

Patent Reform Now One Signature Away: Senate Sends Historic Bill to President's Desk

By: Michael R. Samardzji, Ph. D., Jonathon K. Hance, Jeffrey S. Whittle and Constance Gall Rhebergen.

September 8, 2011

Moments ago, the United States Senate voted 89 to 9 to send [House Bill H.R. 1249](#) (titled "the America Invents Act") to President Obama's desk. Although a few last-minute amendments momentarily threatened to stall the bill's passage, the Senate voted overwhelmingly to approve the same version of the bill that the House of Representatives passed before the August break. Having received the blessings of both houses of the 112th Congress, the Bill now moves directly to the President, where he is expected to sign it into law almost immediately.

If signed into law, the America Invents Act would transition the U.S. Patent system from a first-to-invent system to a first-inventor-to-file system. The first-inventor-to-file system would give inventorship priority to the first individual inventor to file a patent application for a particular invention. That system follows the procedures already in place in Europe but would contrast sharply with the U.S.'s current system, which gives priority to the first inventor in some circumstances even if that inventor is not the first to file an application with the USPTO. The legislation would also add a new nine-month window for post-grant review of patent validity and reform the already existing *inter partes* reexamination process into a new *inter partes* review process. With both post-grant review and the new *inter partes* review, the burden of proof on the challenger would be to demonstrate that the claims are invalid by a preponderance of the evidence, and the challenger would be precluded citing the same prior art in an action for infringement in Federal Court.

Many of the provisions of the Act will take effect one year after it is signed into law, but there are some exceptions. Importantly, the first-inventor-to-file provisions will apply only to patent applications with an "effective filing date" that is 18-months from the date that the bill becomes law. Other provisions, such as the elimination of the best-mode requirement challenge to patent validity, will take effect immediately. In an apparent effort to simplify this somewhat complicated timetable, the USPTO is providing the public with up-to-date information on its [Leahy-Smith America Invents Act Implementation website](#).

As now passed by both the House and the Senate, the legislation includes the following notable sections:

Section 3 – First Inventor to File:

- Transitions from a first-to-invent system to a first-to-file system for determining priority of multiple inventors to the same or similar inventions.
- Maintains the one-year grace period for inventors to file an application even after certain disclosures of the claimed invention.
- Permits a civil action by a patent owner against another patent owner claiming to have the same invention and who has an earlier effective filing date if the invention claimed by the earlier patent owner was derived from the inventor claimed in the patent owned by the person seeking relief.

Section 4 – Inventor's Oath or Declaration:

- Allows the assignee of an invention (from the inventor) to file a patent application.

Section 5 – Defense to Infringement Based on Prior Commercial Use:

- Expands the defense to an allegation of infringement based on prior commercial use to *any subject matter* consisting of a process, machine, manufacture, or composition of matter used in a manufacturing or other commercial process if (1) the person commercially used the subject matter in the United States, either in connection with an internal commercial use or an actual arm's length sale or other arm's length commercial transfer of a useful end result of such commercial use and (2) the commercial use occurred at least one year before the earlier of either the effective filing date of the claimed invention or the date on which the claimed invention was disclosed to the public in a manner that qualified as an exception from prior art.

Section 6 – Post-Grant Review Proceedings:

- Forms a new post-grant, patent-opposition system with a shorter timeframe but broader jurisdiction than the current reexamination procedure.
- Requires that the USPTO disclose the amount of time it takes to conduct *inter partes* and post-grant reviews.

Section 7 – Patent Trial and Appeal Board:

- Sets forth the required composition and duties of the Board of Patent Appeals and Interferences ("Board") and specifically allows appeals to the U.S. Court of Appeals for the Federal Circuit from certain Board decisions, including examinations, reexaminations, post-grant and *inter partes* reviews, and derivation proceedings.

Section 8 – Preissuance Submissions by Third Parties:

- Establishes procedures for third parties to submit for consideration and inclusion in the record of a patent application, any patent, published patent, or other printed publication of potential relevance to the examination of the application.

Section 10 – Fee Setting Authority:

- Authorizes the Director of the USPTO to set or adjust USPTO fees without Congressional approval.
- Reduces certain fees for qualified small entities and a new class of entities, called "micro entities," including the fee for prioritized examination of utility and plant applications.
- Creates a new class of entities, called "micro entities." A micro entity is an applicant that qualifies as a small entity, has not been named as an inventor on more than 4 previously filed patent applications, does not have a gross income exceeding a certain limit, and has not transferred ownership interest in the application to another entity exceeding the income limit.

Section 12 – Supplemental Examination:

- Establishes supplemental examinations to consider, reconsider, and correct information.

- Specifies that the Director of the USPTO must order reexamination if a substantial new question of patentability is raised by at least one item of information in the request.
- Requires the Director of the USPTO to refer to the Attorney General (Department of Justice) any material fraud on the USPTO that may have been committed in connection with a patent when the Director becomes aware of the fraud during an ordered supplemental examination or reexamination proceeding.

Section 14 – Tax Strategies Deemed Within the Prior Art:

- Deems any strategy for reducing, avoiding, or deferring tax liability (other than certain types of tax-return filing software) insufficient to differentiate a claimed invention from the prior art.

Section 15 – Best Mode Requirement:

- Eliminates the best-mode-requirement challenge to the validity of a patent.

Section 16 – Marking:

- Permits virtual markings (*i.e.*, markings that direct the public to a freely-accessible website where a patented article is associated with a patent number) to provide public notice that an article is patented.
- Amends 35 U.S.C. § 292 to restrict the availability of false-marking damages to the federal government and those persons who have suffered a competitive injury as a result of false patent marking.
- Exempts from false-marking liability virtual markings with matter relating to a patent that covered the product but has expired.

Section 17 – Advice of Counsel:

- Bars use of an accused infringer's "failure-to-obtain-advice-of-counsel" to prove willful infringement.

Section 18 – Transitional Program for Covered Business Method Patents:

- Requires the Director of the USPTO to establish an 8-year transitional program to review certain covered business-method patents in light of the Supreme Court's recent decision in *Bilski v. Kappos*. The transitional program will operate similarly to the new post-grant review process. Importantly, however, review under the transitional program will not be limited to the nine-month window after patent issuance.
- Defines "covered business method patent" as "a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions."

Section 22 – Patent and Trademark Office Funding:

- Facilitates the tracking of fee diversion from the USPTO to the U.S. general treasury by keeping funds collected by the PTO in a "Reserve Fund" that only allows release of such funds to the PTO "[t]o the extent and in amounts provided in appropriations Acts."

Section 23 – Satellite Offices:

- Requires the Director of the USPTO to establish three USPTO satellite offices within the next three years.

Section 28 – Patent Ombudsman Program for Small Business Concerns:

- Requires the Director of the USPTO to establish a Patent Ombudsman Program to provide support and services to small businesses and independent inventors.

Section 33 – Limitation on Issuance of Patents:

- Prohibits issuing a patent on a claim "directed to or encompassing a human organism."

Immediately upon returning from the August break, on September 6, 2011, the Senate voted 93-5 to invoke cloture on consideration of H.R. 1249, which prevented consideration of amendments not filed before the cloture vote, limited further debate to just 30 hours, and cut off the possibility of a filibuster. The senate devoted approximately five hours to debating the handful of amendments that made the cloture deadline. None of these amendments, however, were approved. The bill then proceeded directly to a vote on the merits just hours before the President's address before a Joint Session of Congress addressing his plan for job creation. Focus now shifts to the President's desk as we await the signature that will usher in the most the most comprehensive change to U.S. patent law in over 50 years.

Bracewell & Giuliani LLP makes this information available for educational purposes. This information does not offer specific legal advice or create an attorney-client relationship with the firm. Do not use this information as a substitute for specific legal advice. Attorney advertising.