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Keeping up with Patent Reform in 2011

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It has been about 60 years since Congress enacted sweeping changes to patent law. However, a recent interest in legal harmony with foreign nations and a recognition of the economic importance of intellectual property has provided an impetus for Congress to seek change once more. Therefore, starting in 2005, various patent reform bills were introduced to Congress in an attempt to accommodate these foreign and economic interests. As of 2010, though, none of the proposed bills had made it out of Congress and to the President's desk for signature. The debate is in full swing again in 2011 with the introduction and passage of the America Invents Act in the Senate and the introduction of a similar America Invents Act in the House of Representatives. These bills represent a series of compromises on big issues such as a first-to-file system and post-grant procedures, while also providing a variety of administrative changes to the US Patent and Trademark Office (PTO) itself. While there currently appears to be significant momentum toward enacting patent reform, a review of previous patent reform attempts shows that compromise can be exceedingly difficult for such broad reform. Therefore, the debate continues in 2011 when it will



once again be determined whether this will be the year for patent reform.

This article starts by providing a brief history of various patent reform legislative initiatives that have been introduced over the years and how they have fared in Congress. A detailed description of the current patent reform bills as of 2011, S.23 and H.R. 1249, is then provided with respect to the various legislative initiatives currently being considered. The article then concludes with a description of the current state of patent reform and possible outcomes for reform initiatives.

It should be noted that as of this writing, the Senate has passed S.23 and the House has introduced H.R. 1249 for consideration. Therefore, it is possible that by the time this article is published H.R. 1249 may have been amended and/or passed thereby moving S.23 and H.R. 1249 towards reconciliation.

History of Patent Reform

Progress toward the creation of patent reform bills began as early as April 2001. At that time, a series of Senate hearings was held regarding a variety of issues ranging from “business patent methods” to “market power” to “patent quality” and involved testimony from leaders in industry, academics, and professional organizations.¹ Further, in 2003 and 2004, two major studies were completed by the Federal Trade Commission (FTC)² and National Academy of Sciences (NAS)³, respectively, detailing the important features of the patent system and their relation to the economy.

On June 8, 2005, Representative Lamar Smith introduced a House version of the Patent Reform Act of 2005 proposing many of the recommendations made by the FTC and NAS.⁴ A very similar Senate version, the Patent Reform Act of 2006, was later introduced by Senator Orrin Hatch on June 3, 2006.⁵ While neither of these bills made it out of their respective committees, the debate over patent reform was just getting started.

On April 18, 2007, Representative Howard L. Berman introduced the Patent Reform Act of 2007 to the House Committee of the Judiciary.⁶ On the very same day, Senator Patrick J. Leahy introduced a similar bill to the Senate.⁷ Both of these bills broadly resembled the previous bills and for the most part represented a continuation of the debate. These bills, however, fared better than their predecessors by each being reported out of committee and placed on their respective floors. While the Senate bill did not get voted on, the House bill passed and was reported to the Senate. The House bill was not voted on in the Senate, however, as Democratic Chairman Leahy and ranking Republican Senator Arlen Specter could not come to agreement over highly contentious language

regarding the calculation of damages in patent litigation suits.

The debate continued into 2009 when three separate versions of the Patent Reform Act of 2009 were introduced in the 111th Congress. Two bills, the House of Representatives bill, H.R. 1260, and the Senate bill, S. 515, were introduced on March 3, 2009, by Representative Conyers and Senator Leahy, respectively. Further, on March 17, 2009, Senator John Kyl entered the fray by introducing a second Senate bill, S. 610, to the Senate Judiciary Committee. S. 515 was the only bill to receive significant attention, but after multiple Manager’s Amendments, it was never voted on after being moved to the Senate floor.

One major area of change proposed by current reform efforts relates to post-issuance patent revocation proceedings.

In early 2011, The America Invents Act (S. 23), a close replica of amended S. 515, was introduced to the Senate floor and passed only two months later, on March 8, 2011. Just over a month later, the House introduced its own America Invents Act (H.R. 1249) with minimal, but important, changes with respect to S. 515. As of this writing, H.R. 1249 is still pending on the House floor awaiting a vote.

Proposed Legislative Initiatives

What follows is a description of current US patent law and how S. 23 and H.R. 1249 will alter that law. These changes range from major reform to technical modifications and additions to the US Code.

As this topic has been discussed extensively, this article attempts to serve as a quick reference while also providing a more thorough discussion of each initiative. In doing so, the article is arranged such that the major and more contentious initiatives are discussed first, followed by the more technical amendments. A combined quick-reference chart of all the changes is provided in Appendix A.

Post-Issuance Review Proceedings

One major area of change proposed by current reform efforts relates to post-issuance patent revocation proceedings. Post-issuance proceedings involve the options available to challenge the validity of a granted patent. Two options, already included in the current system, include an *ex parte* and an *inter partes* reexamination proceeding for post-issuance review of patent validity in the USPTO. A third option, proposed by S. 23 and H.R. 1249, is the aptly named post-grant review proceeding.

To initiate any one of these revocation procedures, the challenger must first present a citation of prior art to question the patent claims' patentability.

Citation of Prior Art

While a citation of prior art can be done by any person at any time after issuance, it is often done at the initiation of a post-issuance proceeding. Further, in the current system, a person can cite only "prior art consisting of patents or printed publications which that person believes to have a bearing on the patentability of any claim of a particular patent."⁸

S. 23 and H.R. 1249 expand upon the current language by allowing written statements from the patent owner who took a certain position on the scope of the claims in proceedings before a Federal Court or the USPTO.⁹

Ex Parte and Inter Partes Reexamination

US patent law currently provides two procedures for reviewing the validity of patents once they have been granted: *ex parte* and *inter partes* reexamination.¹⁰ Both proceedings are handled in the Central Examination Unit of the USPTO by hand-picked primary examiners who work in teams of three. Further, in both methods of reexamination the patent does not enjoy a presumption of validity and the challenger may establish unpatentability by a preponderance-of-the-evidence standard.

An *ex parte* reexamination can be filed at any time during the enforceable life of the patent by the Director of the USPTO or third parties wishing to challenge the validity of the patent based on their citation of prior art. Being an *ex parte* reexamination, however, the third-party challengers are not allowed to participate in the proceeding.

An *inter partes* reexamination also can be filed at any time during the enforceable life of the patent, but it allows for third-party requesters to participate throughout the examination and appeal stages of the proceeding as an alternative to litigation. The *inter partes* proceeding can have an estoppel effect at a later trial by preventing third-party requesters from raising issues that they raised or could have raised at the reexamination proceeding.¹¹

S. 23 and H.R. 1249 provide that both reexamination proceedings will be heard before an administrative patent judge of the Patent Trial and Appeals Board rather than a primary examiner.¹² Both bills also rename *inter partes* reexamination "*inter partes* review." Further, both S. 23 and H.R. 1249 raise the threshold for initiating an *inter partes* examination from a "substantial new question of patentability" to "a reasonable likelihood that the

petitioner would prevail with respect to at least one of the claims."¹³ In addition, S. 23 provides that a petition for an *inter partes* review cannot be instituted until the later of nine months after the grant of a patent or the termination of a post-grant review proceeding.¹⁴ H.R. 1249, however, delays the window in which a petition for *inter partes* review can be instituted to one year after the grant of a patent or the termination of a post-grant review proceeding. Although the estoppel effect of an *inter partes* review was originally removed in previous legislative attempts, both bills retain the litigation estoppel effect of issues that were raised or could have been raised during an *inter partes* review and also provides a similar estoppel effect for proceedings before the USPTO.¹⁵ In addition, both bills provide that a petitioner may request the cancellation of one or more claims only on a ground that could be raised under 35 U.S.C. §§ 102 and 103 and only on the basis of prior art consisting of patents and printed publications.

Due to the current recession and the exorbitant cost and delays of patent litigation in the United States, *inter partes* reexamination is quickly becoming an inexpensive and more expedient alternative to invalidating the claims of a patent. Some argue, however, that the retention of the "could have raised" estoppel language provides a chilling effect on the use of *inter partes* reexaminations because parties are afraid of losing the ability to argue various issues in court based on an unknown determination of what "could have been raised" during the reexamination. This risk can be mitigated, though, by performing a thorough prior art search prior to filing the *inter partes* reexamination.

Post-Grant Review Proceedings

Another inexpensive way to question the validity of a patent while avoiding litigation is through a post-grant review proceeding. This procedure is common to foreign patent systems and allows for a third party to challenge a patent after its issuance. Both S. 23 and H.R. 1249 propose to establish a US version of a post-grant review proceeding.¹⁶

While seemingly similar to a reexamination, a post-grant review proceeding provides some key differences. Unlike reexamination, S. 23 stipulates that a third-party challenger has only nine months after the issuance of a patent to petition for review unless the patent owner later consents. H.R. 1249 provides a longer window of one year after issuance of a patent to petition for review, however. Under both bills, the Director of the USPTO must determine that the written request for review, along with any evidence, demonstrates that it is more likely than not that at

least one of the claims challenged in the petition is (1) unpatentable or (2) raises a “novel or unsettled legal question that is important to other patents or patent applications.”¹⁷ Additionally, the petitioner may not assert invalidity in a proceeding before the USPTO on grounds that reasonably could have been raised during the post-grant review.

Further, a post-grant review petition can be based on 35 U.S.C. §§ 101, 112, and 102/103 issues not limited to patents and printed publications, whereas requests for reexamination are limited to patents and printed publications. As with reexamination, the challenger has the burden of proving a proposition of unpatentability by a preponderance-of-the-evidence standard.

Both S. 23 and H.R. 1249 propose to establish a US version of a post-grant review proceeding.

Post-grant review proceedings are seen by some as another step on the path to harmonizing US patent law with the rest of the world. Further, it is hoped that it will be used to provide higher quality patents while also providing a cheaper alternative to litigation.¹⁸ There are worries, however, that a possible flood of post-grant review requests would not only cause a significant increase in the pendency of review but also provide an outlet for the harassment of competitors.¹⁹ Therefore, both bills include provisions providing sanctions for using *inter partes* review and post-grant reviews as a way to cause unnecessary delay or to increase the cost of a proceeding.

First Inventor to File

Another major proposed initiative involves the shift from a first-to-invent system to a first-inventor-to-file system. Changing to a first-inventor-to-file system is seen by many as one of the more significant changes proposed in the current patent reform. For at least the past 40 years, the United States has withstood proposals to switch to a first-to-file system and has maintained its first-to-invent system.²⁰ In holding to this ideal, the United States is the only nation to use this system.

In a first-to-invent system, when two or more independent inventors are seeking patent protection on the same invention, the patent will be given to whoever was the first inventor between the two. An interference proceeding, held at the USPTO, is the mechanism used to legally determine the first inventor when a dispute arises between inventors.²¹ This relatively complex proceeding

provides an outlet for an earlier inventor to make sure that he does not lose his invention because he could not file as quickly as another inventor. Interference proceedings are seldom used in real practice, however, and can often be very complex.²²

Both S. 23 and H.R. 1249 provide a switch to a first-inventor-to-file system that will remove the need for interferences, thereby making it far less burdensome to determine who should be awarded a patent. In a first-inventor-to-file system, the first inventor to file their invention at the USPTO is awarded potential patent rights.

It should be noted that derivation proceedings before the Patent Trial and Appeal Board are provided to prevent an individual from copying another's invention and then rushing to file first at the USPTO.²³ A petition to initiate this proceeding must be filed within one year after the first publication of a claim to the invention and must set forth with particularity how the earlier applicant derived the claimed invention.²⁴

Proponents of a first-inventor-to-file system typically include larger foreign and domestic companies. They argue that a first-inventor-to-file system is basically already in effect and that a change to the first-inventor-to-file will negatively affect very few, while providing the benefit of harmonizing the law with foreign patent systems.²⁵ Further, a first-inventor-to-file system provides the added benefit of removing the complex interference proceedings required to determine prior inventorship. Also, an inventor who is encouraged to disclose his invention as quickly as possible benefits the public by providing a quicker dissemination into the public warehouse of knowledge.

Opponents of a first-inventor-to-file system typically include independent inventors, small businesses, and universities. They submit that as smaller entities they are not equipped with the resources of a larger entity, thereby preventing them from winning a race to USPTO against these larger entities.²⁶ Further, it is often argued that the quality of patents inherently decreases when inventors are rushing to the USPTO to ensure entitlement to a patent on their invention.²⁷ It should be noted that an amendment to remove any first-to-file provisions in both S. 23 and H.R. 1249 was proposed but defeated for both bills.

Grace Period

In tandem with the switch to a first-inventor-to-file system, patent reform would modify the grace period currently afforded to inventors. US patent law currently affords inventors an absolute one-year grace period measured prior to the earliest US filing date in which to file their inventions with the patent office.²⁸ Disclosure arises out of earlier identical prior patents

or publications by the inventor or third parties. It can also arise out of a public use or sale of the invention in the United States. If the inventor does not file within this one-year grace period, his rights to a patent are forfeited. However, if a reference related to the invention is disclosed within this one-year grace period but before the patent application was filed, an inventor can predate such a disclosure by proving that he invented the subject matter before the reference date. This policy is designed to give inventors some time to determine the value of inventions while also forcing an eventual disclosure to the public through the publication of patent applications.

An amendment to remove any first-to-file provisions in both S. 23 and H.R. 1249 was proposed but defeated for both bills.

Both S. 23 and H.R. 1249 would change the grace period by making it apply only to patent applicants themselves. Therefore, disclosures made by applicant inventors before the disclosure by a third party and within the grace period, measured one year prior to the applicant's earliest filing date anywhere in the world, would not act as a bar to patentability. Only disclosures made by third parties prior to an inventor's filing date or disclosures made by inventors and their associates more than one year prior to the earliest filing date anywhere in the world can prevent an inventor from getting a patent.²⁹ Further, both bills change the definition of disclosures to encompass any disclosure made anywhere in the world rather than just in the United States.

Interestingly, these changes with respect to the language included in S. 23 create a potential grace period loop-hole in that S. 23 refers only to "disclosures" such that the grace period could be interpreted as applying only to disclosures rather than also including other commercialization activities such as non-public sales or offers for sale, which are considered prior art under current law. Therefore, under this interpretation, a non-public sale or offer for sale by the inventor one day prior to filing for a patent could act as a bar to patentability. H.R. 1249 originally contained the same loop-hole but was fixed via a Manager's Amendment by limiting the prior art to patents, printed publications, or that which is "otherwise disclosed to the public." Accordingly, a non-public sale or offer for sale would no longer be considered prior art. The Manager's Amendment further defines that "disclosed to the

public" shall be construed via the public accessibility criteria employed by the courts in addressing whether a disclosure constitutes a printed publication and further states that the public accessibility criteria shall be used regardless of the manner in which the disclosure resulted in the subject matter disclosed being known or used.

As noted, these changes in the definition of what constitutes prior art represents a shift to a first-inventor-to-file system and are designed to encourage faster disclosure to the public while also providing closer legal harmony with foreign patent systems.

Marking

Current US patent law encourages patent owners to mark their products covered by a patent with the word "patent" or the abbreviation "pat." together with the number of the patent.³⁰ Marking is encouraged so that the public is put on notice as to the exclusive property rights relating to manufactured products. Failure to mark a product can prevent a patentee from recovering in an infringement action unless it can be proven that the infringer was notified of the infringement and continued to infringe.³¹

False marking arises when a party affixes a patent number to a product with the intent to deceive the public because the patent does not actually cover the product or is expired.³² Further, current US patent law allows *any person* to sue, on behalf of the government, the patent holder by alleging false marking even if that person has not directly suffered harm or injury due to the false marking. Recent decisions have held that a party suing for false marking can receive a share of up to \$500 per falsely marked product, making such lawsuits potentially highly lucrative. As a result, there has been a recent surge in false marking claims brought against patent owners whose products contain an expired patent number. These claims are often brought by entities having no connection to the manufactured product but that are merely looking to take advantage of the law.

To address this issue, both S. 23 and H.R. 1249 provide that only parties who have suffered a competitive injury as a result of false marking may file a civil action to recover damages rather than allowing any party to file a civil action on behalf of the government.³³ The bills ensure that this provision applies to the deluge of false marking cases that have recently flooded courts by providing that the new law will apply to all cases, without exception, pending on or after the date on which they are enacted.³⁴ It should be noted that both bills also

provide that a “virtual marking” of manufactured product affixing the word “patent” or the abbreviation “pat.” along with an internet address that associates the patented article with the number of the patent, provides notice to the public.³⁵ H.R. 1249 provides additional protection by absolving patentees from liability for false marking that occurs (1) during the three-year period beginning on the date on which the patent at issue expires and (2) if the word “expired” is placed before patent markings on the product.

Prior User Rights

Prior user rights are one of the few legislative provisions for which S. 23 and H.R. 1249 differ significantly in their legislative scope. Generally, prior user rights come about via the patent system as a defense against patent infringement when the accused infringer invented the claimed invention prior to the patentee but failed to seek patent protection. In most instances, prior user rights do not exist under US law. However, The American Inventors Protection Act of 1999 established a first inventor defense to protect the prior user rights of an earlier inventor under certain conditions but limited the defense to patents of a “method of doing or conducting business.”³⁶

S. 23 proposes to enhance the first inventor defense by also providing protection to affiliates of an inventor. In other words, the defense may be asserted by an individual inventor “as well as any other entity that controls, is controlled by, or is under common control with such person.”³⁷

H.R. 1249 broadens the scope of the currently prior user rights law by making it apply to any type of invention rather than just methods of doing or conducting business but limits this expanded scope by having it apply only to those inventions used commercially in the United States for at least one year before the effective filing date of the patent at issue.³⁸

Proponents of prior user rights reform, such as the financial services and biotechnology industries, argue that an inventor or company should be able to enjoy the fruits of their labor as long as their invention was discovered independent of the patentee. Some argue that this type of protection allows for continued innovation in the technology area between large companies rather than creates a chilling effect on research through fear of an infringement allegation. This will in turn benefit the public by increasing competition and further innovation between firms.

Opponents argue that the proposed modifications reduce the value of patents while providing an incentive

to keep inventions secret, which runs counter to one of the main goals of the patent system to disseminate useful innovation to the public.³⁹

Supplemental Examinations/ Inequitable Conduct

Another contentious issue of patent law is finding a proper standard for determining inequitable conduct. Under current US law, inequitable conduct is determined by the courts when a patent applicant breaches his duty of candor, good faith, and disclosure to the USPTO with intent to deceive while applying for a patent.⁴⁰ To determine a breach of duty, the courts apply a two-prong approach of analyzing and weighing against each other the (1) level of materiality of the withheld information and (2) intent to mislead the USPTO.⁴¹ Most importantly, a determination of inequitable conduct can render an entire patent unenforceable.

Both bills aim to reduce the inequitable conduct assertions as well as assertions that a patent applicant failed to comply with the duty of disclosure to the USPTO by providing supplemental examinations. Through these proceedings, an applicant may request supplemental examination of a patent to consider, reconsider, or correct information believed to be relevant to the patent.⁴² If a substantial new question of patentability is raised by one or more items in the request, a reexamination of the patent will be initiated by the USPTO, and the applicant’s patent may not be held unenforceable based on the submitted information once it is determined that it has no effect on patentability.⁴³ Further, the submitted information cannot be used as the basis for an inequitable conduct claim later in court. It should be noted that supplemental examinations do not prohibit the USPTO from investigating and issuing sanctions for misconduct in connection with any matters or proceedings before the USPTO.

While many argue that inequitable conduct is used too frequently in litigation by accused infringers to distract a court from the main issues of infringement, the new supplemental examination proposal attempts to provide a way for parties to mitigate the number of patents that might be asserted by an opposing party for an inequitable conduct claim.

Third-Party Submissions During Prosecution

Another proposed legislative initiative inspired by the desire for higher-quality patents relates to third-party pre-grant submissions. Unlike post-grant review proceedings and reexamination, which take place after a patent has been granted, third-party submissions

are made while a patent application is pending after publication. Under current US law, a submission by a member of the public can be in the form only of patents or publications that are relevant to a pending published application.⁴⁴ This submission cannot include any pre-grant protest or opposition statement concerning the cited patents or publications.⁴⁵ Further, a submission must be filed within two months from the date of publication of the application or prior to a mailing of the notice of allowance of the application, whichever is earlier.⁴⁶

S. 23 and H.R. 1249 proposes significant modifications to the current submission rules.⁴⁷ First, any submission must now include a concise description of the relevance of any submitted document. Second, the submission must be made in writing before the earlier of (1) the notice of allowance or (2) the later of either six months after the date the application is published or the date of the first rejection.

The goal of such legislation is to provide the USPTO with as much relevant information as possible so that higher-quality patents can be issued. The eligibility of submissions cannot be so extensive, however, that it provides a flood of information to an already backlogged patenting process. Therefore, an attempt is made to balance these concerns by proposing limits on the timing and nature of permitted submissions.

Tax Liability

Both bills provide tax strategy provisions stating that “any strategy for reducing, avoiding, or deferring tax liability, whether known or unknown at the time of the invention or application for a patent, shall be deemed insufficient to differentiate a claimed invention from the prior art.”⁴⁸ In other words, the USPTO will not give patentable weight to strategies for reducing, avoiding, or deferring tax liability.

To ensure protection to tax-related inventions, however, exclusions were included in both bills to protect parts of an invention that are a method, apparatus, computer program product, or system used solely for preparing a tax or information return or other tax filing. H.R. 1249 provides additional exclusions for inventions used solely for financial management to the extent that they are severable from any tax strategy or do not limit the use of any tax strategy by a taxpayer or tax advisor.

Best Mode

Best mode requires that an inventor disclose the best way of carrying out his invention.⁴⁹ To meet this requirement, an inventor must (1) possess a best mode

for practicing his invention at the time of filing and (2) sufficiently disclose the best mode such that one of ordinary skill in the art could practice the invention. Currently, failure to properly disclose the best mode can prevent a patent from being granted by the USPTO and can also invalidate a granted patent during litigation.⁵⁰

Proponents argue that a best mode requirement is essential for public disclosure and proper use of the invention. Some argue, however, that it has become an increasingly costly and distracting satellite issue in litigation that detracts from the main issues of infringement.⁵¹ Both bills eliminate the use of best mode as a way to invalidate a granted patent during litigation and prevent best mode from being used to initiate a post-grant review proceeding but retain it as a requirement that must be met when initially applying for a patent at the USPTO.⁵² As with other proposed initiatives, this change provides some partial legal harmony by further aligning the US patent system with the rest of the world.

USPTO-Related Changes

Current legislative initiatives also address changes and additions to rules and regulations relating to the USPTO. As discussed below, these changes will have a large impact on the day-to-day operations of the USPTO.

USPTO Fee Setting

The USPTO is granted the ability to establish regulations not inconsistent with the law.⁵³ This does not provide for ultimate authority, however, as certain areas of the law and rulemaking are left to Congressional oversight and judicial decision. Therefore, the courts can determine what is within or not within the USPTO’s regulatory authority.⁵⁴

Both bills introduce legislation that explicitly moves the adjustment of fees set by statute within the province of USPTO regulatory authority. The legislation provides the USPTO with the authority to set or adjust by rule any fee established or charged by the office provided that the fees are in the aggregate set to recover estimated USPTO costs.⁵⁵ The fee-setting legislation also increases the appeal of filing new applications electronically with the USPTO by adding \$400 to any application that is not filed electronically.⁵⁶ The USPTO is also seeking to add a 15 percent surcharge to statutory fees. It should be noted that H.R. 1249 provides a four-year sunset period at which point the USPTO will lose its ability to set fees unless reinstated via Congressional action.

Patent

APPENDIX A: THE CHANGES PROPOSED IN S. 23 AND H.R. 1249

	S. 23	H.R. 1249
Citation of Prior Art	Increases the types of permissible prior art available for citation.	Similar to S. 23.
<i>Inter Partes</i> Review	Raises the threshold for initiating an <i>inter partes</i> to a reasonable likelihood that the petitioner would prevail with respect to at least one of the claims. A petition for an <i>inter partes</i> reexamination cannot be instituted until the later of nine months after the grant of a patent or the termination of a post-grant review proceeding.	Similar to S. 23 except that a petition for an <i>inter partes</i> reexamination cannot be instituted until the later of one year after the grant of a patent or the termination of a post-grant review proceeding.
Post-Grant Proceeding	Provides nine months after the issuance of a patent to petition for review. Must demonstrate that it is (1) “more likely than not that at least one of the claims challenged in the petition is unpatentable” or (2) raises a “novel or unsettled legal question that is important to other patents or patent applications.” Additionally, the petitioner may not assert invalidity in a proceeding before the USPTO on grounds that reasonably could have been raised during the post-grant review.	Similar to S. 23 except that it provides one year after the issuance of a patent to petition for review.
First-Inventor-to-File	Provides a shift from a “first-to-invent” system to a “first-to-file” system. Removes interference proceedings.	Similar to S. 23.
Grace Period	The current grace period would only apply to applicants themselves. Changes disclosure to include public use or sale anywhere in the world.	Similar to S. 23.
Marking	Only parties who have suffered a competitive injury as a result of false marking may file a civil action to recover damages. Products can now be virtually marked with an internet address associating the patented article with the patent number.	Similar to S. 23 except that it provides additional protection absolving patentees from liability for false marking that occurs (1) during the three year period beginning on the date on which the patent at issue expires and (2) if the word “expired” is placed before patent markings on the product.
Prior User Rights	Extends the current “first inventor defense” to affiliates of the inventor.	Similar to S. 23 except that it broadens the scope of the currently prior user rights law by making it apply to any type of invention rather than just methods of doing or conducting business but limits this expanded scope by having it apply only to those inventions used commercially in the United States for at least one year before the effective filing date of the patent at issue.
Supplemental Examinations / Inequitable Conduct	Applicant may request supplemental examination of a patent to consider, reconsider, or correct information believed to be relevant to the patent. If a substantial new question of patentability is raised by one or more items in the request, a reexamination of the patent will be initiated and the applicant’s patent may not be held unenforceable based on the submitted information once considered.	Similar to S. 23.
3rd Party Submissions	Increases the types of permissible submissions. Submissions must include a description of the relevance of submitted documents.	Similar to S. 23.

Tax Liability	Any strategy for reducing, avoiding, or deferring tax liability, shall be deemed insufficient to differentiate a claimed invention from the prior art. Includes exclusions to protect parts of an invention used solely for preparing a tax or information return or other tax filing.	Similar to S. 23 except that it provides additional exclusions for inventions used solely for financial management to the extent that they are severable from any tax strategy or do not limit the use of any tax strategy by a taxpayer or tax advisor.
Best Mode	Maintains best mode as a requirement in prosecution. Eliminates best mode as a way to invalidate a patent in litigation and ensures best mode cannot be used as a basis to initiate a post-grant review proceeding.	Similar to S. 23.
USPTO Fee Setting	Gives the USPTO authority over the setting and adjusting of fees provided that the fees are in the aggregate set to recover estimated USPTO costs.	Similar to S. 23.
USPTO Fee Diversion	Establishes a revolving fund containing fees collected by the USPTO that can be used to fund USPTO operations.	Similar to S. 23.
USPTO Venue	Modifies where the USPTO is subject to venue when it is party to a suit.	Similar to S. 23.
Residency of Federal Circuit Judges	Repeals the residency requirement of Federal Circuit judges. Provides facilities and administrative support services where judges reside.	Not included.
Conditions for Patentability	Creates a loop-hole allowing public use or sale by the inventor prior to the date of application for a patent to act as a bar to patentability. Removes 35 U.S.C. § 102 (c), (d), and (f) from US code.	Similar to S. 23 except that the loop-hole created by S. 23 is fixed by stating that the USPTO shall use public accessibility criteria employed by the courts in addressing whether a disclosure constitutes a printed publication.
Patent Trial and Appeal Board	Establishes a Patent Trial and Appeal Board to replace the Board of Patent Appeals and Interferences.	Similar to S.23
Willful Infringement	The failure of an infringer to obtain or present the advice of counsel with respect to an allegedly infringed patent may not be used to prove willful infringement or intended to induce infringement	Similar to S. 23.

USPTO Fee Diversion

As of 1990, approximately 80 percent of USPTO costs are funded through user fees from obtaining and maintaining patents and trademarks.⁵⁷ It was not long, however, before Congress realized that it could divert money obtained from USPTO revenue to make up for shortfalls in other programs. As such, it is estimated that from 1992 to 2004 as much as \$750 million has been diverted from the USPTO to fund other government operations.⁵⁸ Further, the Consolidated Appropriations Act of 2010 allows for the diversion of fees that exceed USPTO fee collection estimates.⁵⁹

Although expected to be a highly contentious issue, both bills propose establishing a revolving fund containing fees collected by the USPTO that can be used to fund USPTO operations. This

provision ensures that the USPTO will have more revenue to tackle the ever increasing backlog of applications and provides increased revenue allowing for upgrades to the antiquated IT infrastructure at the USPTO as well as the hiring of more examiners.⁶⁰

USPTO Venue

A technical modification proposed by S. 23 and H.R. 1249 is to change the venue in suits where the USPTO is a party. Currently, when the USPTO is a party in a suit it is subject to venue in the US District Court for the District of Columbia.⁶¹ Therefore, both bills modify the venue statute to make the USPTO subject to venue in the US District Court for the Eastern District of Virginia when it is a party to a suit.⁶²

Residency of Federal Circuit Judges

Under current US law known as the Baldwin Rule, Federal Circuit judges are required to live within 50 miles of the District of Columbia.⁶³ While the House chose not to include a provision with respect to the residency of Federal Circuit judges in H.R. 1249, S. 23 repeals the Baldwin Rule but contrary to previous legislative attempts does not include provisions that the Administrative Office of the United States will provide “appropriate facilities and administrative support services” where the judges actually reside or in the closest district to where the judge resides.⁶⁴

The motivation behind such changes is to increase the pool of available judges that could serve on the Federal Circuit. Some judges are reluctant to move, and it is thought that this change will not only provide an incentive to consider a term on the Federal Circuit but also provide for a better selection of qualified judges to deal with the complexity common to patent law issues.

Opponents to the residency requirement argue that the Federal Circuit, and subsequently patent law in general, would not be better served by these changes. In a letter addressed to the Patent Reform Legislation Group, Federal Circuit Chief Judge Paul Michel stated that the “court is greatly assisted [by the residency requirement] ... because most days judges can and do meet face-to-face to discuss cases, just by walking down the hall” and that “these face-to-face contacts contribute greatly to more consistent and clear rulings.”⁶⁵

Conditions for Patentability

Patent reform also seeks to change the conditions for patentability by updating the law to reflect current practice and usage. These conditions are defined in § 102 of the Patent Act and describe various ways in which an inventor can be denied patent eligibility.

Section 102(b) states that a person shall be entitled to a patent unless “the invention was patented or described in a printed publication in this or a foreign country, more than one year prior to the date of application for patent in the United States.”

S. 23 amended this language to recite, in part, that “a disclosure made less than one year before the effective filing date of a claimed invention shall not be prior art to the claimed invention if” § 102(c) states that a person shall be entitled to a patent unless “he has abandoned the invention.”⁶⁶ Abandonment only comes about when “the inventor intend[s] to abandon the invention,”⁶⁷ and in making such a determination, “[any] reasonable doubt should be resolved in favor of the inventor.”⁶⁸

Section 102(d) prevents patent eligibility if (1) a person filed for a patent in a foreign office more than 12 months before filing in the US and (2) if a patent was granted in a foreign office before filing in the US.⁶⁹

Section 102(f) understandably prevents an inventor from obtaining patent protection if he did not invent the subject matter sought to be patented.⁷⁰

Section 102(e) prevents patent eligibility if there exists a US patent or US published application that was filed before the applicant’s application.⁷¹ Section 102(g) prevents patent eligibility if, before the applicant’s invention, the invention was made in the United States by another inventor who did not abandon, suppress, or conceal the invention.⁷² Both sections rely on the often criticized Hilmer Doctrine, which states that, regardless of priority provisions under § 119⁷³ and/or the Paris Convention,⁷⁴ a US patent application that eventually issues is effective as prior art only as of its US filing date regardless of any foreign priority date.⁷⁵

Both bills propose to modify the definition of prior art by deleting paragraphs (c), (d), and (f) of § 102 from the US Code. The driving force behind these changes is that paragraphs (c) and (d) are seldom used or cited⁷⁶ and paragraph (f) is covered elsewhere in Code.⁷⁷ Further, both bills propose the elimination of the Hilmer Doctrine so that the definition of prior art of a US patent application that eventually issues is the priority date rather than the US filing date.⁷⁸ As with other proposed legislative initiatives, these changes provide legal harmony by further aligning the US patent system with the rest of the world.

Patent Trial and Appeal Board

A technical change to current US patent law is the establishment of the Patent Trial and Appeal Board. Currently, appeals of examiners decisions, appeals of decisions from reexamination, and interferences are all heard by the Board of Patent Appeals and Interferences. However, because interferences would no longer be required in a first-inventor-to-file system, both bills propose to establish a Patent Trial and Appeal Board in place of the Board of Patent Appeals and Interferences.⁷⁹ This board will consist of administrative patent judges and will hear appeals of examiners and appeals from reexamination proceedings as well as conduct post-grant review proceedings.

Damages, Willful Infringement, and Venue

Although one of the original driving forces towards the creation of patent reform, previous

proposed changes with respect to damages, willful infringement, and litigant venue were not included in S. 23 and H.R. 1249 as the Court of Appeals for the Federal Circuit (CAFC) has been extremely active in issuing a variety of case law addressing these issues over the past six years of failed legislative patent reform attempts.⁸⁰

It should be noted, however, that both S. 23 and H.R. 1249 retain provisions stating that the failure of an infringer to obtain or present the advice of counsel with respect to an allegedly infringed patent may not be used to prove willful infringement or an intent to induce infringement.

Conclusion

The America Invents Act of S. 23 and H.R. 1249 represent some of the most sweeping changes in US patent law since the Patent Act of 1952. Many of the changes, such as switching to a first-inventor-to-file system and post-grant review, are designed to harmonize US patent law with foreign patent systems, whereas other changes, such as USPTO fee setting and fee diversion, are designed to provide equitable solutions to long-standing administrative problems in the patent system itself. Overall, however, the impetus for providing sweeping changes is to encourage innovation while also stimulating the economy.

While some of the more controversial provisions, such as damages, have been removed from current reform efforts, many believe that as in years past, patent reform does not have enough momentum or support to pass when a compromise must be reached on such a broad range of patent reform issues. Further, the US economy is just starting to show signs of recovering from one of the worst recessions in history, and many wonder if now is the best time to be meddling with changes to the current system.

Some, however, ascribe the recent economic stagnation as the very reason why patent reform should be enacted. The USPTO is one of the few government entities that operates solely on office fees, and it is therefore argued that patent reform can stimulate the economy through innovative incentives while costing nothing to the taxpayer.

Whether The America Invents Act will ever make it out of the 112th Congress and to the President's desk for signature is always a question up for debate. With the passage of S. 23 and H.R. 1249 pending on the House floor, however, enactment of patent reform legislation has never been closer. Therefore, the debate over patent reform continues into its sixth year and one is left to wonder once again whether this year will be the year for patent reform.

Notes

1. Patent Reform Hearing Timeline in the House, 2001—2007. Available at <http://judiciary.house.gov/hearings/pdf/PRefTimeline.pdf>.
2. See note 3 at 1.
3. National Research Council (U.S.). Committee on Intellectual Property Rights in the Knowledge-Based Economy, "A Patent System for the 21st Century", Stephen A. Merrill, Richard C. Levin, and Mark B. Myers, editors, (2004), ISBN 0-309-08910-7.
4. H.R. 2795, 109th Congress, 2005.
5. S. 3318, 109th Congress, 2005.
6. H.R. 1908, 110th Congress, 2007.
7. S. 1145, 110th Congress, 2007.
8. 35 U.S.C. § 301. These statements will then become part of the official file.
9. S. 23 § 5; H.R. 1249 § 5.
10. See generally 35 U.S.C. Chapter 30 and 31.
11. 35 U.S.C. § 315(c).
12. S. 23, § 5; H.R. 1249, § 5; see Patent Trials and Appeals Board below.
13. S. 23, § 5; H.R. 1249, § 5. It should be noted that H.R. 1249 originally retained the "substantial new question of patentability" but this was later changed in a Manager's Amendment to correspond to the S.23 "reasonable likelihood" standard before being submitted to the House floor.
14. *Id.*; see Post Grant Review Proceeding below.
15. S.23, § 5; H.R. 1249, § 5.
16. *Id.*
17. *Id.*
18. See *supra* note 3 at 7; Bronwyn H. Hall and Dietmar Harhoff, "Post-Grant Reviews in the U.S. Patent System—Design Choices and Expected Impact," (2004), at 27. Available at <http://elsa.berkeley.edu/~bhhall/papers/HallHarhoff04BTLJ.pdf>.
19. Stephen G. Kunin and Anton W. Fetting, "The Metamorphosis of *Inter Partes* Reexamination," 19 *Berkeley Tech. L.J.* 971, 977 (2004).
20. Michael F. Martin, "The End of the First-to-Invent Rule: A Concise History of its Origin," 49 *Intellectual Property Law Review* 435 (2009). Available at <http://www.piercelaw.edu/assets/pdf/idea-vol49-no3-martin.pdf>.
21. 35 U.S.C. § 135.
22. Wendy H. Schacht and John R. Thomas, "Patent Reform in the 111th Congress: Innovation Issues," CRS Report R40481 (2009), at 14.
23. S. 23, § 2, H.R. 1249, § 2.
24. *Id.*
25. David Kappos, Director of the USPTO, "Director's Forum: David Kappos' Public Blog," (2009). Available at http://www.uspto.gov/blog/director/entry/director_s_forum_david_kappos.

26. Rebecca C.E. McFadyen, "The 'First-to-File' Patent System: Why Adoption is NOT an Option!," 14 *Rich. J.L. & Tech.* 3, 34 (2007).
27. *Id.* at 31.
28. 35 U.S.C. § 102(b).
29. S. 23, § 2; H.R. 1249, § 2.
30. 35 U.S.C. § 287(a).
31. *Id.*
32. 35 U.S.C. § 292.
33. S. 23, § 2; H.R. 1249, § 15.
34. *Id.*
35. S. 515, § 4; H.R. 1249, § 15.
36. 35 U.S.C. § 273.
37. S. 23, § 4; H.R. 1249, § 4.
38. H.R. 1249, § 4.
39. Vincenzo Denicolo and Luigi A. Franzoni, "Patents, Secrets, and the First-Inventor Defense," *Journal of Economics and Management Strategy*, (2004), at 517–38.
40. 37 C.F.R. § 1.56.
41. *Larson Manufacturing Co. v. Aluminart Products Ltd.*, 559 F.3d 1317, 1326 (Fed. Cir. 2009).
42. S. 23, § 10; H.R. 1249, § 11.
43. *Id.*
44. 37 C.F.R. § 1.99(a).
45. *Id.* at § 1.99(d).
46. *Id.* at § 1.99(e).
47. S. 23, § 7; H.R. 1249, § 7.
48. S.23, § 14; H.R. 1249, § 13.
49. 35 U.S.C § 112, First Paragraph.
50. *See Wellman, Inc v. Eastman Chemical Co.* (Fed. Cir. 2011).
51. Congressman Mike Pence, "At the Judiciary Committee, I offered a best mode relief amendment that was accepted. The Pence Amendment retained best mode as a specifications requirement for obtaining a patent, the intent being to maintain in the law the idea that patent applicants should provide an extensive disclosure to the public about the invention.
"But, the Pence Amendment endeavored to remove best mode from litigation by saying that it could not be used as a legal defense to infringement in patent litigation. Increasingly, in patent litigation, defendants have put forth best mode as a defense and a reason to find a patent unenforceable. It becomes a satellite piece of litigation in and of itself and distracts from the actual issue of infringement and costs American inventors millions in legal fees." (2007). Available at http://mikepence.house.gov/index.php?option=com_content&task=view&id=460&Itemid=65.
52. S. 23, § 15; H.R. 1249, § 14.
53. 35 U.S.C. § 2.
54. For example, *see generally* *Tafas v. Dudas*, 511 F. Supp. 2d. 652 (E.D.Va. 2007).
55. S. 23, § 9; H.R. 1249, § 9.
56. *Id.*
57. *See* USPTO Funding Diversion History at The Library of Congress. Available at http://thomas.loc.gov/cgi-bin/cpquery/?&dbname=cq109&sid=cq109OaGul&refer=&tr_n=hr372.109&item=&sel=TOC_11043&.
58. Letter from Michael K. Kirk, then Executive Director of the American Intellectual Property Law Association (AIPLA), to Senate Minority Leader Mitch McConnell, (2007). Available at http://www.aipla.org/Content/ContentGroups/Legislative_Action/110th_Congress1/Testimony6/McConnell-AdequateFunding.pdf.
59. Interestingly, the Consolidated Appropriations Act of 2010 removed language recommended in the President's budget that would have permitted the USPTO to spend up to \$100 million more if actual 2010 fee collection exceeded estimates.
60. Senator Orrin Hatch (R-UT), "By prohibiting the practice of diverting fees to pay for other programs, the Agency will be able to ensure that fees paid by inventors are used solely for USPTO operations. The resource-starved agency is still trying to recover from the almost \$750 million in patent and trademark application fees that were diverted away from the USPTO between 1992 and 2004. As a result, the Agency has been unable to hire, train, and retain the number of qualified examiners needed to handle the ever-increasing number of patent application filings. Moreover, the practice of fee diversion has inhibited the Agency from playing more of a key role in combating counterfeiting and piracy, both domestically and abroad." (2009). Available at http://hatch.senate.gov/public/index.cfm?FuseAction=PressReleases.View&PressRelease_id=aad5a49a-1b78-be3e-e0df-472df87f4cf6.
61. 15 U.S.C. § 1071(b)(4).
62. S. 23, § 8; H.R. 1249, § 8.
63. 28 U.S.C. § 44 (c).
64. S. 23, § 11.
65. *Id.*
66. 35 U.S.C. § 102(c).
67. *In re Gibbs*, 437 F.2d 486, 168 USPQ 578 (CCPA 1971).
68. *Ex parte Dunne*, 20 USPQ2d 1479 (Bd. Pat. App. & Inter. 1991).
69. 35 U.S.C. § 102(d).
70. 35 U.S.C. § 102(f).
71. 35 U.S.C. § 102(e).
72. 35 U.S.C. § 102(g).
73. 35 U.S.C. § 119.
74. Convention for the Protection of Industrial Property, Mat. 20, 1883, 1 Bovaas 80 (revised by Paris Convention for the Protection of Industrial Property, July 14, 1967, 21 U.S.T. 1583).
75. *In re Hilmer*, 359 F.2d 859, 882–83 (C.C.P.A. 1966); *In re Hilmer*, 424 F.2d 1108 (C.C.P.A. 1970). Also *see* 35 U.S.C. §§ 363 and 375(a).

76. Wendy H. Schact and John R. Thomas, "Patent Reform in the 111th Congress: Innovation Issues," CRS Report R40481 (2009), at 17.
77. 35 U.S.C. § 101 states, "Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title."
78. S. 23, § 2; H.R. 1249, § 2..
79. S. 23, § 6; H.R. 1249, § 6.
80. Cases such as *Lucent Technologies, Inc. v. Gateway, Inc.*, 580 F.3d 1301 (Fed. Cir. 2009); *ResQNet.com, Inc. v. Lansa, Inc.*, 594 F.3d 860 (Fed. Cir. 2010); and *Uniloc USA, Inc. v. Microsoft Corp.* (Fed. Cir. 2011); *In re TS Tech USA Corp.*, 551 F.3d 1315 (Fed. Cir. 2008).

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