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PATENT SYSTEM REFORM

When it returns from its “District Work Week”, the House will vote on the America Invents Act, H.R. 1249, a bill to modernize and reform the patent system. The Senate approved their version, S. 23, back in March. There are only a couple of differences between the House and Senate bills and quick reconciliation of the two versions is expected after House passage.

Big businesses on opposite sides of the issue duked it out over the last couple of Congress on a variety of issues but they magically struck some compromises during the Senate debate that cleared the way for passage. Don’t ask me which big businesses are the winners or losers.

There will be opposition on the House floor; some of it based on concern for small business, as the bill would change the United States system from granting patents to the “first to invent” to the “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 rest of the world uses the “first to file” system.

The House debate will feature a “debate” on the constitutionality of the “first to file” change. This will happen because the House rules were changed earlier this year. The first rule change stated:

“A bill or joint resolution may not be introduced unless the sponsor submits for printing in the Congressional Record a statement *citing as specifically as practicable the power or powers granted to Congress in the Constitution to enact the bill or joint resolution.* The statement shall appear in a portion of the Record designated for that purpose and be made publicly available in electronic form by the Clerk.”

This is done routinely now. H.R. 1249 will have its requisite statement, referencing Article I, Section 8 which gives Congress the power to grant protection for “Writings and Discoveries.”

What makes it interesting is a second change found in the “Legislative Protocols for the 112th Congress.” It states: “If not fewer than 50 members sign a letter to the Chair of the Committee on Rules requesting a *separate period of debate to discuss the constitutionality* of a measure considered under a rule, the Chair shall include such a period of separate debate, not to exceed 20 minutes, evenly divided and controlled between a Member specified in the letter and a Member defending the committee position. *The rule will not provide for a separate vote on a question of the sufficiency of any constitutional authority statement.*”

Well, fifty members, drawn from both parties, have filed a letter requesting

the period of separate debate. I am not sure whether it is the first time it has been invoked but it is the first time I am writing about it. In the scope of things, it probably isn’t going to change the outcome and as the protocol itself states, the rule and protocol do not require an actual vote on the constitutionality issue.

In this specific situation, strict constructionists say the Constitution prohibits the “first to file” change because the Constitution refers to “inventor” and under first to file, the patent might be awarded to the paperwork-adept instead of the inventor. Article I, Section 8, of the United States Constitution gives Congress various powers. Among them is the power “To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries”

Most of us are going to stop reading here. But if you want to know more about the patent reform bills, read on.

MORE THAN WHAT YOU WANT TO KNOW ABOUT PATENT SYSTEM REFORM

Other provisions of the House and Senate bills:

The bills 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 bills also creates a “first window” post-grant opposition proceeding, open for a period of time 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 bills 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. Tax strategies allow clever folks who come up with a good, legal way to reduce tax liability to charge you a fee if you use their clever idea.

The bills 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 bills, 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.

WAY MORE THAN YOU WANT TO KNOW

If you want to read even more about the patent system and why folks are trying to “reform” it, see the SBLC Weekly of February 7, 2011.