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Senate Passes America Invents Act

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The U.S. Senate passed patent reform bill S. 23 (the "America Invents Act") in a 95-5 vote. Following previously unsuccessful overhaul attempts, ultimate passage of the present legislation would mark the first significant reform of the nation's patent system since the American Inventors Protection Act of 1999. The America Invents Act will now be considered by the House of Representatives in the coming weeks. The full text of the Act can be found here.

The America Invents Act would change U.S. patent law from the current "first-to-invent" approach to a "first-to-file" approach, which is used in most industrialized nations. This change is significant because it awards patent rights to the party who files a patent application first, not necessarily the party who invented the idea first. Inventors would still be given a one-year grace period to file a patent application after publishing their inventions. Moving to a "first-to-file" approach also eliminates the need for the current interference proceedings. In its place, the Act creates derivation proceedings for determining whether one inventor derived the invention from another inventor's application. The Act also replaces the Board of Patent Appeals and Interferences with a Patent Trial and Appeal Board.

The Act enables an entity to file an application on behalf of an inventor who assigned, or is under an obligation to assign, the invention rights to the entity, without requiring the inventor to sign the application.

Other provisions of the Act are directed to improving patent quality by expanding the ability of third-parties to challenge patent applications during prosecution and patents after issuance. Prior art submitted by third parties may be considered by examiners throughout prosecution of pending applications. A patent opposition system will provide a nine-month window for third-parties to seek invalidation of issued patents. After that, a modified *inter partes* post-grant review may be used to challenge a patent's validity.

The Act creates a supplemental examination process to allow patentees to request post-grant consideration, reconsideration or correction of information believed to be relevant to patentability. The USPTO will determine if the patentee's request raises a substantial new question of patentability within three months. If so, the patent will be placed into reexamination. If not, the patentee's request may prevent an alleged infringer of the patent from raising an inequitable conduct defense in litigation. The Act also eliminates the defense that a patent is invalid if it fails to disclose the best mode of the invention while, in seeming contradiction, preserving the written description requirement to set forth the best mode for practicing an invention.

Presumably in response to the recent dramatic increase in false marking lawsuits, the Act eliminates such actions except for those filed by the U.S. government or by a competitor who can prove competitive injury.

The Act also helps improve the USPTO's funding by granting the USPTO director authority to set fees, and eliminating the common practice of diverting fees collected by the USPTO to other government entities. Building upon the current discount provided to small

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entities, the Act gives a 75% discount on fees for defined micro-entities, such as inventors who have been named on fewer than five previous applications and who have a gross income of less than three times the median household income.

Other notable provisions of the Act include priority review of technologies important to American competitiveness, such as "green" technologies relating to renewable energy, transitional post-grant review procedures for certain business method patents, the elimination of certain tax strategy patents, and the establishment of USPTO satellite offices, including a new office in Detroit, Michigan.

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