



SUMMARY OF S. 23, THE PATENT REFORM ACT OF 2011

	<p align="center">S. 23 (As approved by Senate Judiciary Co., 02/03/11)</p>	<p align="center">AIPLA Position</p>
<p align="center">First-Inventor-to-File</p>	<p>The provision moves the U.S. to a first-inventor-to-file system. Section 102 is rewritten and corresponding changes are made to section 103.</p> <p>Section 102 provides that a person shall be entitled to a patent unless –</p> <ul style="list-style-type: none"> (1) the claimed invention was patented, described in a printed publication, or in public use, or on sale or otherwise available to the public; or (2) the claimed invention was described in an issued patent or a published patent application. <p>Except, a disclosure made 1 year or less before the effective filing date shall <u>not</u> be prior art if,</p> <ul style="list-style-type: none"> • the disclosure was made by the inventor, joint inventor, or another who obtained the subject matter from the inventor or joint inventor, or • the subject matter disclosed had been publically disclosed by the inventor or joint inventor or another who obtained the subject matter directly or indirectly from the inventor or joint inventor. 	<p>AIPLA strongly supports adoption of a first-inventor-to-file priority system.</p> <p>AIPLA supports amending section 102 to limit patent defeating prior art to information which is publicly accessible.</p> <p>AIPLA supports preserving prior art exemptions for common assignment and joint research. Specifically, we support the preservation of the applicable provisions of the CREATE Act.</p>

- A disclosure shall not be prior art under (a)(2) if,
 - The subject matter was obtained directly or indirectly from an inventor or joint inventor;
 - The subject matter disclosed had, before such subject matter was effectively filed under section (a)(2), been publically disclosed by the inventor or joint inventor or another who obtained the subject matter directly or indirectly from the inventor or joint inventor; or
 - The subject matter disclosed and the claimed invention, not later than the effective filing date of the claimed invention, were owned by the same person or subject to an obligation of assignment to the same person.

Note: provision removes geographical limitation to prior art.

The joint research agreement exemption (i.e., the CREATE Act) is maintained.

Section 103 is amended to state: “A patent for a claimed invention may not be obtained, notwithstanding that the claimed invention is not identically disclosed as set forth in section 102, if the differences between the claimed invention and the prior art are such that the claimed invention as a whole would have been obvious before the effective filing date of the claimed invention to a person having ordinary skill in the art to which the claimed invention pertains. Patentability shall not be negated by the manner in which the invention was made.”

	<p>Section 104 on establishing a date of invention for inventions made abroad is repealed, consistent with a first-inventor-to-file regime.</p> <p>Statutory invention registration at Section 157 is repealed.</p> <p>Other technical amendments and definition changes consistent with the change to a first-inventor-to-file system.</p> <p>An interference procedure is retained for applications filed before the effective date of the legislation.</p>	
<p>CREATE Leg History</p>	<p>Expressly retains CREATE Act legislative history in new Section 102(d)(2).</p>	
<p>Derivation proceedings</p>	<p>Changes the civil action for an interfering patent in Section 291 to a civil action for derivation, permitted only within a year after the patent issues; establishes derivation proceedings before the Patent Trial and Appeal Board in Section 135 to determine the right of the applicant to a patent, replacing interference proceedings. Settlement and arbitration provisions have been provided.</p>	<p>AIPLA supports the establishment of derivation proceedings.</p>

False Marking	Provision amends the false marking statute at Section 292 to state that only the United States may sue for penalty under subsection (a), and amends (b) to permit private action for damages upon a showing of competitive injury.	AIPLA supports the amendments to the false marking statute.
USPTO Disciplinary Proceedings	Amends the statute of limitations for USPTO disciplinary proceedings to state that a proceeding must be commenced not later than the earlier of 10 years from misconduct or 1 year after the offense is known to the Office. Provision also requires the PTO to report to Congress on the number of proceedings of misconduct before the Office.	AIPLA does not support the proposed change as there has been no explanation as to why it is needed.
Study on FITF	Requires Small Business Administration, in consultation with the PTO, to conduct a study within 12 months after enactment on the changes made regarding a first-inventor-to-file system.	
Report on Prior User Rights	Requires USPTO Director to report to Congress on the operation of prior user rights in selected countries.	
Inventor's Oath	Provision requires the inventor or joint inventor in a patent application to execute an oath or declaration with respect to submitted information.	AIPLA supports maintaining the requirement for including in a patent application an oath or declaration of the inventor in the manner described.

Assignee Filing	Permits an application for patent to be filed by the assignee of the inventor.	AIPLA supports the provisions permitting an application for patent to be filed by the assignee of the inventor.
Damages	<p>Requires the court to identify methodologies and factors that are relevant to determining damages, permitting the court or jury to only consider those when making a determination. Parties are required to submit their proposed methodologies and factors no later than entry of final pretrial order. Court shall identify on the record those methodologies and factors as to which there is a legally sufficient basis and only admit evidence relevant to those methodologies and factors.</p> <p>Any party may request that a trial be sequenced so that questions of infringement and validity are decided before the issues of damages and willful infringement are tried.</p>	While AIPLA has no opposition to the Senate language on damages, the case for changing the law has not been made. Additionally case law has evolved to address many of the concerns about the state of the law in this area. AIPLA would also be open to considering balanced statutory language if a consensus among stakeholders can be achieved.
Willful Infringement	Although the introduced version of the bill attempted to codify the standards from recent case law (i.e. <i>Seagate</i>), these provisions were deleted during Committee consideration as unnecessary.	AIPLA agrees with the recommendations of the NAS on the need to lesson or eliminate certain subjective elements in patent litigation and believes case law has evolved to address many of the concerns about the state of the law in this area.

<p>Prior User Rights</p>	<p>The limitation of the prior user defense in business method infringement actions to persons whose acts created the defense (Section 273(b)(6)) is extended to those who caused those acts or who controlled such persons.</p>	
<p>Virtual Marking</p>	<p>Provision amends section 287(a) to permit patent owners to satisfy the marking requirement by referencing a publically available Internet address.</p>	
<p>Inter Partes Review</p>	<p>An inter partes review (IPR) petition may be filed the later of 9 months after grant or after a post-grant review proceeding has terminated. Petitioner may raise 102 or 103 grounds only based on patents and printed publications. Director must determine if there is a reasonable likelihood that the petitioner would prevail with respect to at least one of the challenged claims.</p> <p>An IPR may not be instituted if the petitioner has filed a civil action challenging the patent’s validity, or if the petition is filed more than 6 months after the petitioner is served with a complaint alleging infringement. Director may join parties who have filed petitions and may also determine the manner in which the IPR and other matters proceed.</p> <p>The petitioner is estopped from requesting another action before the Office with respect to any ground raised or reasonably could have raised during the initial IPR proceeding; petitioner is also estopped from asserting in district court or in the ITC any validity claim on a ground raised in an IPR proceeding. Director shall prescribe regulations to govern various aspects of the proceedings.</p>	<p>AIPLA generally supports the text on inter partes review.</p>

	<p>Hearings are before administrative patent judges who must make final determination within one year. However, an additional six months may be available with a showing of good cause. The Director may impose a limit on the number of IPRs in each of the first four years.</p>	
<p>Post-Grant Review</p>	<p>Establishes an “all-issues” post-grant review (PGR) proceeding in which parties may seek cancellation of patents on any validity ground that could be raised under paragraph (2) or (3) of section 282(b). A post-grant review petition must be filed within 9 months after the patent is issued.</p> <p>The petition must set forth the claim sought to be cancelled, the basis for the cancellation, as well as evidence, including copies of patents and printed publications, or written testimony under oath or declaration by the witness, or any other information the Director may require.</p> <p>Within three months after receiving a preliminary response from a patentee, PTO Director is to make a threshold determination that the petition includes information providing sufficient grounds to believe that it is more likely than not that at least one or more of the claims challenged is unpatentable, or by a showing that the petition raises a novel or unsettled legal question.</p> <p>A PGR may not be instituted if the petitioner has filed a civil action challenging the validity of the patent, or if the petition is filed more than six months after the petitioner has been sued for infringement.</p> <p>Director can join multiple PGRs and may also determine the manner in which the PGRs and other matters proceed.</p>	<p>AIPLA supports the adoption of a post-grant opposition proceeding to promptly challenge the validity of a patent after grant and to address any questions of quality of the patents granted by the USPTO.</p>

	<p>The petitioner is estopped from requesting another action before the Office with respect to any ground raised or reasonably could have raised during the initial PGR proceeding; petitioner is also estopped from asserting in district court or in the ITC any validity claim on a ground raised in an IPR proceeding. If an infringement suit has been filed within 3 months of the patent grant, a court may not stay consideration of a preliminary injunction based on a pending PGR proceeding or petition.</p> <p>There is no presumption of validity applied to the patent under review; the party advancing a proposition of unpatentability must do so by a preponderance of evidence.</p> <p>Director shall prescribe regulations to govern various aspects of the proceedings. Hearings are before administrative patent judges who must make final determination within one year. However, an additional six months may be available with a showing of good cause. The Director may impose a limit on the number of PGRs in each of the first four years.</p>	
<p>Patent Trial and Appeal Board</p>	<p>Establishes a Patent Trial and Appeal Board to consist of administrative patent judges to hear appeals of examiners' decisions, to hear appeals from reexaminations proceedings, to conduct derivation proceedings and to conduct inter partes and post-grant review proceedings. Each review shall be heard by a three-judge panel. The members of the Board shall be appointed by the Secretary of Commerce.</p>	<p>AIPLA supports this provision.</p>

<p>18-Month Publication of Patent Applications</p>	<p>Not addressed in bill.</p>	<p>AIPLA supports requiring publication of all pending patent applications 18 months after filing.</p>
<p>Third Party Submission of Prior Art</p>	<p>Third parties allowed to submit prior art to a patent examiner before the earlier of the notice of allowance or before six months after publication or the first notice of rejection, whichever is later.</p> <p>For third-party prior art submissions, the real-party-in-interest must be identified.</p>	<p>AIPLA supports the amendments to section 122 to allow a greater opportunity for submission of prior art by third parties.</p>
<p>Venue</p>	<p>Directs a court to transfer a civil action for the convenience of parties and witnesses and in the interest of justice upon a showing that the transferee venue is clearly more convenient.</p>	<p>AIPLA supports the provisions.</p>
<p>PTO Venue</p>	<p>Changes the venue for patent and trademark litigation involving the PTO from the DC of DC to the ED of VA.</p>	
<p>PTO Fee Setting Authority</p>	<p>Includes provision which gives PTO Director authority to set fees.</p>	<p>AIPLA does not oppose granting the Director authority to set fees <i>provided</i> the provision allowing the PTO to retain all user fees is maintained – which is not addressed in either bill.</p>

PTO Revolving Fund (Fee Diversion)	Not addressed in bill	AIPLA strongly supports allowing the PTO to retain all user fees and providing the Office with a long-term sustainable funding mechanism.
Inequitable Conduct	Not addressed in bill	Consistent with the NAS Report, AIPLA supports significantly limiting the law of inequitable conduct to improve communications between the PTO and applicants and reduce the costs of litigation.
Supplemental Examination	Permits patent owner to request supplemental examination to consider information believed to be relevant. Director shall order a reexamination if request raises a substantial new question of patentability. Cannot be commenced if request comes after challenge to the patent has been filed.	
CAFC Residency	Abolishes the “Baldwin Rule” which requires all CAFC judges to live within 50 miles of D.C	AIPLA supports this provision.
Micro Entities	Defines new category of applicants as a “micro entity” which will be eligible for a 75% fee reduction.	

Adjustment to Bayh-Dole Requirements	Amends section 202 by adjusting various percentages related to the funding agreements related to government owned contractor operated facilities.	
Eliminates Tax Strategy Patenting	Provision states that, for purposes of section 102 and 103, any application on a strategy for reducing, avoiding or deferring tax liability “shall be deemed insufficient to differentiate a claimed invention from the prior art.”	AIPLA does not support this provision.
Best Mode Requirement	Amends section 282 to state that the failure to disclose the best mode may not be the basis to invalidate or cancel a patent.	Consistent with the NAS Report, AIPLA favors the complete elimination of the best mode requirement, but otherwise supports this provision.
Holmes Group Amendment	Provision adopts the Intellectual Property Jurisdiction Clarification Act of 2011, defining the Federal Circuit’s exclusive appellate jurisdiction as including compulsory counterclaims arising under the patent or plant variety protection laws.	AIPLA supports this provision.

Note: Sections left blank indicate the Association has taken no official position to date on the specific provision.

Updated 02/23/11