

Intellectual Property Alert

U.S. Senate Passes Significant Patent Reform Legislation

March 10, 2011

On March 8, 2011, the U.S. Senate passed S.23, the “America Invents Act” (the “Act”), by a bipartisan vote of 95 to 5, representing a significant overhaul of the U.S. patent system. The Act now moves to the U.S. House of Representatives. The following are the key provisions in the Act—

- **First-to-File** – The Act transitions the U.S. patent system from a first-to-invent system to a first-to-file system, which allows the first inventor to file a patent application in the U.S. Patent and Trademark Office (PTO) to potentially obtain patent rights. Whether an inventor can obtain the patent depends on the prior art that is available before the application’s “effective filing date” in the PTO. This provision harmonizes U.S. patent law with that of the rest of the world. The Act includes a grace period, designed to protect individual inventors, that allows inventors to file a patent application one year after the first public disclosure of the invention.
- **Challenging Patentability** – New procedures for challenging the patentability of a pending patent application or the validity of a newly issued patent are included in the Act:
 - *Preissuance Submissions by Third Parties* – The Act permits any third party to submit prior art for consideration during pendency of a patent application. The PTO will, thus, have greater opportunities to assess relevant prior art.
 - *First-Window Post-Grant Challenges* – With respect to issued patents, the Act creates a first-window post-grant opposition proceeding, in which third parties may petition the Patent Office to institute a review of the validity of a patent up to nine months after the patent issues from the PTO. A third party would be permitted to challenge at least one claim of a newly issued patent on essentially any grounds of invalidity. This proceeding is intended to increase both the quality of patents and certainty for inventors and assignees.
 - *Reexamination* – Under the Act, proceedings for the *inter partes* reexamination of issued patents will be modified to reduce the delays present in the current system. The Act calls for (i) *inter partes* reexaminations of issued patents to be conducted by a panel of three administrative law judges and (ii) a final determination to be reached within 12 months after the proceeding is initiated by the PTO. Additionally, the Act institutes a higher threshold requirement for initiating the proceeding, in that the prior art applied against the patent must provide a “reasonable likelihood that the petitioner would prevail,” instead of the current “substantial new question of patentability” standard. The Act also includes certain time restrictions for filing a request for reexamination in the context of parallel litigation involving the same patent. Notably, *ex parte* reexamination procedures remain unaffected by the Act.
- **Supplemental Examination** – The Act permits supplemental examination of issued patents at the request of the patent owner. Specifically, a patent owner may request the supplemental examination of an issued patent by the Patent Office to consider or correct information believed to be relevant to the patent. Within three months of the request, the PTO will conclude whether the information raises a “substantial new question of patentability” that



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would warrant reexamination. Importantly, evidence disclosed by a patent owner to the PTO during this supplemental examination cannot later be asserted by a defendant as evidence of inequitable conduct, provided the supplemental examination proceeding has concluded. This prevents patentees already involved in litigation from rushing to the PTO to cure potential inequitable conduct issues.

- **Fee Diversion** – The Patent Office will have direct access to all of the fees it collects. Currently, the PTO’s fees are diverted into an account at the U.S. Treasury, and the PTO is limited in the percentage of those fees it is allotted from this account. In the last two decades, Congress has diverted approximately \$800 million collected from PTO fees to other federal spending. The elimination of this fee diversion should assist the Patent Office in reducing the backlog of pending patent applications.
- **False Marking** – The ability to assert *qui tam* claims for false patent marking is greatly restricted in this legislation. Specifically, false marking actions would be available only to (i) the United States government or (ii) parties that suffered a competitive injury as a result of false marking. Additionally, this change to current false marking practice would be effective for all false marking cases that are pending at the time the legislation is enacted. This provision may bring an end to the recent increase in false marking suits.
- **Best Mode** – An inventor’s failure to disclose the best mode to practice the invention under 35 U.S.C. § 112 will be eliminated as an invalidity defense in a patent enforcement action. However, the best mode requirement for obtaining a patent during prosecution would still exist.
- **Business Method Patents** – The Act provides for an alternative to civil litigation to challenge business method patents in the Patent Office in light of last year’s decision by the U. S. Supreme Court in *Bilski v. Kappos*.¹ This transitional proceeding is limited to specific categories of prior art and will be available for four years after the effective date of the provision. The intent of this provision is to offer an alternative to litigation and reduce some of the burden on the courts.

To view the complete bill, as passed by the Senate, click [here](#).

Disclosure: Akin Gump Strauss Hauer & Feld LLP represents the Coalition for 21st Century Patent Reform, which has publicly supported S.23.

CONTACT INFORMATION

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¹ See Akin Gump client alert “*Bilski v. Kappos: Business Method Patents Survive to Fight Another Day*” (June 29, 2010).