



# *SBLC WEEKLY*

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## ***FORM 1099***

The Senate majority is struggling to sort out how it will handle the revenue offset issue for the Form 1099 expansion repeal. As reported in the last week's Weekly, the Senate can pass H.R. 4 as is, and sent it to the President. H.R. 4 as passed by the House uses the health insurance premium assistance recapture as the offset. The Senate can substitute the rescission of unspent funds offset that was used in the Senate-passed FAA reauthorization bill. The Senate could strip out any offset, if it waived its offset rules. It could also substitute a new offset. Any of these last three options would require further House action or a conference committee.

## ***AMERICA INVENTS ACT***

The Senate has passed S. 23, the America Invents Act. The bill changes our patent granting system from "first to invent" to "first to file." "First to invent" means if you can prove that you invented it first even though somebody has already filed, you will be granted the patent. The rest of the world uses "first to file." Historically, it was thought small businesses benefitted from "first to invent" because big

companies had the lawyers and resources to file early and often.

The bill establishes the opportunity for third parties to submit information (prior art) related to a pending application for consideration by a patent examiner in an effort to block the granting of a patent.

The bill also creates a "first window" post-grant opposition proceeding, open for nine months after the grant of the patent, to provide others an "easier" path to assert a patent should not have been granted. The theory is that an administrative challenge is "cheaper" than litigation.

At the same time, the bill creates a higher threshold for, and modifies an existing "inter partes" administrative reexamination (now a "review") after a patent has been issued. "Inter partes" is Latin for "between the parties" but basically anyone can file for such an re-examination, the "inter partes" means the person challenging the patent can participate in the proceedings as opposed to "ex parte" when only the government and the applicant are involved.

What is the difference between this new first window post grant review and the current inter partes reexamination? The new post grant review can be based on any grounds such as the fact the patent was granted for unpatentable subject matter, while the "inter partes" is limited to the fact the patent was not based on nonobviousness or novelty because there are other patents or printed publications that pre-date it.

(Under longstanding patent law, an invention cannot be patented if: "(a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent," or "(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country more than one year prior to the application for patent in the United States. Also, the subject matter sought to be patented must be sufficiently different from what has been used or described before that it may be said to be nonobvious to a person having ordinary skill in the area of technology related to the invention.)

The America Invents Act would prohibit patents on tax strategies,

which often lead to additional fees on taxpayers who are simply complying with the tax laws.

The bill creates a transition program for review of business method patents, which have been controversial, as many alleged infringers claim that there is plenty of prior art on these methods and the patents should not have been granted. Business method patents claim “a method or corresponding apparatus for performing data processing operations utilized in the practice, administration, or management of a financial product or service, except that the term shall not include patents for technological inventions.”

Under the bill, subject to available resources, the USPTO may establish a Patent Ombudsman Program. The duties of the program's staff shall include providing support and services relating to patent filings to small business concerns.

Under current law, small businesses receive a break on filing fees. They would continue to get such relief, while micro businesses would get a new additional reduction. The fees for maintaining patent applications and patents are reduced by 50 percent for small entities. Under the bill, the fees shall be reduced by 75 percent for micro entities.

A small business is defined on an industry by industry basis using the size standards published by the U.S. Small Business Administration. A micro entity is a small entity that has not been named on 5 or more previously filed patent applications and did not in the prior calendar year have a gross income exceeding 3 times the most recently reported median household income, as reported by the Bureau of Census.

The Senate deleted most of the provisions regarding damages, since the belief is the court with jurisdiction over most patent cases has “straightened out” the damages confusion through precedents.

The House Judiciary Committee is expected to produce its own version of a patent reform bill. It is likely the House consideration will result in another round of debates over the “first to file” provision and the post grant review process.