guts of their doctors and nurses. I can still see them in my mind, struggling to keep those hospitals open with the city completely underwater and a parish underwater. This is for Orleans and Jefferson. They still have not been reimbursed for the work that they did during Katrina.

For some reason, we can't get this Congress to understand the importance of what those hospitals did during this great time of need. So I wish to send this in for the RECORD.

DISASTER DECLARATION

Ms. LANDRIEU. Mr. President, finally, I wish to urge this administration to provide a 100-percent disaster declaration for at least these parishes. Our Governor has asked for 100 percent for all the parishes—and I am going to put up that chart in a minute—but the Governor believes the entire State deserves to have a 100-percent reimbursement because Gustav went through our whole State, and then Ike came up a few weeks later and flooded and did a tremendous amount of wind damage.

We are not designated as a 100-percent cost share yet, which means the Federal Government would step in and pick up 100 percent of some of these parishes that are on their last leg. They have been through four storms in the last couple years. Unfortunately, and I am not sure why, but several counties in Texas have been granted the first 0 to 14 days at 100 percent. Yet our parishes, which were hit equally as hard, have not yet received that designation.

So I am asking, on their behalf and with the full support of our Governor, our Lieutenant Governor, and others who are leading our effort in the recovery, if the administration would please consider at least giving equal treatment—100 percent, 0 to 14—for the parishes that were as hard hit as the Texas counties were in this aerial.

But do not forget, as I close, that when Hurricane Gustav was in the gulf, our Governor called for a mandatory evacuation, and 2 million people, the largest evacuation in the country's history, left their homes to move temporarily, for a couple days, and then came back. The damage was very bad. It wasn't catastrophic such as Katrina, but it was as bad as Hurricane Rita. But when they came home, the Federal Government said: Well, thank you for evacuating, but there is virtually no help for you or your counties.

It is expensive to evacuate. I know people don't understand, those who have never had to go through it, but it costs hundreds of dollars to fill your tank with gas, if you have a car; it costs hundreds of dollars to stay at a hotel, even if it is just for a day or two; it costs hundreds of dollars to drive down the road to pick up your elderly aunt or your grandmother, who lives in another parish, to get her to evacuate. I can't tell you the expense that people incur.

I don't think the Federal Government should pick up 100 percent of the expense of mandatory evacuations, but I do think, for some period in some parishes, particularly those that have been very hard hit, that the Government, the Federal Government, if they can do it for some of the counties in Texas, most certainly should consider the parishes in Louisiana. So I am going to submit that as my last plea for the RECORD.

I know it has been a long day, but I feel as if we got some things accomplished. I don't know what the schedule will be as the leaders decide on how we bring this particular Congress to a close, but I have to say the work of the recovery is still going on. It will go on for many years. My heart goes out to my neighbors from Texas who are just now discovering with awe and shock, shock and awe, what a hurricane can mean. They haven't had one in 50 years, such as the one in Galveston, and they had one last week. So I know what they are experiencing because we have been through that. I will stand ready to work with them in my committee, as chair of the Subcommittee on Disaster, when we return. Whether it is floods in the Midwest or hurricanes in the gulf, we will continue to, first, try to protect ourselves by better levees and flood control; and then have a better system of aid and help that is reliable and dependable for these people—for our people, our constituents, and our citizens in need.

PATENT REFORM

Mr. KYL. Mr. President, I rise today to comment on S. 3600, the Patent Reform Act of 2008. This bill is based on, but makes a number of changes to, S. 1145, a patent reform bill that was reported out of the Judiciary Committee in 2007 but that was never considered by the full Senate.

S. 1145 proposed several salutary and uncontroversial reforms to the patent system, but also included provisions that would rewrite the formula for awarding damages in patent cases and that would create new administrative proceedings for challenging patents. These and other provisions of that bill would have made it much more expensive to hold and defend a patent, would have extended the time for recovering damages for infringement, and would have substantially reduced the amount that the patent holder would ultimately recover for infringement. The changes proposed by S. 1145 went so far that under that bill's regime, it may have proved cheaper in many cases to infringe a patent and suffer the attenuated and reduced consequences of doing so, rather than to pay a license to the holder of the patent. Once such a line is crossed, the incentive to invest in research and development and the commercialization of new technology in this country would be greatly reduced. Such a change would do enormous harm to the U.S. economy in the medium-to-long term. Reputable economists estimate that historically, between 35 and 40 percent of U.S. productivity growth has been the result of innovation.

My bill makes substantial changes to those sections of S. 1145 that address damages, post grant review, venue and interlocutory appeals, applicant quality submissions, and inequitable conduct. This bill will not be considered in this Congress. I nevertheless thought that it would be useful to propose alternative approaches to these issues now, to allow Senators and interested parties the time to consider these alternatives as we prepare for the patent reform debate in the next Congress. I hope that my colleagues will work with me in a bipartisan and deliberative manner to construct a bill that will be considered in the next Congress. With those thoughts in mind, allow me to describe the significant changes that this bill makes to S. 1145.

I believe that S. 1145 goes too far in restricting a patent owner's right to recover reasonable royalty damages. On the other hand, I also believe that there is room for improvement in current law. Some unsound practices have crept into U.S. patent damages litigation. My staff and I spent several months at the end of last year and the beginning of this year discussing the current state of patent damages litigation with a number of seasoned practitioners and even some professional damages experts. I sought out people with deep experience in the field who had not been retained to lobby on pending legislation.

A substantial number of the experts with whom I spoke said that there is nothing wrong with current damages litigation and that Congress should not change the law. Others, however, identified a number of unsound practices that they believe have led to inflated damages awards in a significant number of cases. Different attorneys and experts repeatedly identified the same valuation methods and criteria as being unsound, subject to manipulation, and leading to damages awards that are far out of proportion to an invention's economic contribution to the infringing product. Examples of problematic methodologies that were identified to me include the so-called rule of thumb, under which an infringed patent is presumptively entitled to 40 percent or some other standard portion of all of the profits on a product, the use of the average license paid for patents in an industry as a starting point for calculating the value of a particular patent, and a formula attributed to IBM whereby every high-technology patent is entitled to 1 percent of the revenues on a product. A number of experts also criticized the use of comparables, whereby the value of a patent is calculated by reference to the license paid for a supposedly comparable patent.

The views of those experts who were critical of current damages law find

some support in the macro evidence. Data collected by PricewaterhouseCoopers and FTI Consulting indicate that the majority of the largest patent-damages awards and settlements of all time have been entered only since 2002. Also, the inflation adjusted value of awards entered since 2000 is more than 50 percent higher than it was during the early 1990s. And it also appears that jury awards tend to be about ten times higher than the average damages award entered by a judge, and that results vary markedly by jurisdiction. These facts suggest that the problems that sometimes lead to inflated damages awards are to some extent systemic.

The task of reforming substantive damages standards presents a very difficult legislative question. Damages calculation is an inherently fact-intensive inquiry and requires legal flexibility so that the best evidence of a patent's value may always be considered. Any proposed changes to the law must be evaluated in light of the kaleidoscope of factual scenarios presented by the calculation of damages for different types of patents.

I have largely given up on the idea of developing a unified field theory of damages law that solves all problems at once. I also oppose proposals to require a prior-art subtraction in every case. Most measures of a reasonable royalty, such as established royalties, costs of design-arounds, comparisons to noninfringing alternatives, or cost savings produced by use of the patented invention, already effectively deduct the value of prior art out of their estimate of the patented invention's value. To mandate prior-art subtraction when using such measures would be to double count that deduction, effectively subtracting the prior art twice and undervaluing the invention.

And for reasons mostly explained in my minority views to the committee report for S. 1145, S. Rep. 110–259 at pages 64–65, I also disagree with the argument that defendants should be allowed to revisit validity questions, such as a patent's novelty or nonobviousness, during the damages phase of litigation. To those comments I would simply add that, if Congress were to desire that patents be defined more specifically and narrowly, then it would need to provide express guidance as to how to do so. Simply using adjectival phrases such as ''specific contribution'' or ''inventive features'' will not suffice. These terms merely express a hope or objective. But legislation needs to be about means, not ends, particularly if it is intended to achieve its results by altering the practices and outcomes of litigation. I should also add that although I have consulted with many neutral experts in the field of patent damages, and many of those experts described to me what they believed to be serious problems with patent damages litigation, none of those experts told me that insufficiently specific claim construction is causing excessive damages awards. If overly broad claim constructions were a major source of problems with damages litigation, I undoubtedly would have come across at least one neutral expert who expressed that view.

Discussions that I have had with several proponents of S. 1145 indicated that they understand the principal evil of current damages litigation to be the award of damages as a percentage or portion of the full price of the infringing product. It also appears that some proponents of S. 1145 believe that a statutory instruction to define the invention more narrowly and clearly would prevent parties from seeking damages based on the entire value of the infringing product. The linkage between claim construction and the damages base is not clear to me. Even a concededly limited invention could be fairly valued by using the full product's price as the damages base, so long as the rate applied to that base was appropriately small.

Many unjustified and excessive awards certainly do use the full value of the infringing product as the damages base. Indeed, awards that are derived from the rule of thumb almost always are based on the entire value of the infringing product, as is the typical industry averages award. Precluding or sharply limiting the use of net sales price as a damages base certainly would block the path to many of the bad outcomes that are produced by the use of these methodologies.

The problem with a rule that bars the use of net sales price as the damages base when calculating a reasonable royalty is that in many industrial sectors, net sales price is routinely used as the damages base in voluntary licensing negotiations. It is favored as a damages base because it is an objective and readily verifiable datum. The parties to a licensing negotiation do not even argue about its use. Instead, they fight over the rate that will be applied to that base. Even if the net sales price of the product is very large and the economic contribution made by the patented invention is small, net sales price can still serve as the denominator of an appropriate royalty if the numerator is made small.

Thus in these industries, the initials, NSP, appear frequently and repeatedly in licensing contracts. A legal rule that precluded use of net sales price as the damages base would effectively prevent participants in these industries from making the same royalty calculations in litigation that they would make in an arm's length transaction. Such an outcome would be deeply disruptive to the valuation of patents in these fields. Evidence and techniques whose use is endorsed by the market via their regular use in voluntary negotiations are likely to offer the best means of valuing a patent in litigation. After all, what is an object in commerce worth, other than what the market is willing to pay? We simply cannot enact a law that bars patentees from using in litigation the same damages calculation methods that they routinely employ in arm's length licensing negotiations.

The bill that I have introduced today uses what I call an enhanced gatekeeper to address problems with damages awards. The bill strengthens judicial review of expert witness testimony, provides greater guidance to juries, and allows for sequencing of the damages and validity/infringement phases of a trial. The bill also codifies the principle that all relevant factors can be considered when assessing reasonable royalty damages, while adopting guidelines and rules that favor the use of an economic analysis of the value of an invention over rough or subjective methodologies such as the rule of thumb, industry averages, or the use of comparables. Allow me to provide a subsection-by-subsection summary of the bill's revisions to section 284, the basic patent damages statute.

Subsection (a) of the bill's proposed section 284 copies and recodifies all of current section 284, including its authorization of treble damages and its admonition that compensatory damages shall ''in no event be less than a reasonable royalty for the use made of the invention.''

Subsection (b) codifies current Federal circuit precedent defining a reasonable royalty as the amount that the infringer and patent owner would have agreed to in a hypothetical negotiation at the time infringement began. It tracks the language of the *Rite-Hite* case, 56 F.3d 1538 (Fed. Cir. 1995), and follow-on decisions. Some supporters of S. 1145 are critical of the hypothetical negotiation construct and believe that it leads to bad results. Not only is this test established law, however, but it is also inherent in the concept of a ''reasonable royalty.'' That standard requires the trier of fact to determine what would have been—i.e., what the parties would have agreed to. As long as the patent code requires a ''reasonable royalty,'' courts and juries will need to engage in a hypothetical inquiry as to how the invention reasonably would have been valued at the time of infringement. Indeed, it is not apparent by what other means the factfinder might approach the calculation of a reasonable royalty. And in any event, the source of occasional bad results in damages trials is not the mental framework used for approaching the question of a reasonable royalty, but rather the particular evidence and methods used to value some inventions. It would be a noteworthy omission to avoid mention of the hypothetical negotiation concept in a bill that regulates damages analysis to the degree that this one does. This subsection thus codifies the Federal circuit's jurisprudence on the hypothetical negotiation.

Subsection (c) simply makes clear that, despite subsection (d), (e), and (f)'s codification and modification of several of the Georgia-Pacific factors,

the rest of the Georgia-Pacific factors—as well as any other appropriate factor—may be used as appropriate to calculate the amount of a reasonable royalty.

Subsection (d) is probably the most important subsection in the bill's revised section 284. It bars the use of industry averages, rule-of-thumb profit splits, and other standardized measures to value a patent except under particular circumstances. Standardized measures are defined as those methods that, like rule of thumb and industry averages, do not gauge the particular benefits and advantages of the use of a patent. Instead, they are relatively crude, cookie-cutter measures that purport to value all patents—or at least all patents in a class—in the same way, without regard to a particular patent's economic value. These back-of-the envelope methods are occasionally used in arm's-length, voluntary licensing negotiations, as are things such as gut instinct and intuition. But they are rough methods that can produce wildly inaccurate results. Subsection (d) disfavors their use.

This subsection restricts the use of Georgia-Pacific factor 12, which largely describes the rule of thumb. Subsection (d)'s general rule cites the rule of thumb and industry averages as important and illustrative examples of standardized measures. But it also expressly applies to other methods that are ''not based on the particular benefits and advantages'' of an invention, to ensure that variations on these examples and other methods that consist of the same evil also are brought within the scope of subsection (d)'s main rule.

An example of a standardized measure other than profit splits and industry averages that is also currently in use and that also falls within subsection (d)'s scope is the so-called IBM 1-percent-up-to-5 formula. This formula apparently was used by IBM in the past to license its own portfolio of patents. Under this methodology, each patent receives 1 percent of the revenues on a product until a 5 percent ceiling is reached, at which point the whole portfolio of patents is made available to the licensee.

I have heard more than one representative of a high-technology company describe the use of this formula in litigation against his company. Apparently, there exists a stable of plaintiff-side damages expert witnesses who will testify that this formula is appropriate for and is customarily used to calculate the value of any patent in the computer or information-technologies sectors. These experts start at 1 percent and then adjust that number based on the other Georgia-Pacific factors, supposedly to account for the particular aspects of the patent in suit, though these adjustments almost always seem to push the number higher.

Obviously, 1 percent of revenues or even profits is a grossly inflated value for many high-technology patents. It is not uncommon for high-technology products to be covered by thousands of different patents, which are of greatly differing value. Not every one of those patents can be worth 1 percent of revenues. Some patents inevitably will be for features that are trivial, that are irrelevant to consumers, or that could be reproduced by unpatented, off-the-shelf noninfringing substitutes. One percent of the sales revenue from, for example, a laptop computer is an enormous sum of money. Many patents are worth nothing near that, and any methodology that starts at that number is likely to produce a grossly inflated result in a large number of cases.

It bears also mentioning some of those common methodologies that clearly are not standardized measures. In addition to established royalties, which are afforded an express exemption from this subsection by paragraph (2), there are the methods of calculating the costs of designing around a patent, drawing comparisons to the experience of noninfringing alternatives, or calculating the costs savings produced by use of the invention. All of these factors gauge the benefits and advantages of the use of the invention and therefore are outside the scope of subsection (d).

Paragraph (1) of subsection (d) allows parties to use a standardized measure, such as a rule-of-thumb profit split, if that party can show that the patented invention is the primary reason why consumers buy the infringing product. If the patented invention is the primary reason why people buy the product, then the patent effectively is the reason for the commercial success of the product, and its owner is entitled to a substantial share of the profits, minus business risk, marketing, and other contributions made by the infringer.

Some have advocated a lower standard than ''primary reason'' for allowing use of profit splits and other standardized measures—for example, using a ''substantial basis'' standard. I rejected the use of a lower standard because a profit split should basically award to the patent owner all of the profits on the product minus those attributable to business risk. Thus the test for allowing such profit splits must be one that only one patent will meet per product, since the bulk of the profits can only be awarded once. If the test were ''substantial basis,'' for example, multiple patents could meet the standard and multiple patent owners could demand all of the profits minus business risk on the product.

Paragraph (2) of subsection (d) makes established royalties an express exception to the bar on standardized measures. In earlier drafts, I did not include this exception in the bill because I thought it obvious that an established royalty is based on the benefits and advantages of the use of the invention and is thus outside the scope of the subsection (d) rule. Some parties who reviewed those earlier drafts, however, found the bill ambiguous on this point, and in any event the lack of an exception would have forced parties to litigate the question whether an established royalty was, in fact, based on the benefits and advantages of the use of the patent. Since established royalties are widely considered to be the gold standard for valuing a patent, we should avoid making it harder to use this method. It is thus expressly placed outside the scope of subsection (d)'s restrictions by paragraph (2).

Paragraph (3) of subsection (d) allows industry averages to continue to be used to confirm that results produced by other, independently allowable methods fall within a reasonable range. The paragraph speaks of ''independently'' allowable methods in order to make clear that an industry average cannot be used to confirm an estimate produced solely by reference to a ''comparable'' patent. Subsection (e) requires that comparables only be used in conjunction with or to confirm other methods, and thus under this bill comparables are not a method whose use is allowed ''independently'' of other methods.

A brief explanation is in order as to why this bill regards industry averages as a potentially unreliable metric and restricts their use. An industry average often will reflect a broad range of licensing rates within a technological sector. Even a licensed patent whose value is included in the calculation of such a range may fall at a far end of that range, producing highly inaccurate results if that average is used as a starting point for calculating the value of that patent. Moreover, many existing patents, though valid and infringed by a product, disclose trivial inventions that add little to the value of the product. But the types of patents that typically are licensed—and that therefore would be a source of available data for calculating an industry average—are the ones that are substantial and valuable. Trivial patents don't get licensed, and their value does not enter into industry average calculations. Thus particularly in the case of a minor patent that has never been and likely never would be licensed, an industry average would provide an inflated estimate of the patent's value. This is because the industry average is not the average licensing rate of all patents in a field, but merely the average of those that have been licensed and for which data is publicly available.

Paragraph (4) of subsection (d) creates a safety valve that allows parties to use standardized measures if no other method is reasonably available to calculate a reasonable royalty, and the standardized method is otherwise shown to be appropriate for the patent. Over the course of drafting this bill, I have consulted with a number of experts with broad experience in patent damages calculation. Only a few believed that they had ever seen a case where use of a standardized measure

was necessary—that is, where a more precise economic analysis was not feasible. I thus anticipate that this safety valve may almost never need to be used, but I nevertheless include it in the bill, because it is impossible to say with certainty that no situation will ever arise in the future where parties will be unable to calculate a reasonable royalty without use of the rule of thumb or other standardized measures. Suffice to say that if one party to a suit presents appropriate evidence of a patent's value and that evidence falls outside the scope of subsection (d) or within one of the other exceptions, then that method is ''reasonably available'' and paragraph (4) could not be invoked.

A word about the need for substantive standards: some critics of S. 1145 have made the argument to me that any problems with damages litigation can be cured through procedural reforms, and that changes to substantive legal standards such as those in subsections (d) through (f) are unnecessary. These parties also have made the related, though different argument that to the extent that litigants are using unreliable evidence or methodologies, this problem should be addressed through cross examination and advocacy.

Though I share these critics' displeasure with S. 1145, I do not think that problems such as the overuse of rule of thumb and industry averages will be completely solved through purely procedural reforms. The most likely mechanism for excluding these methodologies would be rule 702. But the use of some of these methods for valuing patents is endorsed by multiple experts. These methods, while ultimately unsound, represent a significant minority view that is backed by some published commentary, albeit sometimes only commentary in journals that are exclusively written by, subscribed to, and read by plaintiff-side damages expert witnesses. In such circumstances, it is no sure thing that a party will be able to exclude under Daubert the testimony of an expert employing these methodologies. These metrics are sufficiently entrenched that the only way to ensure that the courts will disallow them when their use is not appropriate is for Congress to tell the courts to disallow them.

As to the second point, it is true that it is the lawyer's duty to identify the flaws in the other side's arguments and to debunk unsound theories. But the reality is that because of the limited expertise and experience of many jurors and the limited time allowed to argue a case at trial, often the trier of fact will not divine the truth of the matter. And some unsound damages methodologies are particularly likely to be appealing to those untutored in the field. An industry average analysis, for example, employs the one statistical concept that is understood by virtually everyone, and this method's use may amount to no more than a simple back-of-the-envelope calculation that requires only one expert to give you the industry average licensing rate and another to calculate the gross revenues on the product. When a complex economic analysis that focuses on noninfringing alternatives to the patented invention or the costs of a design-around is forced to compete for the jury's favor with a simple average-rate-times-sales calculation, many jurors may find the simpler and readily understandable method more intuitively appealing, even if it is less accurate. And of course, when two different and even slightly complex damages calculations are presented to a jury, there always exists a risk that the jury will resolve the dispute by splitting the difference between the two methods. In a high-value case where the patent owner uses an unsound method that produces a wildly inflated number, the risk that the jury will pick the wrong method or even split the difference may easily be unacceptable from a business perspective.

In the end, it is the premise of the rules of evidence that some types of evidence are so unsound, so prejudicial, or so likely to produce an unjust result that we do not require the other side's lawyer to debunk this evidence, but rather we require the judge to bar it from the courtroom altogether. If we find that particular methodologies routinely produce inaccurate and unjust results, it is appropriate that we amend the law to directly restrict the use of those methodologies.

Subsection (e) restricts and regulates the use of licenses paid for supposedly comparable patents as a means of calculating the value of the patent in suit. The use of comparables is authorized by Georgia-Pacific factor two and can generate probative evidence of a patent's value. Nevertheless, such use is regulated and restricted by this subsection. Comparables are a valuation method that is often abused, both to overvalue and to undervalue patents. When an infringer is sued for infringing an important patent, he often will cite as evidence of a reasonable royalty the license paid for a patent that is in the same field but that is much less valuable than the patent in suit. Similarly, a plaintiff patent owner asserting a trivial patent may cite as ''comparable'' other patents in the same field that are much more valuable than the plaintiff's patent. The fact that another patent is licensed in the same industry should not alone be enough to allow its use as a comparable in litigation.

Comparability is a subjective test. By definition, every patent is unique and no two patents are truly comparable. Subsection (e) thus requires that comparables be used only in conjunction with or to confirm the results of other evidence, and that they only be drawn from the same or an analogous technological field. I chose the latter term rather than ''same industry'' because the term ''industry'' is too broad. Parties might define ''industry'' so expansively that every patent in the universe would fall into one of only two or three ''industries.''

Paragraph (2) of subsection (e) sets out guideposts for determining whether a patent is economically comparable to another patent. It suggests requiring a showing that the supposed comparable is of similar significance to the licensed product as the patent in suit is to the infringing product, and that the licensed and infringing products have a similar profit margin. Obviously, a patent that makes only a trivial contribution to a product cannot accurately be valued by reference to a comparable that makes a critical and valuable contribution to its licensed product, or vice versa. And similarity in the profitability of the licensed and infringing products will also generally be important to establishing the economic comparability of two patents. As an economic reality, when the profits on a product are high, the manufacturer will be more generous with the royalties that he pays for the patented inventions that are used by the product. This economic reality is undergirded by the fact that it will typically be the patented inventions used by a product that make that product unique in the marketplace and allow it to earn higher profits. Even if two patents are the principal patent on products in the same field, if one patent's product has a 2-percent profit margin and the other's has a 20-percent profit margin, that first patent evidently is doing less to distinguish that product in its market and to generate consumer demand—and thus has a lower economic value.

A thorough analysis of comparability, of course, likely will depend in a given case on many factors beyond those listed here. Subparagraphs (A) and (B) are simply guideposts that describe two factors that are likely to be relevant to comparability. The bill only provides that these two factors may be considered. It does not preclude consideration of other factors, nor does it require that these two factors be considered in every case. A party asserting the propriety of a comparable may be able to show that one or even both of these factors are not appropriate to establishing economic comparability in a given case.

Subsection (f) bars parties from arguing that damages should be based on the wealth or profitability of the defendant as of the time of trial. Some lawyers have been known, after making their case for an inflated royalty calculation, to emphasize how insignificant even that inflated request is in light of the total revenues of the defendant infringer. Such arguments do not assist the jury in gauging a reasonable royalty. Rather, they serve to reduce the jury's sense of responsibility to limit a reasonable royalty to the actual value of the use made of the invention. This subsection does not bar all

consideration of the financial condition of the infringer. It may be appropriate to consider the infringer's finances at the time of infringement especially if there is some evidence that such information is considered when licensing patents in the relevant industry. But in no case should a court allow such information to be presented when the evident purpose of doing is to tell the jury that the defendant has deep pockets and will not be burdened by an inflated award.

Subsection (g) gives either party a presumptive right to demand that validity and infringement be decided before the jury hears arguments about damages. Currently, some plaintiffs will force a premature debate over damages in order to color the jury's view of validity and infringement. For example, in some cases, the same defense witness who testifies as to validity and infringement will also know facts relevant to the patent's value. This may allow the plaintiff's lawyer to question that witness about damages, forcing the defendant to begin arguing about the amount of his liability before the jury has even heard all the arguments as to whether the patent is valid and infringed. A defendant who is already arguing about what a patent is worth will tend to look as if he has already conceded that he owes something, and that the dispute is simply over the amount.

This tension also exists even when all validity and infringement arguments are presented before damages are argued. Current law routinely allows the defendant to be forced to argue in the alternative to be made to argue in one breath that he is not liable and in the next that if he is liable, then this is the amount for which he is liable. A presumptive right to have one issue resolved before the other is addressed would cure this tension. This subsection allows only sequencing of the trial, not full bifurcation. It does not require the use of a second jury, and allows all pretrial activity, including that related to damages, to be completed before the validity and infringement case is presented and decided. The jury would decide validity and infringement and then proceed immediately to hear the damages case, if still needed.

Subsection (h) requires an expert to provide to the opposing party his written testimony and the data and other information on which his conclusions and methods are based, and to also provide the written testimony to the court. This subsection supplements current law, codifying and enforcing the better interpretation of what is currently required by the rules of procedure. It is necessary because those current rules are sometimes not fully enforced, and experts sometimes are allowed to testify, for example, as to what is customary in an industry without providing the facts and figures or evidence of actual events that are the basis for the expert's view that something is customary. Rule 702 exists to ensure that expert witnesses are not simply allowed to argue from authority. It allows opposing counsel to challenge the expert's methods as unsound, but that right becomes illusory if the expert is allowed to testify without ever disclosing an objective foundation for his conclusions. Requiring the expert's written testimony to also be provided to the judge should allow the judge to prepare himself to consider motions regarding the relevance and admissibility of the expert's testimony.

Subsection (i) codifies and reinforces current law allowing a party to seek summary judgment or JMOL on damages issues. It also requires a court to instruct the jury only on those issues supported by substantial evidence, a requirement which, when appropriate motions have been made, should prevent the court from simply reading the laundry list of all 15 Georgia-Pacific factors to the jury. The court's identification of those factors for which there is substantial evidence not only will provide better guidance to the jury, but should also clarify the record and give form to the factfinder's decision, thereby providing a better foundation for an appeal.

Section 299A creates a patent-specific and expanded Daubert rule. First, it makes Rule 702 specific to the Federal circuit and patent law. Currently, rule 702 is regarded by the Federal circuit as a procedural rule, and thus in each case the Federal Circuit simply follows the Daubert jurisprudence of the regional circuit whence the district court decision came. Since the regional courts of appeals do not hear patent cases, this system retards the development of a rule 702 jurisprudence that thoroughly considers some of the unique issues presented by patent law and particularly patent-damages law. The current situation also requires the district courts to look only to rule 702 precedent that is based only on non-patent cases. By embedding rule 702 in the patent code, section 299A will force the development of more consistent and thorough jurisprudence regarding what kinds of reasonable royalty damages calculation methodologies are reliable and what kinds are not. Like subsection (h) above, this section supplements rather than replaces current law.

Section 299A also codifies the four indicia of reliability that were announced in the original *Daubert* v. *Merrell Dow Pharmaceuticals* decision, 509 U.S. 579 (1993), as well as two other indicia that are not described in Daubert. These two additional reliability indicia, at paragraphs (5) and (6), are based on standards announced in court of appeals decisions that apply Daubert. These decisions are discussed in footnote 30 of section 6266 of Wright and Miller's Federal Practice and Procedure. The first new factor, whether a theory or technique has been employed independently of litigation, should be useful in flushing out methodologies that exist only in litigation expert witness' testimony and are never employed in actual licensing negotiations. Use of this reliability indicator should inject more honesty into the hypothetical negotiation. It should force parties to use methodologies that actually would have been used had the infringer and claimant negotiated a license, rather than metrics that are only ever employed in an expert's imaginary parallel universe.

The second new reliability indicator, whether the expert has accounted for readily available alternative theories, should exclude the expert who ignores precise and objective metrics of value in favor of subjective and manipulable methodologies that allow him to produce the result that happens to most favor his client. If there is clear evidence, for example, of the market price of a noninfringing alternative to the infringing product, of the costs of noninfringing substitutes for the invention or the costs of a design-around, or of the cost savings produced by use of the invention, an expert witness should not be allowed to ignore that evidence. He must consider that evidence or at least provide a persuasive account as to why it should not be considered. One common sign of a bad or biased expert witness is his disregard of readily available alternative theories or techniques. Paragraph (6) will help to ensure that Federal courts exercise their gatekeeper role and bar such witnesses from misleading the jury.

Finally, subsection (c) of proposed section 299A requires district courts and circuit courts to explain their Daubert determinations, which should facilitate appeal of those decisions.

Section 5 of the bill authorizes the creation of post grant review proceedings for challenging the validity of patents. It allows both first- and second-window review of a patent, with procedural restrictions that will limit the time and expense of these proceedings and protect patent owners. The bill uses a procedural model that is favored by PTO and is calculated to allow quick resolution of petitions. Importantly, the bill also imposes procedural limits on when a second-window proceeding may be sought after civil litigation has commenced, and restricts duplicative or second and successive proceedings, preventing infringers from using post grant review as a litigation or delaying tactic.

Section 5(a) of the bill repeals the procedures for inter partes reexam effective 1 year after the date of enactment of the bill, while allowing requests for reexam that are filed before that effective date to continue to be considered by the office. Director-initiated reexam is also repealed, out of concern that in the future political pressure may be brought to bear on PTO to attack patents that are a nuisance to politically important businesses.

The bill's proposed section 321 authorizes two types of post grant review

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