

## Legal changes could impact nanoscale invention

*Two bills seek to change patent rules but they may be too different to reconcile*

**By Richard Acello**

As Congress prepares for a new session in January, House and Senate committees are at loggerheads over key provisions of patent law reform. The proposed changes could have an impact on the value of certain technology patents and have an effect on the best strategies for companies looking to commercialize nanoscale innovations.

In the House, Rep. Lamar Smith (R-San Antonio, Texas) is sponsor of a bill that would change the standard for receiving a patent from “first to invent” to “first to file,” a move that would bring U.S. law in line with most other nations. The Smith bill also severely curtails the availability of injunctive relief - the ability of a company that says its rights have been infringed to stop another company from selling an allegedly infringing product.

The Senate has countered with its own patent reform bill authored by Sen. Orrin Hatch (R-Utah), chairman of the Judiciary Committee’s intellectual property subcommittee, and Pat Leahy (D.-Vt.), a member of the subcommittee. The Senate bill also contains “first to file,” but leaves available the remedy of injunctive relief. The Senate bill does limit the amount of damages for winners of infringement suits, by basing the royalties owed by infringers solely on the value of the “novel and non-obvious features” of the patent, rather than on the value of the product as a whole.

Meanwhile, a lobbying group called the Coalition for Patent Fairness is arguing in support of the infringement limits, as well as for a “post grant opposition” preceding that allows the validity of a patent to be challenged in an administrative proceeding before the U.S. Patent and Trademark Office rather than in expensive, time-consuming cases in federal court. The group includes major tech firms like Apple Computer and Intel among its backers.

The Senate version also requires a court to award attorney’s fees and costs to the prevailing party in most circumstances. “This shifts the risk of litigation to the plaintiff, because it makes it easier for a successful defendant to recoup attorney fees,” says Julian Zegelman, an intellectual property attorney with the Catalyst Law Group in San Diego. The Senate bill also seeks to limit the number of patent application continuances that can be filed.

Some experts say they believe the two bills contain too many ideas to be worked into one passable piece of legislation. “I’m concerned that there are too many changes at one time,” says Steve Maebius, a member of the advisory board of the NanoBusiness Alliance and leader of the Foley & Lardner law firm’s nanotech industry team. “It’s difficult to get a broad base of support for all those concepts, but there’s a lot of support for first to file....Tinkering with damages invites a lot more debate.”



Maebius says the post grant opposition process is especially important to nanotech companies whose viability may hinge on the value and protection of their intellectual property.

“We need a way to weed out bad patents without resorting to litigation, which can run five years and millions of dollars,” Maebius explained.

Steve Jensen, a partner in the Orange County, Calif., office of Knobbe, Martens, Olson and Bear, agrees that the effort needs focus but sees different priorities.

“There were so many private interests that wanted particular changes to the bill to impact something specific to their industry and now there’s too much baggage” in the bills, Jensen says. “I think there’s widespread support for post-grant opposition of some kind, but not as much support for first to file which is thought to favor larger companies that have greater resources.” Plus, the injunction issue will have to be decided, Jensen adds.

Provisions of the Senate bill were meant to discourage opportunistic people who intend to derive most of their income from the results of patent litigation, says Scott Harris, a partner with Fish & Richardson in San Diego.

“The curb on damages is meant to discourage patent trolls,” says Harris, “but it also gives me a headache because if people can say I’m going to infringe on your patent, and I’m not going to have to pay you on the value of the total product, it waters down the protection.”

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