

Senate Passes Patent Reform Bill – Significant Changes to U.S. Patent System to Come

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Today the U.S. Senate endorsed all provisions in H.R. 1249: Leahy-Smith America Invents Act, a comprehensive patent reform bill, the progress of which we have reported in earlier alerts found [here](#) and [here](#). The Senate's passage of the bill by a vote of 89 to 9 means that the bill will make it to the President's desk shortly. When passed (President Obama had previously pledged that he would sign a patent reform bill when it reaches his desk), the legislation would offer the first significant change to the U.S. patent system in nearly sixty years.

The Senate's successful vote on the bill came just days after a cloture vote held on September 6, where the Senate garnered enough votes required to effectively limit consideration of the bill that had passed in the House of Representatives by a vote of 304-117 back in June, to an additional 30 hours. Majority Leader Harry M. Reid (D-Nev.) filed a cloture motion last August, just before the Senate adjourned for vacation, to which the Senate gave unanimous consent. Today, several amendments were proposed, yet none approved.

Despite the differences between H.R. 1249 passed by the House last June, and S.23, the original Senate bill passed last March, the Senate today still managed to pass the Leahy-Smith America Invents Act. Arguably the biggest difference between the two involved the issue of U.S. Patent and Trademark Office ("PTO") funding, which had threatened to derail patent reform. The House bill, unlike the original Senate bill, did not ban fee diversion, the oft-criticized practice of diverting PTO revenue that exceeds the agency's budget to other government programs. Today's bill passed by the Senate does not ban fee diversion. Starting October 1, 2011, fee collections by the PTO during a fiscal year that exceed the amount appropriated to the PTO for that fiscal year will be deposited in a Reserve Fund and made available to the extent and in amounts provided in appropriations Acts.

Today's passed bill contains numerous provisions, some of which (along with their effective dates) are listed here:

Provisions of Passed Bill	Effective Date
<p>Inventor's oath or declaration:</p> <ul style="list-style-type: none">Modification of inventor's oath or declaration requirements so that a person to whom an inventor has assigned (or is under an obligation to assign) an invention can file a patent application as an agent of the inventor	<p>1-year from date of enactment.</p> <p>Applies to any patent application that is filed on or after that effective date.</p>

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<p>First inventor to file:</p> <ul style="list-style-type: none"> Replacement of the current "first to invent" system with a new "first inventor to file" system Amendment of 35 U.S.C. Sections 102 and 103, including changes as a result of the elimination of "first to invent," such as the removal of Sections 102(c)-(g) 	<p>18 months from date of enactment.</p> <p>Applies to any application and patent with a claim having an effective filing date on or after the effective date for this provision, or having a specific reference under 35 U.S.C. Sections 120, 121, or 365(c) to an application or patent having such a claim.</p>
<p>Defense to infringement based on prior commercial use:</p> <ul style="list-style-type: none"> Addition of a "commercial use" defense, which permits an accused infringer to prove that it had commercially used the claimed subject matter more than one year before the earlier of the effective filing date of the claimed invention, or the date on which the claimed invention was disclosed to the public in a matter that qualified for the exception from prior art under 35 U.S.C. Section 102(b) 	<p>Applies to any patent issued on or after date of enactment.</p>
<p>Best mode requirement:</p> <ul style="list-style-type: none"> Elimination of patent infringement defense of failure to comply with the best mode requirement of Section 112 	<p>Date of enactment.</p> <p>Applies to proceedings commenced on or after that date.</p>
<p>Human Organism Limitation:</p> <ul style="list-style-type: none"> Prohibits issuance of any patent claim directed to or encompassing a human organism 	<p>Date of enactment.</p> <p>Applies to any application that is pending on, or filed on or after, the date of enactment.</p>
<p>Patent Term Extension for Drug Product:</p> <ul style="list-style-type: none"> Calculation of Patent Term Extension modified in pending applications and matters subject to judicial review 	<p>Date of enactment.</p> <p>Applies to any application for extension that is pending on, filed after, or to which a decision regarding the application is subject to judicial review on the date of enactment.</p>
<p>Third Party Preissuance Submissions:</p> <ul style="list-style-type: none"> Allowance of third parties to submit patents or publications along with a statement of relevance for the PTO's consideration before certain specified events in the examination of a pending patent application 	<p>1-year from date of enactment.</p> <p>Applies to any patent application filed before, on, or after that effective date.</p>

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<p>Post-Grant Review:</p> <ul style="list-style-type: none"> Creation of a new third-party post-grant review procedure to allow a third party to request cancellation on any invalidity ground not later than 9 months after the date of the grant of the patent or of the issuance of a reissue patent 	<p>1-year from date of enactment.</p> <p>Applies with certain exceptions to patents described in section 3(n)(1), "First-to-File Provision." <i>E.g.</i>, patents with a claim having an effective filing date on or after the 18 months from date of enactment, or a specific reference under 35 U.S.C. Sections 120, 121, or 365(c) to an application or patent having such a claim.</p>
<p>Supplemental Examinations:</p> <p>Establishment of supplemental examination procedures for issued patents to allow cure of potential inequitable conduct occurring during the original prosecution. Our previous alerts on an earlier version of this provision can be found here and here.</p>	<p>1-year from date of enactment.</p> <p>Applies to any patent issued before, on, or after that effective date.</p>
<p>Inter Partes Review:</p> <ul style="list-style-type: none"> Replacement of an existing <i>inter partes</i> reexamination with an <i>inter partes</i> review procedure that may only be used after the newly established third-party post-grant review procedure, or after the 9 month period for requesting third-party post-grant review expires; <i>inter partes</i> review may only be based on prior art consisting of patents and printed publications Transition <i>inter partes</i> from "a substantial new question of patentability affecting any claim of the patent" to "a reasonable likelihood that the requester would prevail" 	<p><i>Inter partes</i> review: 1-year from date of enactment and applies to any patent issued before, on, or after that effective date.</p> <p>Reexamination (transition): Date of enactment and applies to requests for <i>inter partes</i> reexaminations filed during the 1-year period beginning on enactment date.</p>
<p>Patent Trial and Appeal Board:</p> <ul style="list-style-type: none"> Elimination of the Board of Patent Appeals and Interferences and creation of a new Patent Trial and Appeal Board with responsibility (1) to conduct post grant review proceedings, (2) to conduct derivation proceedings to determine whether the subject matter of a filed application was misappropriated from an actual inventor, and (3) to review decisions of examiners in examination and reexamination proceedings 	<p>1-year from date of enactment.</p> <p>Applies to proceedings commenced on or after that effective date, except for certain specific exceptions.</p>
<p>Fee Setting Authority:</p> <ul style="list-style-type: none"> Authority to set or adjust fees for recovering costs for fees specified by statute Fees including a temporary, statutory fee schedule; establishment of fees for "micro entities" and filing a prioritized application 	<p>Fee-setting authority: Date of enactment with a 7 year sunset provision.</p> <p>Fee schedule: There are different effective dates for the specific fees.</p>

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<p>Business Method Patents:</p> <ul style="list-style-type: none"> Tax avoidance/reduction strategies will be within the prior art 	<p>Date of enactment.</p> <p>Applies to any application that is pending on, or filed on or after enactment date, and to any patent that is issued on or after enactment date.</p>
<p>Advice of Counsel:</p> <ul style="list-style-type: none"> Prohibits use of an accused infringer's failure to obtain advice of counsel regarding infringement to prove that any infringement was willful or induced 	<p>1-year from date of enactment.</p> <p>Applies to any patent issued on or after that effective date.</p>
<p>Marking:</p> <ul style="list-style-type: none"> Changes false marking legislation (35 U.S.C. § 292) eliminating the <i>qui tam</i> provision (which permits any person to sue on behalf of the United States); the passed bill states that only the United States or a person who has suffered a competitive injury may bring a false marking case. Patentees are protected from false marking actions based on the marking of a product with matter relating to a patent that covered that product but has expired. Allows a patent holder to satisfy the patent marking statute (35 U.S.C. § 287) through "virtual marking," which is a mark directing a reader to a public website listing relevant patents 	<p>False marking: Applies to all cases, without exception, that are pending on, or commenced on or after, the date of enactment.</p> <p>Virtual marking: Applies to any case that is pending on, or commenced on or after, the date of enactment.</p>
<p>Jurisdiction and Procedural Matters:</p> <ul style="list-style-type: none"> Adds procedural provisions regarding joinder of accused infringers in patent cases (not involving certain drugs and biologics, in particular, cases brought under 35 U.S.C. § 271(e)(2)) such that parties accused as defendants may be joined in one action only if questions of fact common to all defendants will arise in the action, and (1) any right to relief is asserted against the parties jointly and severally, or (2) if it arises out of the same transaction or occurrence relating to the alleged infringement; however, accused infringers may not be joined solely based on allegations that each has infringed the patents in suit 	<p>Applies to any civil action commenced on or after the date of enactment.</p>
<p>Transitional Program for Covered Business Method Patents:</p> <ul style="list-style-type: none"> Requires the PTO Director to establish a transitional program to allow post-grant review of the validity of business method patents claiming "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" 	<p>1-year from date of enactment.</p>

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<p>Diversity Studies:</p> <ul style="list-style-type: none"> Directs the PTO to establish methods for studying the diversity of patent applicants and prohibits the results of any such study to be used to provide preferential treatment to patent applicants 	<p>Not later than 6 months after date of enactment.</p>
<p>Genetic Testing Study:</p> <ul style="list-style-type: none"> Mandates a PTO study on genetic diagnostic testing to determine whether providing independent, confirming genetic diagnostic testing activity (for second opinions to patients) would impact existing patent and license holders of exclusive genetic tests 	<p>Report is due no later than 9 months after date of enactment.</p>

The above list contains the major provisions found in the Leahy-Smith America Invents Act. All provisions, including other less significant provisions not above can be found in the full bill [here](#). The PTO has also created a website seeking comments relating to "Leahy-Smith America Invents Act Implementation" that can be found [here](#).

If you have any questions concerning these developing issues, please do not hesitate to contact any of the following Paul Hastings lawyers:

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