

## U.S. Senate Passes Patent Reform Legislation

Author: Marc S. Kaufman, Partner, Washington, D.C.

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On March 8, 2011, Bill S.23, "The America Invents Act," passed in the Senate by a 95-5 vote. Leaders in the House of Representatives have indicated that they will quickly introduce their own patent reform bill. At this point, it is not clear how closely the House bill will track S.23. However, it is worthwhile to pay attention to the primary provisions of the Senate bill.

S.23 is the progeny of the patent reform bill introduced in the Senate in 2009, and finds its genesis in a 2004 report by the National Academy of Sciences that recommended an overhaul in the U.S. patent system. Many issues addressed by the 2009 bill, such as forum shopping, willful infringement, and damages, are not directly addressed in S.23. However, these issues have been addressed by the Court of Appeals for the Federal Circuit over recent years. Three primary issues are addressed in S.23: (1) First To File, (2) Post Grant Opposition, and (3) Patent Office Funding. Provisions relating to each issue are summarized below. Reed Smith will keep you apprised of any progress of the House patent reform bill and any other developments.

### **First To File**

Historically, the United States has been the only major economic power to have a "first to invent" system. In such a system, the filing date of a patent application, while providing procedural advantages, was not determinative in obtaining patent rights in the invention. A subsequent filer who could demonstrate an earlier date of invention would be entitled to the patent rights. If made law, S.23 would change this. Under a "first to file" system, in order to obtain patent rights, a party must be the first one to file a patent application for the invention. While providing harmonization with the rest of the world and a simpler system from an evidentiary point of view, first to file is deemed by many to favor large corporations that can easily afford to file a patent application quickly.

### **Post Grant Opposition**

Under the opposition provision of S.23, there will be a nine-month window during which interested parties can oppose the patent through an agency proceeding. The issues upon which the challenge can be based are much broader than those currently available through reexamination proceedings.



For example, a Petition for Opposition may be granted if it "raises a novel or unsettled legal question that is important to other patents or patent applications."

### **Patent Office Funding**

S.23 permits the U.S. Patent and Trademark Office to set its own fees and prohibits diverting revenue from such fees to areas other than operations of the Patent Office. This should help the Patent Office to increase examining resources and reduce the backlog of unexamined patent applications.

### **Other Provisions**

Section 14 of S.23 would prevent patents from being obtained for "any strategy for reducing, avoiding, or deferring tax liability." Section 18 of the bill would have the U.S. Patent and Trademark Office set up a "transitional post-grant review proceeding for review of the validity of covered business methods." This post-grant review is in addition to the opposition noted above, and would provide for a presumption of a stay in any related civil case.

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