

Senate Passes Patent Reform; Bill Presented to President for Signature

September 9, 2011

After debating patent reform bills for more than six years, on September 8, 2011, the Senate passed the most significant changes to United States patent law since 1952. President Obama is expected to sign the bill, known as the Leahy-Smith America Invents Act (the Act) into law quickly.

Arguably the Act's greatest change to the United States patent system is the move from a "first-to-invent" system to a "first-inventor-to-file" system. This change harmonizes the United States with most other countries. Doing away with the "first-to-invent" system also serves to end interference proceedings, though the Act provides for derivation proceedings that can be brought by patent applicants who allege that an earlier filed patent application is derived from the invention claimed in their application.

The Act also establishes new post-issuance patent review proceedings: the post-grant review process and *inter partes* reviews. A post-grant review of a patent can be submitted by a third party within the first nine months after issuance. *Inter partes* reviews may be submitted by a third party after the nine-month period for requesting a post-grant review expires. An important difference between the two review procedures is that once the procedures are in place, a third party may now argue invalidity of a patent claim based on 35 U.S.C. §§ 102, 103, and/or 112 in post-grant review. When requesting an *inter partes* review, on the other hand, a third party may only argue invalidity of a claim based on a printed publication under 35 U.S.C. §§ 102 and/or 103. Once the director grants the petition for either a post-grant review or an *inter partes* review, the patentability arguments will be presented to a panel at the Patent Trial and Appeal Board (formerly, the Board of Patent

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Appeals and Interferences) instead of a patent examiner. Third parties who request post-grant or *inter partes* reviews need to be aware that they are estopped from asserting in a subsequent litigation that a claim is invalid on any ground that they “raised or reasonably could have raised” during the review.

Other changes from the Act will impact patent litigation strategies. Recently, the Court of Appeals for the Federal Circuit tightened the definition of “materiality” in inequitable conduct cases. See *Therasense, Inc. v. Becton, Dickinson & Co.*, No. 2008-1511, 2011 WL 2028255 (Fed. Cir. May 25, 2011) (*en banc*). In some instances, the Act may permit patentees to avoid assertions of inequitable conduct entirely. Patentees will now be able to request supplemental examination of patents to “consider, reconsider, or correct information believed to be relevant to the patent.” After conclusion of the supplemental examination, the patent cannot “be held unenforceable on the basis of conduct relating to information that had not been considered, was inadequately considered, or was incorrect in a prior examination of the patent.” Thus, supplemental examination can “cleanse” the original patent of inequitable conduct. In order to take advantage of this, a patentee must wait to initiate an infringement litigation until after the supplemental examination is concluded. The patentee must also request supplemental examination before receipt of a Paragraph IV Notice under 21 U.S.C. § 355(j)(2)(B)(iv)(II) and before any inequitable conduct allegations are pled with the requisite particularity in a civil action.

Additional changes to the patent system detailed in the Act include establishing a post-grant review process for business method patents, granting the Patent and Trademark Office (PTO) the power to increase fees, an adjustment to deadlines for seeking patent-term extension and limiting lawsuits regarding products marked with expired patent numbers.

Most of the changes are scheduled to go into effect a year or more after the president signs the Act into law. However, some notable changes, such as granting the PTO fee-setting authority, eliminating standing for *qui tam* false marking suits and prohibiting patents on strategies for “reducing, avoiding or deferring tax liability,” will be effective immediately. Notably, the elimination of standing for *qui tam* false marking suits applies to currently pending cases; these cases will be dismissed.