



CONGRESS CONSIDERS SIGNIFICANT CHANGES TO PATENT LAW

Bill gives edge to inventors who file first patent application

By **ANTHONY P. GANGEMI**

In a bipartisan vote of 95-5, the U.S. Senate voted last month to pass S. 23, the “America Invents Act,” which includes the most significant changes to patent law in more than 50 years. The House of Representatives recently introduced a first version of its own patent law reform act, H.R. 1249.

Although the Senate bill includes a variety of provisions, some of the more significant ones accomplish the following:

- Change the U.S. system from a “first to invent” system to a “first to file” system
- Create a post-grant opposition system within the Patent Office for challenging patents
- Raise the standard for allowing inter partes re-examination of patents, another way to challenge patents after they are granted
- Alter how the U.S. Patent and Trademark Office (USPTO) is funded.

First-To-File System

Presently, the U.S. is the last of the major developed nations to have a first-to-invent system. In a first-to-invent system, an inventor who can prove — using evidence such as lab notebooks, etc. — that he or she was the first to invent is given priority to the invention over someone else who was the first to file a patent application disclosing the invention in question.

A first-to-file system provides more certainty in that the inventor who files first is given priority to the invention over all others. Critics of first-to-file complain that it hurts the small inventor who lacks the resources to file a patent application quickly.

Interestingly and in contrast to most other countries, the Senate bill actually includes a “first-inventor-to-file” system, where a disclosure of the invention is prior art except in the case of a disclosure by the inventor(s) himself (or a person who obtained the subject matter from the inventor). In that case, the inventor gets a one-year grace period in which to file an application after making a disclosure. This type of system has the effect of encouraging early disclosure. Most other countries insist on absolute novelty, where there is no grace period to file after disclosure by anyone, including an inventor.

The Senate version of post-grant opposition will allow anyone to petition the USPTO to cancel a patent claim from an issued patent within the first nine months after it was issued. Such a system would provide a much less expensive way for third parties to challenge a patent as compared to current options and would further harmonize U.S. law with other countries, many of which offer some type of post-grant opposition.

Inter Partes Re-Examination

The Senate changed the threshold for gaining inter partes review from whether “a sub-

stantial new question of patentability exists” to whether “there is a reasonable likelihood that the petitioner would prevail with respect to at least one of the claims challenged in the petition.” Such a change will make it more difficult for parties to challenge patents.



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USPTO Funding

The Senate bill includes two major provisions related to USPTO funding. First, it provides that the USPTO will have fee setting authority for patent and trademark applications without approval from Congress.

Second, it prohibits the diversion of any fees collected by the USPTO for non-patent uses. As part of the anti-diversion provisions, the bill would establish a revolving fund to ensure that all fees collected by the USPTO are controlled by the agency until used.

The House version, introduced on March 30, differs from the Senate bill in several ways. First, while maintaining the first-to-file provisions of the Senate proposal, it expands prior user rights to all types of inventions. Under the current law and the Senate bill, prior user rights are available with re-

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spect to only business method patents. Prior user rights provide a defense to patent infringement if an alleged infringer can prove that it reduced the patented subject matter to practice at least one year before the effective filing date of the patent and it commercially used the subject matter before the effective filing date of the patent.

While maintaining much of the Senate's language with respect to post-grant opposition, the House bill includes additional provisions that add defendant-friendly restrictions on related litigation. First, H.R. 1249 requires that patent infringement lawsuits be brought in a venue where the defendant "has a regular and established place of business."

The House bill allows a defendant to immediately appeal a denial of a request for a stay to the U.S. Court of Appeals for the Fed-

eral Circuit for a de novo review. Finally, with respect to infringement lawsuits related to business method patents, the House bill provides that the "prevailing party shall be entitled to reasonable attorney's fees and costs."

With respect to inter partes re-examination, the House bill differs in a few ways that are friendlier to parties challenging patents. First, it maintains the current standard for allowing such review, which is lower than the Senate bill's standard. Second, it gives an alleged infringer three extra months over the Senate's time period to initiate inter partes review – nine months rather than six months. Third, the House bill includes additional provisions that increase the likelihood of a stay of related court or International Trade Commission proceedings.

Although the initial version of H.R. 1249

includes the same provisions as S. 23 with respect to USPTO funding, the ban on fee diversion may not survive the House process. U.S. Rep. Jim Sensenbrenner, R-Wis., has already suggested that the fee diversion provisions be stripped from the House bill and voted on separately.

Passage of patent reform is not guaranteed. However, with a goal of trying to develop an environment in America that better promotes job creation, politicians are feeling significant pressure from major patent holders to develop a system with more certainty.

At the same time, small inventors continue a push to ensure their rights are not weakened. Over the next several weeks, Congress will have to work through these competing differences if its latest attempt at patent reform is to succeed. ■