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IP Update

Patent Law Reform 2011

August 5, 2011

The U.S. House of Representatives voted by a margin of 304 to 117 on June 23, 2011, to reform U.S. patent laws by approving the America Invents Act (H.R. 1249). This vote follows approval in the U.S. Senate of very similar legislation (S. 23) on March 8, 2011.

The House and Senate now will begin a process of reviewing the two versions of the legislation, aiming to adopt a final bill that the President can sign into law. On August 2, 2011, Senate Majority Leader Harry M. Reid filed cloture on the motion to proceed to H.R. 1249. The cloture vote, which would end debate in the Senate, is scheduled for September 6, 2011. If the cloture vote passes, the Senate would then vote on adopting H.R. 1249, in lieu of S. 23. If the Senate approves the House version of the legislation, the President would have the opportunity to sign the legislation. The President has previously indicated his support for patent law reform, and we expect he will sign this legislation if and when it is presented to him.

Prior to the final vote on the bill, the House had approved a manager's amendment offered by Rep. Lamar Smith by a vote of 283 to 140. The manager's amendment changed the language of the bill that had been previously reported out of the Judiciary Committee in several ways. The most significant change related to the establishment of a patent and trademark fee reserve fund overseen by the Congressional Appropriations Committee. Original H.R. 1249, like S. 23, gave the Director of the USPTO authority to use the fund without fiscal year limitations and implied this authority was without other limitations, such as approval by Congress. The amendment also addressed other sections of the legislation, including expanding prior user rights, synchronizing the timing requirements for post-grant review and inter partes review with S. 23, authorizing

certain USPTO fee increases, authorizing the USPTO's Track I prioritized examination, limiting the fraud exception to supplemental examination to circumstances where the USPTO Director becomes aware of the fraud, and limiting enforcement of DNA diagnostic patents when a patient needs a second opinion. The House also approved an amendment proposed by Rep. John Conyers, Jr. maintaining the 60-day deadline period to apply for patent term extension.

Both versions of the legislation passed by the House and Senate make significant changes to the U.S. patent system, most notably including conversion to a first-inventor-to-file system, introduction of enhanced post-grant review procedures conducted in the USPTO, and redefinition of the parameters of USPTO funding. The bill also addresses preissuance submissions by third parties; USPTO fee-setting authority; supplemental examination, which appears relevant to the issue of inequitable conduct; amendment of the reissue statute, which also appears relevant to the issue of inequitable conduct; micro entity fees; tax strategy patents; elimination of the best mode defense (although the best mode requirement remains in Section 112); special post-grant review for business method patents; USPTO satellite offices; creation of a USPTO ombudsman; residency for Federal Circuit judges; and USPTO authority to prioritize examination of inventions.

Finnegan will continue to follow developing news on patent reform, and we will also provide analysis on how the changes, once enacted, will change the patent landscape. To sign up for *IP Updates* from Finnegan, please click [here](#).