

The America Invents Act and Sweeping Patent Reform Moves Closer to Reality

The United States patent system is on the verge of the most significant patent reform since the U.S. Patent Act of 1952. The “America Invents Act,” contained in bills S.23 and H.R.1249, has been approved by both the House of Representatives and the Senate. However, there are a number of important differences between the bills that must be reconciled before a full legislative vote will be possible.

H.R. 1249 Approved by the House on June 23, 2011

On June 23, 2011, the House of Representatives approved their version of the America Invents Act by a vote of 304-117. In passing the bill, the House approved six minor amendments and a manager’s amendment, and rejected seven proposed amendments. The manager’s amendment, offered by House Judiciary Committee Chairman Lamar Smith (R-Texas), creates a fund for fees collected by the United States Patent and Trademark Office (“PTO”). The PTO is free to use a predetermined amount of that fund, but must appeal to Congress to access fees collected in excess of the amount. Although this system would end the fee diversion that has siphoned nearly \$1 billion from the PTO over the past 20 years, Congress would still maintain oversight over fees collected by the PTO. In contrast, the Senate bill, approved by a vote of 95-5 on March 8, 2011, gave the PTO fee setting authority, although the PTO would be required to submit fee proposals to Congress, which could then act on the proposal.

Regarding fees collected by the PTO, both bills propose a 50% reduction in fees for small entities and the creation of a new entity category called “microentities” which would receive a 75% reduction in fees. In the House bill, for example, a “microentity” is currently defined as: (i) a small entity that has 4 or fewer filed patent applications, has a gross income less than 3 times the median household income, and has not granted rights to the invention to another entity with a gross income less than 3 times the median household income; or (ii) an applicant who is or works for a public institution of higher education and who has granted rights in the invention to the institution.

Further, representing one of the most monumental changes to United States patent law, both bills would transition the current patent system to a first-to-file format. Notoriously, the United States still operates under a first-to-invent system. If the America Invents Act is ultimately signed by President Obama, the first inventor to file an invention with the patent office will be eligible to receive a patent, even if they were not the first to invent. Interference Proceedings, which are currently used to determine who invented something first, will be replaced by Derivation Proceedings, which would ensure that the applicant is actually an inventor and did not derive the invention from someone else.

Also spurred by a switch to the first-to-file system, the current one-year prior art grace period will largely be abolished, although applicants will be entitled to a one-year period before the filing date of an application in which their own disclosures are not considered prior art.

Another interesting area of reform would be post-filing activity by third parties. Both bills create a system in which any third party can submit a reference for consideration and inclusion in the record of a pending patent application. The submission must include an as-yet-undetermined fee as well as “a concise description of the asserted relevance of each submitted document.” Both bills also create procedures for an inter partes review process and a post-grant review process by the PTO following petition by a third party.

The bills would also affect patent litigation. For example, the false marking law codified at 35 U.S.C. § 292 would be modified by the bills to establish a statute of limitations and to allow “only the United States” to sue for the \$500 penalty. However, the bills would allow “[a]ny person who has suffered a competitive injury as a result of a violation of this section” to file a civil action for recovery of damages sufficient to compensate for the injury.

Is a Compromise Possible?

Efforts to reconcile the two bills have not yet begun, and given the strong feelings on both sides of the PTO fee issue, it is clear that compromise will be difficult. However, compared to the many other attempts at patent reform over the past decade, the America Invents Act appears to be the most likely contender to usher in significant reforms to the current patent system.

If you have any questions, please contact George R. McGuire, Chair, Intellectual Property Practice Group, at 315.218.8515 or gmcguire@bsk.com.
