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Government Advocacy & Public Policy Practice Group

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Patent Reform Legislation Makes Progress in the 112th Congress
H.R. 1249, the America Invents Act Introduced in the House

On March 30th the House Judiciary Committee introduced H.R. 1249, the "America Invents Act." That same day, the committee held a hearing to explore the issues still dividing stakeholders. After six years and three congresses (109th-111th), it finally appears legislation could make it to President Obama's desk this year, although challenges remain.

Patent Reform in the House of Representatives

While patent reform has been stalled in the House for several years, that chamber did succeed in passing a patent reform bill in 2007. At that time, when Democrats held the Majority in the House, Chairman Howard Berman (D-CA) and Ranking Member Lamar Smith (R-TX) were able to garner enough support to pass H.R. 1908, albeit narrowly, by a vote of 220-175. That bill contained a number of problematic provisions for a wide range of industries, including a provision that would alter the way juries calculate damages awards upon the finding of infringement of a patent (in effect reducing them), and the creation of a new post-grant review system that would make it easier to challenge a patent's validity after it was issued by the U.S. Patent and Trademark Office (USPTO). After much debate, the Senate failed to pass a companion bill.

Changed Landscape

Much has changed since 2007. Chief among the issues concerning Congress are the economic recovery and job creation. Policymakers have made the link between innovation, patents and job creation, and they are eager to enact legislation that purportedly would achieve those goals. As a result, the Senate easily passed its patent reform bill (S. 23) on March 8th by an overwhelming vote of 95-5.

Outlook for Action

Congressman Lamar Smith, the new chairman of the House Judiciary Committee, has announced plans to proceed with the mark-up of H.R. 1249 in the House Judiciary Committee sometime in the next two weeks, before Congress breaks for the Spring recess on April 15th. Smith would like to

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schedule the bill for floor action sometime in May. We anticipate a number of amendments will be offered during both mark-ups, and it is possible Chairman Smith will make changes to the bill before then to enlist Democratic co-sponsors. Currently, the bill is co-sponsored only by Republicans.[1]

Key Provisions in H.R. 1249

The house bill differs from S. 23 in several important ways:

- Amends 35 U.S.C. §273 to include Prior User Rights on any invention, but includes an exception for universities and technology transfer organizations affiliated with a university;
- Retains the current law threshold of "a substantial new question of patentability" to initiate an *inter partes* review (IPR). The Senate bill included the higher threshold of "a reasonable likelihood that the petitioner would prevail with respect to at least one of the claims challenged in the petition";
- Extends the deadline by which an alleged infringer must initiate an IPR from six months to nine months after the petitioner is served with a complaint alleging infringement of the patent;
- Extends the deadline by which the challenger of the patent must file a post-grant review (PGR) petition from nine months to twelve months after the patent was granted;
- Adds new provisions in the IPR and PGR sections (section 320 and 330 respectively) that would increase the likelihood of a stay of a court proceeding or a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 for any patent subject to an IPR or PGR proceeding. The provisions require the courts or the ITC to apply a four factor test based in part on the criteria included in the 2006 *Broadcast Innovations*[2] decision when deciding motions to stay litigation;
- Adds further restrictions to the special PGR procedure created in the Senate bill for business method patents. The House provision limits the venue making it more defendant-friendly; mandates a *de novo* review of stay decisions by the Federal Circuit, and awards attorneys' fees and costs to the prevailing party

Controversial Issues Still Remain

While much progress has been made in trying to bring stakeholders together, several provisions still create much concern. The legislation has pitted patent owners, who want to protect their intellectual property rights as much as possible, against patent users, who want to challenge patents more easily, and lawmakers are finding it hard to strike the right balance.

[1] H.R. 1249 is co-sponsored by Rep. Robert Goodlatte (R-VA) and Rep. Darrell Issa (R-CA).
[2] *Broadcast Innovations v. Charter Communications* (D. CO. 2006).

Even if the House can pass H.R. 1249, they will still need to work out the differences with S. 23 in conference. Expanded prior user rights for all inventions (supported primarily by the Silicon Valley big technology companies) has aroused much opposition by universities, venture capital, and Fortune 500 companies. Similarly, the lower threshold included in the House bill has been opposed strongly, although USPTO appears to be reversing its earlier support for a higher threshold.

On the other hand, independent inventors have become very vocal in resisting the move from a "first-to-invent" to a "first-inventor-to-file" system that would harmonize the U.S. patent system with the rest of the world. It remains to be seen whether they can make any progress in the House of Representatives now that conservative groups are also advocating to keep the current system. Senate Judiciary Committee Chairman Patrick Leahy (D-VT) and House Judiciary Committee Chairman Smith have made clear the first-inventor-to-file provision is a *sine qua non* to patent reform legislation.

The one issue on which all industry stakeholders do agree is giving USPTO fee-setting authority and allowing them to retain all of the user fees they collect. Since 1990, more than $800 million has been diverted from USPTO.[3] While the Senate included both provisions in S. 23, there appears to be greater opposition in the House by members of the Appropriations Committee, and an amendment to strip the provisions could be offered, although it is hard to see how it ultimately succeeds given the strong support it received in the Senate.

[3] http://www.ipo.org/AM/Template.cfm?Section=Home&Template=/CM/ContentDisplay.cfm&ContentID=3360