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House Looks To Courts As Patent Debate Continues

By **Jessica Dye**

Law360, New York (March 10, 2011) -- A U.S. House of Representatives panel on Thursday appeared poised to follow the Senate's lead and jettison litigation-related provisions from patent reform legislation, highlighting the recent trend of patent case law being shaped through appellate court decisions.

The hearing in the House Judiciary Subcommittee on Intellectual Property, Competition and the Internet to examine recent patent-related court decisions came as key House members prepared to take up the torch on patent reform legislation, handed off by the Senate following the recent passage of S. 23, the America Invents Act.

“For us to do that and do it appropriately and in a balanced way, I think we need to have a better understanding of what the courts have done, have not done, what people perceive to be the gray areas and the nuances we need to be evaluating,” said subcommittee ranking member Mel Watt, D-N.C.

The witness panel generally praised the Senate's efforts, particularly senators' decisions to tailor the bill more narrowly by stripping provisions that would have codified litigation-related decisions from the courts on issues such as willfulness, damage calculations and venue selection.

“The optimal approach is for Congress to provide statutory tools that allow courts to adapt patent law to the changing needs of innovators in an ongoing, responsive manner,” said Dan L. Burk, professor of law at the University of California, Irvine, who said he was encouraged by the Senate's approach. “In order to foster innovation, our patent statute must be dynamic, flexible and capable of dealing with rapidly developing business needs that were never foreseen.”

Indeed, the U.S. Supreme Court and U.S. Court of Appeals for the Federal Circuit have displayed a renewed focus on clarifying critical patent issues since Congress first began debating patent reform in 2005, according to Andrew Pincus, a partner at Mayer Brown LLP, testifying on behalf of the Business Software Alliance.

“The last five years have seen a dramatic change in the Supreme Court's attention to patent law issues,” Pincus said.

From 2000 until 2005, the high court handed down decisions in only three patent-related cases. By contrast, from 2006 through the end of the current term, the high court will have issued decisions in eight patent cases, starting with eBay v. MercExchange LLC, a 2006 Supreme Court case that implemented use of a four-factor test before granting equitable injunctive relief in infringement cases.

Decisions in those cases have essentially preempted congressional action, not through judicial activism, but through a more careful application of original legislative intent, Burk said. And the Federal Circuit has also played an important role, he said, handing down a critical ruling on patent damage awards earlier this year in Uniloc USA Inc. v. Microsoft Corp., helping to correct what some viewed as a flawed method for calculating patent damages.

But despite the judicial activity, there are some things the courts can't address — and that's where Congress should focus its attention, experts said.

“Of course, the courts have limited power and cannot make statutory amendments or offer funding to the U.S. Patent and Trademark Office,” said Dennis D. Crouch, associate professor of law at the University of Missouri School of Law. “It's safe to say that the courts have addressed, or are addressing, virtually all of the legitimately raised patent reform issues that fall squarely within their purview. Within this dynamic, an important ongoing role of Congress is at least to ensure that courts are making the right policy decisions.”

Foremost among the substantive changes being weighed by Congress is a provision in S. 23 that would transition the USPTO from a first-to-invent system to one that would grant priority to the first inventor to file a patent application.

Experts on the panel split, with Pincus advocating for the transition — accompanied by additional recognition of prior user rights — and Burk cautioning that, for better or worse, the first-to-file shift would effect a “disruptive” change on the U.S. patent community that would keep him and his students busy for the next decade.

Witnesses also offered divergent views on whether the courts or Congress would be better suited to address the rising tide of false patent marking suits

Burk counseled Congress “not to tinker too much” with litigation-related issues like false marking, while Pincus said he believed legislation to amend the false marking statute was the “last piece left” to successful patent litigation reform, pointing to a version of patent reform legislation considered by the House during the last session of Congress that would give standing to sue only to entities who could demonstrate they sustained actual harm from the false mark.

The House Judiciary witnesses unanimously endorsed the majority of USPTO-centric provisions from S. 23, including measures aimed at reducing the patent backlog by streamlining the USPTO's review processes and boosting its funding and fee collection authority.

The House is currently beginning informal discussions as it considers its next steps on S. 23, said Judiciary Committee ranking member John Conyers, D-Mich. Among their options, he said, are whether to adopt the Senate bill, revise it or begin from scratch with substantially different legislation.

Lawmakers participating in the early talks will include Conyers and Watt, alongside Judiciary Committee Chairman Lamar Smith, R-Texas; IP Subcommittee Chairman Bob Goodlatte, R-Va.; Oversight and Government Reform Committee Chairman Darrell Issa, R-Calif.; Howard Coble, R-N.C.; and Howard Berman, D-Calif., among others, Conyers said.

--Editing by John Williams.