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Intellectual Property Law Alerts from Ober|Kaler's IP Group

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Patent Reform Strikes Again?

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On March 3, 2009, patent reform legislation was again introduced before Congress as Senate Bill 515 and House Bill 1260 — the Patent Reform Act of 2009. The stated goals of this legislation are to make the patent system more efficient, to improve patent quality, to limit unnecessary litigation costs, and to ensure that a party's access to the courts is not denied. The most notable provisions include the following:

- **First-to-File Rule:** The first person to file a patent application has priority to the invention.
- **Damages:**
 - An invention's "specific contribution over the prior art" is a predominant factor in determining damages.
 - Reasonable royalties may be determined with reference to licensing costs of "similar noninfringing substitutes in the relevant market."
 - Treble damages are limited to when the infringer acted with "objective recklessness" — the infringer received specific written notice of infringement, and afterwards intentionally copied the patented invention.
 - Treble damages cannot be awarded if the infringer reasonable relied on the advice of counsel that "the patent was invalid or unenforceable, or would not be infringed by the conduct later shown to constitute infringement of the patent."
- **Litigation Venue:** An infringement suit can only be brought (1) where the defendant has its principal place of business; (2) where the defendant is incorporated; (3) where the defendant has committed substantial acts of infringement and has a regular and established physical facility; or (4) where the plaintiff resides if the plaintiff is an institute of higher education, a non-profit organization, or an individual inventor.
- **Post Grant Opposition:** Third parties may file a cancellation petition within 12 months after the issuance of a patent.

As an alternative to Senate Bill 515 and House Bill 1260, Senator Kyl introduced Senate Bill 610 on March 17, 2009. Notable differences between Senator Kyl's bill and the previously introduced bills include a damage provision that allows a jury to consider any relevant factors for determining a reasonable royalty, but lets a court identify those factors that are sufficiently supported, and a provision that removes

the final determination of inequitable conduct from the courts and places the authority with the PTO Director.

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So far, the only legislative action has been a Senate Judiciary Committee hearing on March 10 and a scheduled hearing on March 26, but we will keep you updated on any further developments.

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