THE COALITION FOR 21ST CENTURY PATENT REFORM

Protecting Innovation to Enhance American Competitiveness

PATENT REFORM IN THE 111TH CONGRESS

Our Coalition was formed to insure that any changes to our patent system would be balanced and fair and would allow us to continue fostering innovation and employment in the United States. We have worked to secure enactment of recommendations in the 2004 report of the National Academies of Science ("NAS"), which were the product of its intensive, four-year study of the patent system. Without question, we continue to believe that reforms to U.S. patent laws are still needed and are dedicated to working toward that end.

Unfortunately, in each of the last two Congresses, the expansion of proposed legislation beyond the NAS recommendations proved to be highly controversial, frustrating efforts to achieve the necessary consensus on a "comprehensive" bill. In the meantime, significant changes have occurred in the U.S. patent system. Today's patent system does not operate—either in the United States Patent and Trademark Office or in the courts—in the manner it did four years ago. Accordingly, two questions must be asked: Should the new Congress address patent reform differently in light of the changed circumstances? Would changed circumstances and changing priorities present an opportunity to forge a patent reform bill that improves the patent system and which could garner a broad consensus and speed its enactment?

There is a perception that the performance of the United States Patent and Trademark Office has deteriorated during the past four years. The Office has become progressively less able to complete the examination of pending patent applications in a timely manner. As a result, it has amassed a large and growing backlog of unexamined patent applications. In addition, the quality of patents has been questioned by the media and certain stakeholders, leading to the perception that patent protection is not being appropriately granted to deserving inventions. In short, the need to address the core mission of the Office has never been more urgent.

In contrast, the responsiveness of the courts to issues arising in litigation has been no less than remarkable during the past four years. In *Seagate*, treble damage awards were limited. In *ATT v. Microsoft*, offshore infringement liability was reined in. In *Volkswagen*, a venue abuse was addressed. In *Bilski*, the criteria for patenting "business methods" were clarified. In *eBay*, the traditional four-factor test was confirmed as the appropriate test to use when considering the grant of an injunction under the Patent Act. In *KSR*, the non-obviousness standard was reinforced. In brief, the courts have gone a long way towards eliminating any need for Congress to address these issues—some of which had been the subject of controversial legislative proposals over the past four years.

During the next two years, it appears likely that the courts will address two other issues that have complicated efforts to enact a broadly based patent reform bill: alleged inappropriate compensatory damages and the unenforceability defense based upon "inequitable conduct" allegations.

The new Congress should address these new patent system realities, as well as carefully consider the ramifications of any legislation for stakeholders in the current economic climate. Additional Congressional hearings are essential before any legislation is introduced in the 111th Congress. They would afford the opportunity for stakeholder input and provide a forum for the views of the new Administration. Hearings would also provide time for reflection and recalibration that might lead to consensus-building among stakeholders on the elements of any legislation in light of the current judicial and economic climate.