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Senate Passes Patent Reform Bill

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On March 8, 2011, the Senate passed S.23, "The America Invents Act," with an overwhelming bipartisan vote of 95-5. Leading representatives from the House of Representatives have indicated that they will quickly introduce their own version of patent reform. If completed, this would be the first major overhaul to the patent system in almost 60 years.

OVERVIEW OF S.23

S.23 is the culmination of seven years of public debate surrounding patent reform. The debate was initially sparked by a 2004 National Academy of Science's report that recommended overhauling the patent system to address what it identified as weaknesses in questionable patent quality, rising transaction costs, and international inconsistencies in patent coverage. The report recommended the introduction of a mechanism for postgrant challenges of newly issued patents, harmonization of the U.S. patent law with European and Japanese patent law, and amendments to simplify and reduce the cost of patent litigation.

The patent reform bill introduced in the Senate in 2009 included numerous provisions that would have addressed patent litigation issues such as: forum shopping in patent cases, revisions to the standard for willful infringement, and revisions to the damages provision to prevent runaway jury verdicts. During the subsequent years of legislative debate, the Federal Circuit addressed many of these issues. As a result, the bill passed by the Senate yesterday is a far leaner version of patent reform than what was introduced in 2009.

Below is a summary of what remains in S. 23 as compared to what was originally introduced in 2009.

What's In

- "First to file," not "first to invent"
- Postgrant opposition system
- Greater power for patent office to set its own funding

What's Out

- Significant damages reform
- Revisions to venue statute
- Revisions to the willfulness standard

"FIRST TO FILE"

Without question, one of the most controversial provisions of S. 23 is the transition of the United States patent system from a "first to invent" system to a "first to file system." This means that, in order to gain patent protection for his or her invention, an inventor must be the first person to actually file a patent application on the invention. Under current law an inventor may challenge a patent application through the interference process by arguing that he or she can document an invention date prior to the applicant's filing date. Changing the law to "first to file" would harmonize the U.S. patent system with that of every other major jurisdiction around the world.

Critics of the "first to file" system say that it disadvantages independent inventors, who frequently lack the resources to

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support early patent filings for their inventions. During the Senate's debate on S.23, Senator Feinstein (D-CA) introduced an amendment to strip the transition to a first-to-file system from S.23. That amendment was tabled by a vote of 87 to 13. It is almost a certainty that this issue will be hotly debated in the House's consideration of patent reform.

POSTGRANT OPPOSITION SYSTEM

The postgrant review process proposed in S. 23 provides a nine-month window following the issuance of a patent where a third party can challenge the patent on a broader range of issues than is currently available to reexamination petitioners.

Under the new post-grant review process, any person can petition the U.S. Patent and Trademark Office (PTO) to cancel one or more claims as unpatentable within the first nine months after the patent has issued. In determining whether or not to accept the post-grant review, the PTO would proceed upon a showing that "it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable." Alternatively, the petitioner may persuade the PTO to accept the petition if the "petition raises a novel or unsettled legal question that is important to other patents or patent applications."

PATENT OFFICE FUNDING

The Senate's bill also included a provision that would empower the PTO to set its own funding and to end fee diversion. This additional power would likely result in fee hikes by the PTO, but would also result in greater resources to help the speed and quality of the examining process. The current backlog of patent applications has been estimated at more than 700,000, and insufficient funding is frequently identified as a causative factor for the backlog.

WHAT'S NEXT FOR PATENT REFORM

Patent reform now heads to the House of Representatives. Over the past several years, the House has appeared to be waiting to see what the Senate does before moving forward with debate on its own bill. Now, the House must choose whether to adopt and debate S. 23, or to propose a separate bill. It is not yet clear which path the House will choose. In either event, if the House approves a bill that is different from the version of S.23 that was passed yesterday, the two bills will need to be reconciled before patent reform can be presented to President Obama to be signed into law.

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