

Summary of the House and Senate Patent Reform Bills

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Similar patent reform bills have been passed by the U.S. House of Representatives and Senate that would change the U.S. patent system from “first to invent” to “first to file.”

The U.S. House of Representatives and Senate recently passed long-awaited patent reform bills, the Leahy-Smith America Invents Act and America Invents Act, respectively. The bills are similar in major aspects, with several minor differences.

Similarities

Both bills would change the U.S. patent system from “first to invent” to “first to file.” In addition, the Statutory Invention Registration (SIR) would be repealed. There would be no more interferences under both bills. As a result, the Board of Patent Appeals and Interferences would become the Patent Trial and Appeal Board.

First to file would not be absolute. In place of an interference, a later filer could still obtain a patent if the later filer could prove an earlier filer derived the invention from the work of the later filer. Derivation proceedings would have a similar effect as interference proceedings, but would not be available in instances where the same invention was independently developed by two different parties.

The bills would change *inter partes* reexamination into *inter partes* review and would require the petitioner to show a reasonable likelihood that petitioner would prevail against one or more claims of the patent under section 102 or 103 of 35 U.S.C. In addition, post-grant review of issued patents would be allowed within nine months of the patent grant if the petitioner can show a reasonable likelihood that petitioner would prevail in asserting invalidity against one or more claims of the patent. The standard for obtaining a post-grant review is broader than the standard for an *inter partes* review, as determining whether to conduct an *inter partes* review is limited to issues of novelty and obviousness. In addition, the reform bills would include a provision for supplemental examination, which would allow a patent owner to request supplemental examination to consider, reconsider or correct information believed to be relevant to the patent. If a substantial new question of patentability is raised by the request for supplemental examination, a re-examination would be ordered.

Statutory damages would be eliminated in patent false marking cases. Damages would be limited to compensatory damages to plaintiffs who prove they have suffered a competitive injury due to the false marking. In addition,

patentees would be able to virtually mark their patented products with an internet address that associates the patented article with the patent number.

In addition to small entity status, a new filing status, micro entity, would be authorized by the bills. Micro entity status would be limited to applicants having a gross income not exceeding three times the most recently reported median household income by the U.S. Bureau of Census, and having no more than four patent applications. In addition, employees of state institutes of higher education that have an ownership interest in the application would be considered micro entities.

The reform bills would also codify that failure to obtain legal counsel may not be used as evidence to prove willful infringement.

Additional features of the reform bills include: changing the venue of various district court actions from the District of Columbia to the Eastern district of Virginia; economic incentives for electronically filing applications; a transitional post-grant review of business method patents with a sunset provision; allowing the U.S. Patent and Trademark Office (PTO) to create more satellite offices, in addition to Detroit; creating a position of patent ombudsman to assist small inventors; and creating a revolving fund in the U.S. Department of the Treasury for use by the PTO without fiscal year limitations. Further, tax strategies could not be patented.

Furthermore, asserting that a patentee failed to disclose the best mode of the invention in the patent would no longer be allowed as a defense to infringement.

Differences

Differences between the bills include the issue of prior user rights. The House bill allows prior user rights as a defense to infringement, whereas the Senate bill authorizes a one-year study on the effect of prior user rights. The sunset provision for the transitional post-grant review of business method patents is four years in the Senate bill and eight years in the House bill. Unlike the Senate bill, the House bill contains a section on the various fees that can be charged by the PTO. Among the fees included in the House bill, is a provision enabling applicants to pay a fee of \$4,800 to obtain prioritized examination. The House bill also would not allow any claims directed to or encompassing a human organism; it instructs the PTO to work with and support the establishment of *pro bono* programs to assist financially under-resourced independent inventors and small businesses; and it defines the calculation of the 60-day period for application of term extension.

The House bill further includes provisions for a number of studies, including a four-year study on the manner in which the patent reform bill is being implemented by the PTO, patent rights, innovation in the United States,

competitiveness of U.S. markets and access by small businesses to capital for investment; a study on effective ways to provide independent, confirming genetic test activity where gene patents and exclusive licensing for primary genetic diagnostic test exist; a study of the diversity of patent applicants; a study on helping small businesses with international patent protection; and a study of the consequences of litigation by non-practicing entities and patent-assertion entities.

The differences in the bills now have to be reconciled by the Senate and the House before a final bill can be presented to the president for his approval.

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