

# Patent Reform Legislation...The Race is On!

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On June 23, 2011, the House passed what may become the most significant reform of United States patent law since the Patent Act of 1952. By a vote of 304-117, the House passed the Leahy-Smith America Invents Act ("Bill"). In March, the Senate passed its own version of the Bill. The House and the Senate versions of the Bill differ in some respects and will need to be reconciled before a final version can be sent to the White House. However, it is expected that a conforming version of the Bill will be approved soon by both the House and the Senate and sent to President Obama (who has already stated his support for the reforms) for signature before the end of this year.

## **Race to the Patent Office**

Both the Senate and House versions of the Bill propose substantial changes to current United States patent law.

Arguably the most significant proposed change, and the one that has drawn perhaps the most emotional responses, converts the United States patent system from a "first to invent" system, which is unique to the United States, to a "first to file" system, which is practiced throughout most of the rest of the world. Presently, in the United States, an inventor who first conceives and reduces to practice an invention is given priority over another person for a patent to that invention, even if the other person actually files an application for the invention first. Under the proposed reforms, the first party to get its application filed is the one entitled to the invention regardless of who was the first to invent; accordingly, the first inventor to file in the United States Patent and Trademark Office ("USPTO") will win the race and, thus, the patent.

This change will help to harmonize United States patent law with those of other countries throughout the world. However, opponents of the change suggest that this may put small businesses and sole inventors at a disadvantage, as it removes the safety net enjoyed by such small entities that first conceive and reduce to practice their inventions, but are beaten to the USPTO by another. These small businesses and sole inventors may not have the resources available to promptly draft and file patent applications on their inventions.

Converting to a "first to file" system will require changes in other areas of current United States patent law. For example, the current interference practice, established to ascertain who was the first to invent when multiple inventors are alleging they were, will be obsolete and, thus, phased out.

It is important to note that under the proposed Bill, an applicant would continue to receive a one-year grace period after disclosure of the patent in which to file a patent application in the United States, provided the disclosure is made by the applicant and the applicant is the first to file a patent application on the invention. This will be unique to United States patent law; most other countries require absolute novelty and do not recognize such a grace period after public disclosure of an invention. Therefore, upon disclosure of an invention prior to filing, the inventor will still forfeit the inventor's filing rights throughout most other countries.

## **Post-Grant Proceedings**

Another significant change resulting from the Bill will be the implementation of additional procedures for parties to challenge issued patents, including Post-Grant Review and Inter Partes Review.

- Under Post-Grant Review, a party will have a window of time (one year in the House version and nine months in the Senate version of the Bill) to submit a petition for Post-Grant Review of an issued patent. The petitioner may submit any prior art (patents or printed publications) relevant to the issued patent and may raise any questions of patentability (such as indefiniteness, lack of enablement, or written description).
- Under Inter Partes Review, if the window for filing Post-Grant Review is missed, Inter Partes Review can be sought up to the expiration date of a patent. This procedure will allow anyone to challenge an issued patent; however, such a challenge may be based solely on prior art patents or printed publications. This would replace the current Inter Partes Reexamination procedure.
- Traditional Ex Parte Reexamination will continue to be available based on a substantial new question of patentability, as is presently required.

## **False Marking**

In still another significant change, the Bill will amend the patent false marking statute so that qui tam actions (actions by an individual or entity brought on behalf of the Government) based on "false marking" will no longer be available to private parties. However, competitors still may bring false marking actions based on actual harm resulting from false marking, and the United States may bring actions for false marking based on the traditional \$500 per offense fine. This provision will apply to all pending false marking litigation.

## **Other Noteworthy Changes in the Bill**

- A patent owner will have the opportunity to request a supplemental examination of a patent. The patent owner will be able to provide corrected or new information to the USPTO or other information that was not accurately presented during the application process. If the USPTO concludes in a supplemental examination that the information does not impact the patent, the patent cannot be held unenforceable on the basis of information considered in the supplemental examination. This option will not be available where fraud is involved.
- Tax strategies will not be considered patentable subject matter because they will be deemed to be within the prior art and, therefore, not novel or nonobvious.
- Failure to disclose the "best mode" will not be a basis for rendering a patent invalid or unenforceable in a civil action.
- "Virtual marking" will be available, enabling the marking requirement to be fulfilled by including the word "patent" or "pat.," together with an Internet address listing the patent numbers associated with the product. The listing on the Internet could be kept up to date, making compliance with patent marking requirements easier.
- The House version of the Bill would mandate the establishment of three or more satellite offices of the USPTO in the United States, including an office in Detroit.

## **Conclusion**

If enacted, the Bill will introduce significant alterations to the current United States patent system. So what will this mean to you or your company as an inventor? Timely filing of your patent applications will be essential. You will need to revisit your procedures to eliminate the delay that often occurs between your conception and generation of an invention disclosure and your filing of your patent application. You may

want to revise and put procedures in place to identify inventions more quickly, evaluate their value, obtain the needed research and enablement, and get to the USPTO early. Otherwise, you or your company may lose your rights to a competitor who is first to file. You also may wish to establish or expand procedures to watch for issued competitor's patents for the purpose of potentially pursuing Post-Grant Review or Inter Partes Review. In any circumstance, it will be important for you and your company to understand your intellectual property holdings and strategies and the impact the proposed patent reform legislation will have when it is enacted into law.

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*For further information regarding the issues described above, please contact Ryan K. Simmons.*

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