date, to be applied against a pending patent application in obviousness rejections. Congress should take measures to ensure that the US has the same safeguards.

NAPP maintains that should Congress decide to move to a first-to-file system, such a decision should be made under advisement. NAPP is concerned that moving to a first-to-file system will result in the following negative effects on the patent system, outside of the interference context:

- Inventors, corporations, and government entities who work with practitioners who have backlogs may be harmed due to delays in filing. Although practitioners try to prepare and file their cases carefully and expeditiously and will take up cases in some reasonable priority order, there will be cases where a practitioner's backlog will delay in the filing of a patent application. Such a delay under a first-to-file system can cause loss of the right to patent in some instances.
- The quality of patent applications will diminish due to rush filings and, hence, the resulting patents may be vague and indefinite. Such diminished quality will have adverse effects on the system itself. The workload for the US Patent Office will increase substantially, as rush-job applications will be poorly written and more difficult to examine. In many instances, such applications will need to be re-filed resulting in duplicate examination. Alternatively, more provisional applications will be filed and examiners will be pressed to determine whether or not the provisional applications meet the requirements of 35 USC §112 in order to determine whether the nonprovisional application will be afforded the benefit of the earlier filing date. Not only will these activities result in an increase in examiner work-load, but such activities may result in an increase in litigation as more defendants will choose to challenge patents based on issues surrounding the sufficiency of the disclosure under 35 USC §112.
- Rushed filings may lead to increases in litigation based on practitioner malpractice. If a practitioner's backlog results in loss of patent rights to a client, it is likely that the client will sue for malpractice. Alternatively, rush-job applications may result in an increase in

the number of errors and/or omissions occurring in a patent application, thus leading to a malpractice suit as well. Such risks may drive practitioners from representing inventors before the Patent Office, resulting in an increased burden for examiners who will be forced to work with more pro-se inventors who are unfamiliar with the procedure and practice before the Office.

- Inventors may be harmed by instituting a first-to-file system by eliminating the ability to remove references by way of the present 37 CFR §1.131 Affidavit Practice. Under the present system, an inventor has the ability to remove a reference cited against him that discloses but does not claim the invention, by swearing a date of invention that is prior to the date of the reference. Elimination of this mechanism has a similar outcome to that which has been previously stated, either rushed filings or loss of right to patent. Inventors will be granted no relief in a situation where another party has disclosed but did not claim the invention and where the inventor can swear an invention date prior to such disclosure. At a minimum, the rights of first inventors to predate a pre-filing, non-public patent application that fails to claim the same invention should be preserved. Alternatively, inventors should not have their inventions declared obvious in view of prior-filed applications that are unpublished and therefore, do not meet the “reasonable and effective accessibility” requirement.

In conclusion, NAPP advises Congress that movement to a first-to-file system will likely result in an increased burden on the Patent Office coupled with a potential increase in the amount of litigation focused on practitioner malpractice and challenges to patents based on sufficiency of invention disclosure. In addition, should Congress choose to adopt a first-to-file system, NAPP strongly suggests that, at a minimum, Congress incorporate language into 35 USC §103 requiring that obviousness rejections be based only on prior art that meets the “reasonable and effective accessibility requirement” as set forth in proposed 35 USC §102(b)(2). Last, Congress should not decide to move to a first-to-file system without ensuring that there is international acceptance of a pre-filing one-year grace period, which would allow inventors to perform some test commercial activities without foreclosing the possibility of filing for a patent. NAPP is in favor of patent harmonization, provided safeguards are adequately made to ensure that inventors and practitioners will not be harmed.

Section 4 – Right to Patent

NAPP supports the changes in the Bill regarding the right to patent which mostly relax the requirements of oaths and permits assignee filings. NAPP believes that such changes will improve our present patent system.

Section 5 – Duty of Candor

NAPP supports the changes in the Bill regarding the duty of candor. In particular, NAPP appreciates Congress' attention to the problem of regular, litigation-inspired accusations of misconduct against practitioners. The US Patent Office is best positioned to judge accusations of misconduct with respect to patent prosecution procedures. In addition, NAPP supports the clear and convincing evidentiary standard required for a finding of misconduct. Lastly, NAPP supports the imposition of a duty of candor and good faith on individuals who are parties adverse to a patent or application for patent in contested cases before the Office. NAPP believes that these changes will enhance our present system by minimizing litigation resulting from charges of misconduct.

Section 6 – Right of the inventor to obtain damages

NAPP previously opposed a provision of the draft bill that would have limited damages to components of a patented invention. While the provision remains in the present Bill, the wording has been softened to ensure that the court will consider the issue, "if relevant and among other factors." (35 USC §284(a)) Although this wording makes the provision more acceptable, it appears that the provision has now become unnecessary. The courts already have the authority to consider this factor "if relevant". Either the Bill should list all factors relevant to the same damages calculation, or this section should be stricken. Listing one particular factor in the statute has the effect of placing undue emphasis on the listed factor over other factors that are not listed. This should not be Congress' intent.

Section 7 – Post-grant procedures and other quality enhancements

Section 7(a) – Publication

NAPP remains opposed to the proposed amendments to 35 USC §122(b), requiring publication of all applications at 18 months unless the application is either 1) no longer pending; 2) subject to a secrecy order; 3) a provisional application; or 4) a design patent application. NAPP views such publication as harmful to applicants who only seek patent protection in the US. Mandatory publication removes any potential fall back to trade secret protection in the event a patent is not awarded. For many small entity inventors, having the ability to fall back to trade secret protection in the event a patent does not issue, provides some comfort to the fact that the time to a first office action is presently exceeding 18 months. Mandatory publication will likely result in small entity inventors deciding to opt for trade secret protection over the "gamble" of patent protection. This type of decision takes away from the storehouse of knowledge found in our patent system. Would it not be better to encourage application, permit requests for non-publication, and add to the storehouse of knowledge once a patent issues than to discourage application and receive nothing? The proposed provisions are one-sided and unfair to applicants who have decided to only seek protection in the US and strips applicants of any protection should their inventions be found not patentable.

When Congress passed the law requiring publication of applications filed abroad, the USPTO assured applicants that the then-average of 14 months to first Office Action would be shortened further, allowing most applicants to see a first Office Action and make at least a partially informed judgment of whether to withdraw their applications instead of allowing them to publish. Since then, average pendency has grown, such that first Office Actions nearly always take longer than 18 months from the filing date. This is not the time to expand required publication.

Another problem with universal publication is that the current “provisional rights” damages system is woefully inadequate, so if a third party practices the invention before the patent issues, there is usually no recourse. This problem arises from the limitations in existing 35 USC 154(d)(1)(B) & (d)(2) that the third party must have had “actual notice” of the published patent and that the claims must be published in a form “substantially identical” to the claims as ultimately issued. These provisions do not reflect the fact that third parties can view the entire file history of published applications through the Internet, including not only the publication document but also any amendments to claims.

Should Congress decide to adopt mandatory publication of all applications, (a) the publication period for applications not published abroad should be revised to allow applicants sufficient time to make a decision whether they wish to withdraw their applications and keep their inventions as trade secrets, based on at least a first office action on the merits, and (b) the provisional remedies against those who practice the invention during the period between publication and issuance ought to be strengthened by relaxing the two constraints mentioned above.

Section 7(d) – Reexamination

NAPP is opposed to the provisions in proposed 35 USC §315(c) that cramp the estoppel against parties who try but fail to invalidate an issued patent through *inter partes* reexamination. A party should have one, and only one, contested chance to invalidate a patent. A party should not be able to try to invalidate a patent through *inter partes* reexamination on a first ground, lose, and then continue to challenge the same patent’s validity on a second ground through litigation or a second reexamination proceeding. Allowing repeated attacks by the same party on a patent fails to provide the patentee with any finality or closure with respect to the matter. For that reason, that NAPP opposes the provision that relaxes current law and allows for multiple challenges to issued patents.

Section 7(f) – Post-Grant Opposition Procedures

NAPP supports post-grant opposition with several reservations:

- 35 USC §322(b)(1) permits the identity of a real party in interest to be kept separate from the file of the opposition and made available only to Government agencies or to any person upon a showing of good cause. However, Congress has failed to provide any definition of “good cause.” Congress is urged to define what constitutes “good cause” and to not leave this term open.

- 35 USC §324 fails to allow oppositions to address validity defenses under 35 USC §135(b).
- NAPP supports the standard of “substantial question of patentability” set forth in 35 USC §325(a)(2).
- NAPP supports the change to 35 USC §325(d) allowing for a stay of the opposition if a court action is filed. However, it is unclear as to why the stay will only be granted if the infringement action is filed within 3 months after the grant of the patent. This amount of time seems arbitrary and excessively short. NAPP suggests that the time limit either be removed or extended.
- NAPP opposes the limitation set forth at the end of 35 USC §327, where the scope of the claims cannot be enlarged during the opposition proceeding. Broadening amendments can be done through reissue during the two-year period immediately following the issuance of a patent. The restriction placed in this section seems inconsistent with the “broadening reissue” practice. NAPP believes that this limitation will lead to complex, redundant procedures. Opposition practice should be consistent with reissue practice.
- 35 USC §332(a) sets the standard for the burden of proof as a “preponderance of the evidence.” NAPP recommends that the standard be raised to that of a “clear and convincing” standard. Despite the fact that the patent is being opposed, it is an issued patent and has undergone official examination before it has issued. Moving to a lesser “preponderance of the evidence” standard casts doubt on the validity of all patents issuing from the USPTO.
- 35 USC §336(a) contains overly weak estoppel provisions. An opposer can continue to challenge the validity of a patent based on “any issue of fact or law” that is not “actually decided by the panel and necessary to the determination of that issue.” Accordingly, opposers can bring in second proceedings: (1) legal arguments not previously made supportive of the same defense rejected in the opposition; (2) new facts to support a rejected defense; (3) legal or factual arguments not actually decided by the panel but raised in support of a rejected defense; (4) legal or factual arguments expressly rejected by the panel but that a later court or body determines was not “necessary to the determination” of the rejected issue. These types of repeat challenges multiply litigation and should not be allowed.
- Congress has failed to address the issue regarding patent term that NAPP raised in its earlier comments. The code should allow for patent term extension with respect for delays in issuance of patents subjected to opposition proceedings.

Section 8 – Submissions by third parties

In general, NAPP supports the provisions in proposed 35 USC §122(e), allowing for preissuance submissions by third parties. However, Congress should require that the person submitting the prior art must disclose the real party in interest. This avoids the practice of practitioners being used as proxies, hiding the true identities of the submitter.

Section 9 – Venue

NAPP has no comment with respect to the proposed venue provisions as this is outside the scope of practice before the US Patent and Trademark Office.

Conclusion

NAPP respectfully requests that Congress kindly consider its comments and concerns. NAPP believes that correction of the Bill to address the concerns set forth in this document would lead to clarity of the Bill itself and a better chance for consensus by the many diverse groups. NAPP remains willing to assist in mark-ups and/or by way of providing explanation from a practical perspective relating to any proposed revisions to the Bill.