

Patent Alert

Historic Patent Reform Passes Congress, but Will Have Minimal Effect on Most Companies

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On September 8, 2011, the Senate passed, without amendment, the House version of patent reform legislation. In his jobs speech to a joint session of congress shortly after the senate vote, the president mentioned the bill approvingly. We expect the bill to be signed into law shortly.

The centerpiece of the legislation changes the U.S. from a first-to-invent to a first-to-file approach for determining which of two inventors deserves a patent. This change brings the U.S. in line with the rest of the world, as most other countries use the first-to-file rule. We anticipate that this change will have minimal impact for most companies. Most companies with patent programs generally file as early as possible to preserve their options for international patent rights, and to avoid junior status in the U.S. should another party file for the same invention.

Despite a decade of consideration and debate over proposed bills for the past five years, the most notable aspect of the legislation is what it does not address. The legislation does not tackle problems of excessive damages that were originally considered key to patent reform, nor issues about patentability of information-age innovations or business methods. It does not address issues relating to the rise of non-practicing entities or patent aggregators. In sum, there is less addressed in the final legislation than many expected.

The other significant issue that was to be addressed in the legislation was putting an end to fee diversion – Congress’s practice of taking USPTO fees and putting them to other uses. The new legislation helps in spirit but ultimately allows Congress to continue this practice. As a result, we do not expect any visible improvement in the USPTO speed in reviewing and granting patent applications.

Some of the changes go into effect upon the signing of the bill, others over the following year, and some, including the most significant changes relating to the first-inventor-to-file and changes to the one year grace period, go into effect 18 months after the bill becomes law. This will give applicants and practitioners ample time to prepare for the change. Here are some of the significant changes in the bill:

1. First-Inventor-to-File System

The bill contains provisions shifting from a first-to-invent system to a first-inventor-to-file system. The

current first-to-invent system awards a patent to the inventor who is the first to invent regardless of whether the application was the first to be filed in the patent office for that invention under certain circumstances. Under the first-inventor-to-file system of the bill, the inventor who wins the race to file the first application will be awarded a patent regardless of the date of invention. As a corollary to this change, the bill also abolishes the so-called “interference proceedings” for determining the first inventor.

Even under the bill, a patent is still awarded to a true inventor and not to an applicant who derived the invention from the true inventor. To determine whether an applicant is a true inventor, the bill establishes a new proceeding called “derivative proceeding.”

2. One-year grace period

Under current patent law, an inventor may file for a patent application within one year (i.e., grace period) from the date an invention is published, publicly used, offered for sale or sold in the U.S. This one year term is currently afforded regardless of who published, publicly used, offered for sale or sold the invention. In the bill, the one-year grace period is allowed only for the inventor’s disclosure or disclosure derived from the invention. Accordingly, the one-year grace period will no longer apply to a third party’s disclosure of the invention.

3. Procedures for Challenging Applications or Patents

The bill establishes a new post-grant review proceeding that allows a third party to contest the validity of an issued patent within one year of issuance. In response to the challenge, a patent owner can file a preliminary response within two months of the post-grant review petition and also cancel the challenged claims or propose substitute claims. The proceeding is conducted before Patent Trial and Appeal Board (PTAB) that replaces the current Board of Patent Appeals and Patent Interferences (BPAI).

The bill also establishes an *inter partes* post grant review procedure that replaces the current *inter partes* reexamination procedure. A request for *inter partes* post grant review can be filed when there is “reasonable likelihood” that the review will result in

cancellation of one or more claims. The *inter partes* post grant review can be filed only after the time period for the post-grant review has expired. In the *inter partes* post grant review the issued patent can be contested based on the lack of novelty or non-obviousness evidenced by submitted patents or printed publications. The *Ex parte* reexamination procedure, which allows limited participation of its petitioner compared to *inter partes* procedures, remains as a valid option to contest the patents after the reform.

The bill also improves the procedure that allows a third party to assist the USPTO to examine patent applications. In addition to submitting patents, published patent applications and other printed publications to the patent office (which is currently allowed), the bill further allows the third party to submit a concise description of relevance of documents being submitted.

4. Substitute Inventor's Oath or Declaration

Under current patent law, the assignee of a patent application needs to file a petition if an inventor declines to sign an inventor's oath or declaration. In some cases, the process of preparing this petition can be expensive and time-consuming. The bill simplifies the process when the inventor refuses to sign the oath or declaration by allowing the assignee to file a substitute oath or declaration in place of the inventor. The assignee no longer needs to prepare and file a petition if the inventor refuses to sign the oath or declaration.

5. Prior User Defense

Current patent law recognizes the defense against a business method patent for a person accused of infringing the patent under certain circumstances. Under the bill, this defense is expanded to non-business method patents and applies if the person accused of infringing the patent had actually reduced the subject matter to practice and commercially used the subject matter at least one year before the effective filing date of the patent.

The bill also includes various other changes such as: (i) removal of best mode requirement as a basis for invalidating issued patents, (ii) limiting patent false marking claims, (iii) reducing patent office fees to micro entities, (iv) allowing virtual marking of patent numbers on websites for the purpose of putting a third party on notice of patents, and (v) expanding the authority of the patent office to set fees.

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