



SUMMARY AND COMPARISON OF H.R.1260 AND S. 515, THE PATENT REFORM ACTS OF 2009

Updated 5/5/09

	H.R. 1260 (As Introduced 03/03/09)	S. 515 (As Approved by Senate Judiciary Co., 04/02/09)	AIPLA Position
First-Inventor-to-File	<p>The provision moves the U.S. to a first-inventor-to-file system. Section 102 is rewritten and corresponding changes are made to section 103.</p> <p>Section 102 provides that: a patent may not be obtained if—</p> <p>(1) the claimed invention was patented, described in a printed publication, in public use, or on sale or otherwise available to the public:</p> <p>(A) more than one year before the filing date, or</p> <p>(B) one year or less before the filing date, other than through disclosures made by the inventor or joint inventor, or by others who obtained subject matter directly from them, or</p>	<p>Language substantially the same as House bill</p> <p>However, effective date of first-inventor-to-file would be one year after enactment of the legislation.</p> <p>Also contains a provision which states search and examination are sovereign functions to be performed by US citizens who are employees of the US government.</p>	<p>AIPLA supports adoption of first-inventor-to-file priority system.</p> <p>AIPLA supports amending section 102 to limit patent defeating prior art to information which is publicly accessible.</p> <p>AIPLA supports preserving prior art exemptions for common assignment and joint research. Specifically, we support the preservation of the applicable provisions of the CREATE Act.</p> <p>However, AIPLA opposes the provision in the House bill which conditions an effective date on adoption of a grace period by other nations.</p>

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	<p>(2) the claimed invention was described in an issued patent or published application filed before the effective filing date of the claimed invention and names another inventor.</p> <p>Note: provision removes geographical limitation to prior art.</p> <p>Exceptions made for prior disclosures by the inventor or joint inventor or subject matter obtained from them.</p> <p>Also contains corresponding amendments to Section 103.</p> <p>The joint research agreement exemption (i.e., the CREATE Act) is maintained. Statutory invention registration repealed.</p> <p>Other technical amendments and definition changes consistent with the change to a first-inventor-to-file system.</p> <p>EFFECTIVE DATE: The first-inventor-to-file provisions will not take effect until the President certifies via Executive order that “major” foreign patent authorities have adopted a U.S.-style grace period.</p> <p>An interference procedure is retained for applications filed before the effective date of the legislation.</p>		<p>AIPLA has not yet taken a position on the requirement for search and examination to be performed only by U.S. government employees, but has previously supported work sharing among offices as a way to enhance quality and reduce pendency and backlog.</p>
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Derivation proceedings	<p>Provision establishes derivation proceedings before the Patent Trial and Appeal Board to determine the right of the applicant to a patent, replacing interference proceedings. Settlement and arbitration provisions added.</p> <p>Note previously mentioned delay in implementation.</p>	Includes provision similar to House text	AIPLA supports the establishment of derivation proceedings.
Inventor's Oath	Provision requires the inventor or joint inventor in a patent application to execute an oath or declaration.	Includes provision substantially similar to House text.	AIPLA supports maintaining the requirement for including in a patent application an oath or declaration of the inventor in the manner described.
Assignee Filing	Not addressed in the bill	Permits an assignee of an invention, or a person who otherwise shows a sufficient proprietary interest, is permitted to file a patent application.	AIPLA supports the Senate provisions permitting an application for patent to be filed by the assignee of the inventor.
Damages	<p>Damages awarded to be no less than a reasonable royalty. Court may receive expert testimony</p> <p>Court determines the method for determining reasonable royalty based on the facts of the case and identifies the relevant factors. Only those factors may be considered.</p>	<p>Adopted provision during committee consideration striking the introduced provisions and replacing it with gatekeeper language:</p> <p>Court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.</p>	AIPLA supports the Senate language on damages. While the case has not been made of the need to change the law, a faithful codification of current law to enhance consistency and clarity is acceptable. AIPLA would also be open to considering balanced statutory language if a consensus among stakeholders can be achieved.

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	<p>Paragraph (A) provides that the court may employ the entire market value rule when the court determines that the “claimed invention’s specific contribution over the prior art is the predominant basis for the market demand” for the product.</p> <p>Paragraph (B) provides that a royalty may be based on the terms of an existing license when the patent has been the subject of a nonexclusive license secured before suit and sufficient enough to “indicate a general marketplace recognition of the reasonableness of the licensing terms” and when the infringer’s use is substantially similar to that of the licensees. Additionally, the invention must be shown to have “sufficiently similar noninfringing substitutes in the relevant market” which have also been subject to such nonexclusive licenses.</p> <p>Alternatively, paragraph (C) provides that the court may base a reasonable royalty by applying the “portion of economic value of the infringing product or process properly attributable to the claimed invention’s specific contribution over the prior art.” For “combination inventions,” this may include the “value of the additional function resulting from the combination, as well as the enhanced value” of the prior art elements to the combination.</p>	<p>Court shall identify the methodologies and factors that are relevant to the determination of damages, and the court or jury, shall consider only those methodologies and factors relevant to making such determination.</p> <p>By no later than the entry of the final pretrial order, unless otherwise ordered by the court, the parties shall state, in writing and with particularity, the methodologies and factors the parties propose for instruction to the jury in determining damages under this section, specifying the relevant underlying legal and factual bases for their assertions.</p> <p>Prior to the introduction of any evidence concerning the determination of damages, upon motion of party or sua sponte, the court shall consider whether one or more of a party’s damages contentions lacks a legally sufficient evidentiary basis. After providing a nonmovant the opportunity to be heard, and after any further proffer of evidence, briefing, or argument that he court may deem appropriate, the court shall identify on the record those methodologies and factors as to which there is a legally sufficient evidentiary basis, and the court or jury shall consider only those methodologies and factors in making the determination of damages under this section.</p>	
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	<p>Provides that, where appropriate, the court may also consider any other relevant factors. It also makes clear that the previously described methods for calculating a reasonable royalty do not apply to other damages analysis.</p> <p>PTO to conduct study of patent damage awards involving reasonable royalties in cases from 1990 to present.</p>	<p>The court shall only permit the introduction of evidence relating to the determination of damages that is relevant to the methodologies and factors that the court determines may be considered in making the damages determination.</p> <p>No study on damages.</p>	
Willful Infringement	<p>Requires a patent owner to show by clear and convincing evidence that the defendant, acting with objective recklessness, after receiving written notice from the patentee, performs one or more of the alleged acts of infringement, or intentionally copied the patented invention, or continued activity previously found by a court to be infringement.</p> <p>The written notice to the infringer must allege acts in a sufficient manner to give the infringer an objectively reasonable apprehension of suit and identify the patent, product or process alleged to be infringed.</p>	<p>Adopted provision during committee consideration designed to bring the provision in line with recent case law:</p> <p>A court may find that an infringer has willfully infringed a patent only if the patent owner proves by clear and convincing evidence that acting with objective recklessness—</p> <p>(A) after receiving written notice from the patentee—</p> <p>(i) alleging acts of infringement in a manner sufficient to give the infringer an objectively reasonable apprehension of suit on such patent,</p> <p>and</p>	<p>AIPLA agrees with the recommendations of the NAS on the need to lessen or eliminate certain subjective elements in patent litigation and supports amending section 284 to limit the impact of willful infringement has on current patent litigation. AIPLA generally supports the Senate amended version although some clarification may be necessary.</p>

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	<p>A court may not find willfulness when the infringer establishes a good faith belief that the patent was invalid or unenforceable, established by reasonable reliance on the advice of counsel, evidence the infringer sought to modify its conduct once the patent was discovered, or other sufficient evidence. The decision not to present evidence of advice of counsel is not relevant to a determination of willful infringement.</p> <p>Cannot be pled until after trial court determines patent valid and infringed. A court or a jury may make the determination of an infringer's willfulness.</p>	<p>(ii) identifying with particularity each claim of the patent, each product or process that the patent owner alleges infringes the patent, and the relationship of such product or process to such claim, the infringer, after a reasonable opportunity to investigate, thereafter performed 1 or more of the alleged acts of infringement;</p> <p>(B) the infringer intentionally copied the patented invention with knowledge that it was patented; or</p> <p>(C) after having been found by a court to have infringed that patent, the infringer engaged in conduct that was not colorably different from the conduct previously found to have infringed the patent, and which resulted in a separate finding of infringement of the same patent.</p> <p>A court may not find that an infringer has willfully infringed a patent under paragraph (2) for any period of time during which the infringer had an informed good faith belief that the patent was invalid or unenforceable, or would not be infringed by the conduct later shown to constitute infringement of the patent.</p>	
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		<p>An informed good faith belief within the meaning of subparagraph (A) may be established by—</p> <ul style="list-style-type: none"> (i) reasonable reliance on advice of counsel; (ii) evidence that the infringer sought to modify its conduct to avoid infringement once it had discovered the patent; or (iii) other evidence a court may find sufficient to establish such good faith belief. <p>Notwithstanding paragraph (2), an infringer may not be found to have acted with objective recklessness where for any period of time during which the infringer had an informed good faith belief that the patent was invalid or unenforceable, or would not be infringed by the conduct later shown to constitute infringement of the patent, and—</p> <ul style="list-style-type: none"> (i) there was reasonable reliance on advice of counsel; (ii) the infringer sought to modify its conduct to avoid infringement once it had discovered the patent; or (iii) there is sufficient evidence that the infringer had a good faith belief that the patent was invalid or unenforceable, or would not be infringed by conduct later shown to constitute infringement of the patent. 	
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		<p>The decision of the infringer not to present evidence of advice of is not relevant to a determination of willful infringement under paragraph (2).</p> <p>Before the date on which a court determines that the patent in suit is not invalid, is enforceable, and has been infringed by the infringer, a patentee may not plead and a court may not determine that an infringer has willfully infringed a patent. The court's determination of an infringer's willfulness shall be made without a jury.</p>	
Prior User Rights	Amends the current statute expands the exemption for personal defense to make the current prior user defense available to affiliates of that person.	Language very similar to House language, and also includes a study on prior user rights.	
Reexamination	<p>Section 301 expanded to include the submission of written statements of the patent owner in a prior court, PTO or ITC proceeding, as well as other documentary evidence of substantial public use or sale.</p> <p>Director required to make a determination of a substantial new question of patentability within three months of the request being filed. The existence of a substantial new question of patentability is not precluded by the fact that a patent or printed publication was previously considered by the Office.</p>	<p>Language substantially similar to the House text. However, Committee amended the provision during consideration deleting the expansion of grounds for basing challenging based on prior use or sale.</p> <p>Also note that estoppel provisions would not pertain to ITC proceedings.</p>	AIPLA generally supports the Senate text on reexamination.

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	<p>Third parties requestor permitted to file written comments for consideration during inter parte proceedings. Third parties or the patent owner can also request oral hearings. Hearings are before administrative patent judges. The “or could have raised” estoppel provision in the current statute is eliminated. Reexamination prohibited after a district court has entered a judgment.</p>		
Post Grant Opposition	<p>Establishes an “all-issues” post-grant review proceeding in which parties may seek cancellation of patents. A petition must be filed within 12 months after the patent is issued unless the patent owner consents.</p> <p>The petition must set forth the claim sought to be cancelled, the basis for the cancellation, as well as evidence including copies of patents and printed publications, or written testimony under oath or declaration by the witness, or any other information the Director may require.</p> <p>No proceeding may be instituted if the request identifies the same petitioner and the same patent as a previous proceeding or is based on the best mode requirement.</p>	<p>Language substantially similar to House language. (See previous discussion on reexamination.)</p>	<p>AIPLA supports the adoption of a post-grant opposition promptly after patent grant to correct mistakes made by the PTO in issuing patents, and opposes opposition proceedings after the initial period without the consent of the patentee.</p> <p>AIPLA supports the approach of expanding reexamination as a means of challenging patents after the initial 12 month period. AIPLA would also support the repeal of both existing forms of reexamination in favor of a single later opportunity by all parties with the burden of proof being by clear and convincing evidence as to all factual issues.</p>

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	<p>PTO Director is to make a threshold determination that the petition includes information providing sufficient grounds to believe that there is a substantial question of patentability concerning one or more claims. The determination of the Director is not reviewable.</p> <p>The proceeding shall be concluded within one year.</p> <p>There is no presumption of validity applied to the patent under review. The party advancing a proposition has the burden of doing so by a preponderance of evidence.</p> <p>The patent owner may file a motion to cancel or amend the claims, or amend the drawings, once as a matter of right.</p> <p>The proceedings are to be conducted by a three-judge panel of the Patent Trial and Appeal Board.</p> <p>The Director is given the authority to consolidate proceedings or to stay such a proceeding pending the outcome of a civil case or ITC proceeding.</p> <p>The commencement of a post-grant review proceeding shall not limit the right of a patent owner to bring a civil infringement action. It also shall not be cited as evidence with respect to the validity of any claim which is the subject of an ITC proceeding.</p>		
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	<p>Once a civil case or ITC proceeding has been decided, a party to that case may not request a post grant review on any grounds the party raised or could have raised in the civil action, nor can the Director maintain such an action requested before final judgment.</p> <p>Once a post-grant review has been decided, the petitioner may not, based on any ground raised in the earlier proceeding, request a reexamination, request a derivation proceeding, request a post-grant proceeding, assert invalidity in a civil action, or assert the invalidity of such claim as a defense in a section 337 proceeding at the ITC.</p>		
Patent Trial and Appeal Board	Establishes a Patent Trial and Appeals Board to consist of administrative patent judges to hear appeals of examiners' decisions, to hear appeals from reexaminations proceedings, to conduct derivation proceedings and to conduct post-grant opposition proceedings. The members of the Board shall be appointed by the Secretary of Commerce	Includes provision substantially similar to House text.	AIPLA supports this provision.
Study and Report on Reexamination	Calls for the PTO Director conduct a study within two years of enactment to examine the different proceedings for patent reexamination, then report to Congress.	Not addressed in bill.	

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18-Month Publication of Patent Applications	Not addressed in bill.	Not addressed in bill.	AIPLA supports requiring publication of all pending patent applications 18-months after filing.
3rd Party Submission of Prior Art	Third parties allowed to submit prior art to a patent examiner within six months of the application’s publication, before the notice of allowance, or before the date of the first rejection by the examiner. For third-party prior art submissions, the real-party-in-interest must be identified.	Includes provision substantially similar to House text, except that there is no requirement to identify the real party-in-interest.	AIPLA supports the amendments to section 122 to allow a greater opportunity for submission of prior art by third parties.
Venue	Precludes a party from “manufacturing” venue for a specific district. Provides that a civil action may only be brought: 1. Where the defendant has its principal place of business or is incorporated or formed. Venue for foreign corporations is where the primary U.S. subsidiary has its principal place of business or is incorporated or formed. 2. Where the defendant committed substantial acts of infringement and has a regular and established physical facility that defendant controls and that constitutes a substantial portion of the defendant’s operations.	Adopted provision during committee consideration striking the introduced provision and replacing it with a codification of recent case law related to the appropriate standard for transferring cases: Amends Section 1400 of title 28, to state that or the convenience of parties and witnesses, in the interest of justice, a district court shall transfer any civil action arising under any Act of Congress relating to patents upon a showing that the transferee venue is clearly more convenient than the venue in which the civil action is pending.	AIPLA supports the Senate amended provisions.

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	<p>3. Where the plaintiff resides, if the plaintiff is a university, or is a non-profit organization that serves as the patent and licensing organization for a university.</p> <p>4. Where the plaintiff resides if the plaintiff is an individual inventor who qualifies as a micro-entity</p> <p>Provision also permits court to transfer the case at defendant's request to a district where any of the parties have substantial evidence or witnesses that would otherwise present considerable evidentiary burdens to produce and where the transfer would not cause undue hardship on the plaintiff.</p>		
Interlocutory Appeals	Permits either party to appeal trial court's claim construction determination. Trial court has the discretion to permit the appeal and whether to stay the trial proceedings.	Similar language, except for an amendment adopted during committee consideration which states the district court must find that there is a sufficient evidentiary record and an immediate appeal from the order (A) may materially advance the ultimate termination of the litigation, or (B) will likely control the outcome of the case, unless such certification is clearly erroneous.	AIPLA does not support this provision.
PTO Venue	Provides that the litigation jurisdiction for the PTO is the ED of VA.	Language identical to House bill	

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PTO Fee Setting Authority	Includes provision which gives PTO Director authority to set fees.	Language identical to House bill	AIPLA does not oppose granting the Director authority to set fees <i>provided</i> the provision allowing the PTO to retain all user fees is maintained – which is not addressed in either bill.
PTO Revolving Fund (Fee Diversion)	Not addressed in bill	Not addressed in bill	AIPLA supports allowing the PTO to retain all user fees
PTO Authority to Require Searches	Not addressed in bill	Not addressed in bill	AIPLA opposes this provision as unduly burdensome and costly to applicants.
PTO General Regulatory Authority	Not addressed in bill	Not addressed in bill	AIPLA opposes expanding the USPTO’s substantive rulemaking authority
CAFC Residency	Abolishes the “Baldwin Rule” which requires all CAFC judges to live within 50 miles of D.C	Abolishes the “Baldwin Rule” which requires all CAFC judges to live within 50 miles of D.C. Adds requirement that the AO provide facilities.	AIPLA supports this provision.

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Micro-entities	Defines new category of applicants as “micro entity” which will be exempt from various regulatory requirements, as well as the venue provision.	Almost identical to House text.	
Inequitable Conduct	Not addressed in bill	Not addressed in bill	Consistent with the NAS Report, AIPLA supports significantly limiting the law of inequitable conduct to improve communications between the PTO and applicants and reduce the costs of litigation.
Study on Special Masters	Calls for a study on the use of special masters in patent litigation to be completed one year after enactment.	Not addressed in bill	
CREATE Leg History	Expressly retains CREATE Act legislative history.	Includes language substantially similar to House text.	
Best Mode Requirement	Not addressed in bill	Adopted provision during committee consideration which retains best mode as a requirement during prosecution but eliminates it as grounds for challenge during litigation and post-grant and for unenforceability.	Consistent with the NAS Report, AIPLA favors the complete elimination of the best mode requirement.

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Study on FITF and Damages	Requires PTO Director to conduct 7-year studies on changes made to the law on damages and the changes made regarding a first-inventor-to-file system.	Not addressed in bill	
Eliminate Tax Patenting Strategies	Not addressed in bill	Not addressed in bill	
PTO Director Authority Regarding Late Filings	Not addressed in bill	Not addressed in bill	
Patents on Check Collection Systems	Not addressed in bill	Not addressed in bill	
PTO Workplace Study	Calls for a study by the Comptroller General on PTO workplace conditions to be completed within two years after the date of enactment.	Not addressed in bill	

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Patent Marking Statute	Not addressed in bill	Adopted provision during committee consideration to permit patent holders to “virtually mark” a product by providing the address of a publically available website that associates the patented article with the number of the patent.	AIPLA supports this provision.
Adjustment to Bayh-Dole Requirements	Not addressed in bill	Adopted provision during committee consideration to amend certain requirements under the Bayh-Dole act pertaining to smaller participating entities.	
PTO Travel Expenses Test Program	Not addressed in bill	Adopted provision during committee consideration to establish pilot program to alleviate requirements related to the duty station of examiners working at home.	AIPLA supports this provision.
Pilot Program on Patent Judges	Not addressed in bill	Adopted provision during committee consideration to establish pilot program designed to enhance expertise of trial courts for patent cases.	AIPLA supports this provision.

Note: Sections left blank indicate the Association has taken no official position to date on the specific provision.