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IP FRONTIERS

An update on patent reform legislation

The U.S. Congress is currently considering patent reform legislation that would represent the first significant change to patent law since 1952.

On March 8, the Senate overwhelmingly passed the America Invents Act (S. 23 or AIA), with a bipartisan-supported vote of 95-5. The House of Representatives introduced its version of the AIA (H.R. 1249) on March 30. The House Judiciary Committee approved the reform bill and now it heads to the House floor for debate.

If passed, the America Invents Act will bring our patent system into closer harmony with other major patent offices by shifting from a first-to-invent system to a first-to-file system.

Under our current first-to-invent system, patent applications receive an effective filing date when they are filed. However, applicants are currently permitted to prove an earlier invention date to pre-date certain prior art references and activities, and to determine the first inventor so as to resolve disputes when at least two parties have filed patent applications covering the same subject matter (interference practice).

By switching to a first-to-file system, these issues would no longer arise — inventors would no longer be able to swear behind prior art or establish priority in interferences. Instead, applications would be given an effective filing date at the time of filing, and patentability would be determined based on any prior art that was available prior to the filing date, notwithstanding the date of invention. The legislation maintains the one-year grace period, under which patentability may not be barred by disclosures made by or derived from the inventor.

The patent reform legislation also includes provisions that are intended to allow the U.S. Patent and Trademark Office to operate more efficiently in examining and issuing high quality patents, which is imperative considering the office's backlog of more than 700,000 patent applications.

For example, the legislation would allow the PTO to set and retain its own fees, thereby allowing the office to hire more patent examiners and to reduce the backlog of applications. Currently, it is not unusual for applicants to wait years before their patent applications are even picked up for examination. By allowing the PTO to address its backlog of applications, the new legislation

would allow for more rapid issuance of patents.

The efficient issuance of patents is imperative, for example, to companies that rely on patents for commercialization and attracting venture capital funding. The success of even one such company could create many jobs. The proposed legislation also creates a new "micro entity" status, which will allow certain applicants to benefit from a 75 percent reduction in large entity fees. This new status could significantly benefit startups and individual inventors.

The proposed legislation also includes provisions intended to produce high-quality patents, and to prevent issuance of questionable patents that are easily obtained and difficult to challenge. These provisions include:

- Pre-Issuance Third-Party Submissions — allowing third parties to submit relevant printed publications to the PTO for inclusion in the record, and for consideration by the examiner if submitted within the requisite time period;
- Third-Party Requested Post-Grant Review — allowing third parties, within nine months of issuance, to challenge the validity of patent claims for failure to meet any of the conditions or requirements for patentability; and
- *Inter Partes* Review Proceedings — replacing *inter partes* re-examination, this provision would allow third parties to challenge validity of a patent after the nine-month period based only on considerations of novelty and obviousness issues raised by prior art patents and printed publications.

Differences between the Senate and House bills exist and before any legislation is ultimately signed into law, reconciliation of these differences and other contentious provisions (e.g., supplemental examination and prior user rights) remains necessary. Contingent upon this reconciliation, we may very well soon see substantial patent reform, which PTO Director David J. Kappos expects will dramatically help the entire U.S. innovation community.

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