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Patent Reform Is On the Horizon

by John Hammond, PE and Robert Gunderman, PE

Reform Bills Pass in Both Chambers

After many years of starts and stops, it appears that a major overhaul of our patent system is about to occur. On March 8th, bill S.23[1] was passed by the U.S. Senate. The House of Representatives passed its version of the bill, HR 1249[2], on June 23rd. Because the two versions of the bill differ, the process of reconciliation remains to be completed. This may occur soon, and the President has indicated that he will sign whatever final legislation emerges from Congress. So by the time that you read this column, the "America Invents Act" could be the law of the land.

Major Changes to Occur

This legislation is the most significant revision to our patent laws in over 50 years. Its major provisions are as follows:

- Changing from a "first to invent" to a "first inventor to file" system, such that in a conflict between two applicants, the first inventor to file a patent application is awarded the patent; the date of invention is no longer relevant.
- Expanding the definition of prior art to include any disclosure of an invention that occurs prior to filing a patent application. (A "personal[3]" one-year grace period remains as an exception.)
- Expanding "prior user" defenses of infringement[4] under 35 U.S.C 273 to include the subject matter of all patents, not just business method patents as the present law requires.
- Extending the period during which third parties may submit prior art to the USPTO to consider in examination of a pending patent application.
- Addition of a Post-Grant Review process, which permits any third party to institute a challenge to a patent on any ground of invalidity within 12 months[5] of issuance of the patent.

Although the final details of the bill remain subject to reconciliation, it is likely that it will be enacted with the substance of these major provisions intact.

The Debate Rages On

Although the Senate version of the bill passed by a 95 – 5 vote, and the House version passed 304 – 117, the "America Invents Act" is highly controversial. Advocates of the AIA assert that it will stimulate innovation, reduce patent litigation, create jobs, and harmonize our patent laws with the rest of the world. Opponents argue that it will significantly damage the abilities of startups and small technology companies to compete with large companies. It will be more difficult and expensive for small businesses to obtain and enforce patents, thereby also making it more difficult to build an asset base that attracts investment and ultimately creates jobs.

Like most small business owners involved with intellectual property, we agree with the opponents of the AIA. We believe that the "first inventor to file" and more limited grace period provisions will likely force a "race to the Patent Office" to file a patent application before sufficient research and development is done to fully define an invention.

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Then each time an incremental improvement occurs, another patent application will need be filed before any public disclosure, offer for sale, or public use of the improved invention.

The cost of this will be difficult for small technology companies to absorb. Although patent reform has been sorely needed in the U.S. for years, it is difficult to see how this new law will ultimately have the economic benefits its proponents claim, given the likely effects on small businesses that produce the major share of job growth in our economy.

The Effects on Your Business

Nonetheless, the America Invents Act appears to be almost a *fait accompli*. Thus it is time to assess its impact on how research and development is done, and how patent protection must be sought for new technologies. If you own or operate a business for which patents are a critical tool, you should be considering some changes in your strategy for future patent application filings, and how you protect your information before filing those patent applications. Once we know for certain that the America Invents Act has passed, and what its final provisions are, we will discuss in a future column some of the impacts of the changes and suggest some ways to retool your patent strategy in light of these changes.

1. www.gpo.gov/fdsys/pkg/BILLS-112hr1249ih/pdf/BILLS-112hr1249ih.pdf
2. www.gpo.gov/fdsys/pkg/BILLS-112s23es/pdf/BILLS-112s23es.pdf
3. Section 102(b), both bills.
4. HR 1249 only.
5. 12 months in HR 1249, 9 months in S.23; subject to reconciliation.

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Note: This short article is intended only to provide cursory background information, and is not intended to be legal advice. No client relationship with the authors is in any way established by this article.

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An icy horizon on the Upper Chesapeake Bay in winter.