LITIGATORS CORNER: Foolish Inconsistency

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Ralph Waldo Emerson once said that foolish consistency is the hobgoblin of little minds. He could have been referring to the Patent Reform Act, since his remark perfectly describes this proposed legislation.

The proposed act would change who is entitled to an invention in the United States. As things stand now, when there are two inventors, we decide in favor of the person who thought of the invention earlier and who has been more diligent in developing it. We award the invention to the first inventor. The rest of the world awards the invention to the first person to file. The latter system is simpler, but not as fair, in my view. Who should be able to claim the gold? The prospector who found the vein of ore and stayed to dig it out of the earth and purify it into gold, or the competitor who wandered by, saw the mine, and rushed into town to file a claim? Who should win between two people who buy the same house from a crooked seller? The first purchaser who buys some supplies to rehab the house, but waits to record his purchase until Thursday, or a second purchaser who rushes to get to the recorder of deeds on Wednesday?

The Senate report offers the justification that we should change because we are unlike the rest of the world:

> Every industrialized nation other than the United States uses a patent priority system commonly referred to as "first-to-file." In a first-to-file system, when more than one application claiming the same invention is filed, the priority of a right to a patent is given to the earlier-filed application. The United States, by contrast, currently uses a "first-to-invent" system, in which priority is established through a proceeding to determine which applicant actually invented the claimed invention first. Differences between the two systems arise in large part from the date that is most relevant to each respective system. In a first-to-file system, the filing date of the application is most relevant; the filing date of an application is an objective date, simple to determine, for it is listed on the face of the patent. In contrast, in a first-to-invent system, the date the invention claimed in the application was actually invented is the determinative date. Unlike the objective date of filing, the date someone invents something is often uncertain, and, when disputed, typically requires corroborating evidence as part of an adjudication.[1]

The report says that the proposed act is intended to "make the United States' patent system, where it is useful to do so, more consistent with patent systems throughout the rest of the industrialized world." It adds that the system here suffers from disadvantages, including the need for an expensive and time-consuming procedure to determine who the first inventor is. The report says that first-to-file offers "simplicity, efficiency, and predictability."

Everyone knows about K.I.S.S: "Keep It Simple, Stupid." There is much to be said for simplicity in rules. They offer predictability, whereas complex rules, which may be fairer in a particular circumstance, require more time and effort to administer and can mis-fire. There are arguments for and against both approaches. Complexity can cost us. The decisions of the Federal Circuit have greatly complicated the determination of what falls within the scope of a claim, and the reward for the complexity is an extraordinarily high rate of reversals. See, for example, the discussion in Peter Zura's 271 Patent Blog on May 1, 2008, reporting about an article by David Schwartz, of John Marshall Law School. Briefly, Schwartz says that reversal rates do not decrease as a district judge becomes more experienced with claim construction. Even those who thought they had mastered riding a bicycle keep falling off. When experienced judges, who have become familiar with the law of claim construction, continue to be reversed by the Federal Circuit, then we know the law has become too hard to apply. The Patent Reform Act adds even more complexity.

The proponents of patent reform say that they are interested in simplicity, and in making patent law practices in this country more like those in the rest of the world. But the proponents are not being consistent. Why doesn't the Senate report apply its preferences for copying the rest of the world, and adopting simpler procedures, uniformly, and across the board, to the proposed patent reform?

Another difference between the patent system of the United States, and the patent systems of other countries, is with respect to the mess that we refer to as inequitable conduct. Other countries, including those that the Senate report admires for having a first-to-file system, do not impose the duty of disclosure that gives rise to inequitable conduct. The European Patent Office does not have such a requirement.

But the proposed act retains inequitable conduct. While the report has some window-dressing language about simplifying the mess, the proposed act hardly changes inequitable conduct, and even makes things worse. Here is the proposed new § 298 from the Senate report:

> (a) IN GENERAL.—A party advancing the proposition that a patent should be cancelled or held unenforceable due to inequitable conduct in connection with a matter or proceeding before the United States Patent and Trademark Office shall prove independently by clear and convincing evidence that material information was misrepresented or omitted from the patent application

of such patent with the intention of deceiving the Office.

(b) MATERIALITY.—Information shall be considered material for purposes of subsection (a) if—

(1) a reasonable patent examiner would consider such information important in deciding whether to allow the patent application; and

(2) such information is not cumulative to information already of record in the application.

(c) INTENT.—Intent to deceive the Office may be inferred under subsection (a), but the inference may not be based solely on the gross negligence of the patent owner or its representative, or on the materiality of the information misrepresented or not disclosed.

(d) PLEADING.—In actions involving allegations of inequitable conduct before the Office, the party asserting the defense or claim shall comply with the pleading requirements set forth under Federal Rules of Civil Procedure 9(b).

(e) REMEDIES.—If the court finds both that material information was misrepresented to, or withheld from, the Office and an intent to deceive, after balancing the equities, the court, using its discretion, shall impose 1 or more of the following remedies as it deems appropriate:

(1) Hold the patent unenforceable.

(2) Hold 1 or more claims of the patent unenforceable.

(3) Order that the patentee is not entitled to equitable relief and that the sole and exclusive remedy for infringement of the patent shall be a reasonable royalty.

This doesn't change anything for those of us in the trenches. Not only does it not cut back on inequitable conduct; it expands the defense of it. Now it includes a provision barring recovery of lost profits if the patentee is found not to be entitled to equitable relief. The statute mixes equitable and legal remedies.

The vagueness of § 298 will turn into another field day for litigators. What does "important" mean as a standard for materiality? A Commissioner of Patents once noted that we abandoned a standard using the word "important" as a test for materiality, in favor of a more objective test, where materiality meant evidence of a *prima facie* case of unpatentability, or evidence contradicting arguments made by the applicant.[2] What the Senate report now proposes is no improvement on the varying standards applied over the years. Rather, it is a step backward. This proposed new statute does not even say that it applies retrospectively, so that "important," whatever that means, would apply instead of one of the several different standards I identified in my March, 2006 column, "The Patent Reform Act and Inequitable Conduct." The standard of proof was always clear and convincing evidence. And, frankly, I think the section in the report is poorly written. An examiner doesn't allow a "patent application"; an examiner allows claims. The report says its goal is to "codify and improve the doctrine of inequitable conduct." The proposed § 298 disserves that goal.

If the goal really is simplification, and bringing the United States into conformance with the rest of the world (maybe we should dump our Constitution, too, on the ground that Europe doesn't have one), then here is my question for those who believe in simplicity and internationalization: Why does the proposed act copy European practice with respect to first-to-file, but disregard European practice when it comes to the duty of disclosure or inequitable conduct?

The EPO has no duty of candor in patent applications.[3] Our relatives across the ocean have survived nicely without it. And, while our Patent Office wants relevancy statements for longer documents, and for non-English documents of any length, to identify the pertinence of cited references, the European Patent Office manages just fine without this claptrap. The PTO says it is "creating a quality-focused, highly productive, responsive organization supporting a market-driven intellectual property system for the 21st Century." This marketing drivel sounds like it came from a Dilbert comic strip. Relevancy statements will provide yet another field day for litigants asserting inequitable conduct. If the PTO is going into the 21st Century, it isn't doing so facing forward.

The inconsistency in the proposed act is startling. Simplicity and internationalism are used as a wedge to change us to first-to-file. These same motives count for nothing, however, when dealing with what the Federal Circuit has called "a plague on the patent system." The additional views

of some senators criticize the "important" standard, and say that the proposed act fails to make meaningful reforms. They also mention *Keystone Driller Co. v. General Excavator Co.*, 290 U.S. 240 (1933). As I discussed in my March, 2006 column, that case involved the purchase of a perjured affidavit. It was criminal activity.

Inequitable conduct has wandered too far from its roots. If the members of Congress believe in taking a lesson from other countries about first-to-file, they should heed as well the lesson about inequitable conduct. As I wrote in January, 2005 ("The Hole and the Patch"), Thomas Jefferson told us that the hole and the patch should be commensurate. When inequitable conduct has expanded from subornation of perjury in *Keystone Driller*, to unenforceability because of a false claim of small entity status, as in *Ulead Systems, Inc. v. Lex Computer & Management Corp.*, 351 F.3d 1139, 1144-46 (Fed. Cir. 2003), then the concept has become unmoored from its origin. The Patent Reform Act would provide no reform. IPT

ENDNOTES

1. The Patent Reform Act of 2007, Report, together with additional and minority views, is available at http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_cong_reports&docid=f:sr259.110.pdf, and http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_cong_reports&docid=f:sr259err.110.pdf for errata.
2. The Duty Of Candor & Good Faith To The United States Patent And Trademark Office, Gerald J. Mossinghoff, in a speech to the ABA on April 12, 2002, available at http://www.oblon.com/Pub/MossinghoffABA-IPL0402.htm.
3. To Disclose Or Not To Disclose: Duty Of Candor Obligations Of The United States And Foreign Patent Offices, Gina M. Bicknell, Chicago-Kent Law Review, Vol. 83, No. 1, 2008.