

THE COALITION FOR 21ST CENTURY PATENT REFORM

Protecting Innovation to Enhance American Competitiveness

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Limiting Unenforceability Defense

Current Law - existing, judicially-created law allows courts to declare patents unenforceable for “inequitable conduct.” The failure to disclose a reference that would not render a claim invalid can, nonetheless, result in a patent being held unenforceable. As a consequence, patent applicants conduct themselves before the PTO in a manner so as to minimize the possibility that someone will later accuse them of such misconduct.

S. 1145/H.R. 1908 – fails to address and correct this problem.

Coalition Position – the existing jurisprudence on inequitable conduct should be eliminated and replaced with a provision that limits the unenforceability defense to cases of actual fraud – a knowing and intentional omission or misrepresentation made to the PTO and on which the PTO relied by granting a claim that it would not otherwise have granted.

Public Policy Rationale –the existing, judicially-created doctrine allowing courts to declare patents unenforceable for “inequitable conduct” deters patent applicants from cooperating with the PTO by identifying, characterizing or discussing the most relevant prior art, and subjects patent owners to huge expenses in discovery and patent trials. A carefully balanced legislative clarification and simplification of the law of inequitable conduct is urgently needed.

The PTO and the Public Will Benefit – limiting the unenforceability defense to instances of actual fraud will improve overall patent quality and timeliness in completing the examination of patent applications by facilitating more meaningful communications with patent examiners. The issuance of higher quality patents would result from applicants being freed to engage more fully with patent examiners in a meaningful dialogue concerning the merits of the invention. It would allow a patent applicant to submit information to the PTO to assist the examiner in granting a valid patent without the fear that such disclosures or the lack thereof would result in the unenforceability of the entire patent. The very complexity of the patent procurement process demands applicants undertake a multiplicity of decisions concerning what and how to disclose information to the PTO, assuring that one or more such decisions can be challenged as constituting a misrepresentation or an omission. The decisions often result in the examiner being inundated with non-material references which slow down the process and increase the PTO backlog. Further, under other provisions in this legislation, the PTO process will be more open to public scrutiny and input both before and after patent grant, removing the concerns that arise from secret ex parte review conducted in the PTO. Higher quality patents examined in a shorter time period will be the ultimate result.

Litigation Benefits - the costs and uncertainty in litigation of massive and expensive discovery and the trial of unnecessary or frivolous issues should be reduced by removing the current highly subjective inequitable conduct defense in favor of an actual fraud approach. Allegations of inequitable conduct in patent litigation are ubiquitous, causing the parties to spend enormous sums on this issue in each and every case. This unnecessary and unproductive activity should be constrained or eliminated, as recommended by the NAS Report.

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