



UNITED STATES PATENT AND TRADEMARK OFFICE

H.R. 1249 - THE "LEAHY-SMITH AMERICA INVENTS ACT" *As Passed by the House on June 23, 2011*

Sec. 1 – Short Title; Table of Contents.

- Title is the "Leahy-Smith America Invents Act."

Sec. 2 – Definitions.

- Defines some basic terms.

Sec. 3 – First Inventor to File.

- Transitions the U.S. to a first-inventor-to-file patent system from a first-to-invent while maintaining a 1-year grace period for disclosures.
- Establishes "derivation" proceeding in place of interference proceeding for first-inventor-to-file applications and patents.
- Clarifies statute of limitations for disciplinary actions against practitioners and requires biennial report to Judiciary Committees.
- Requires SBA Chief Counsel for Advocacy in consultation with USPTO General Counsel to conduct study of impact of first-inventor-to-file provisions on small business and submit report within 1 year to Small Business and Judiciary Committees.
- Requires USPTO Director, in consultation with USTR, State and DOJ, to prepare and submit to Judiciary Committees within 4 months a report on the operation of prior user rights in selected countries in the industrialized world.
- Includes Sense of Congress provisions regarding benefits of FITF.

Sec. 4 – Inventor's Oath or Declaration.

- Provides for assignee filing when the inventor is unable or unwilling to do so.
- Removes the requirement for statements of lack of deceptive intent.

Sec. 5 – Defense to Infringement Based on Prior Commercial Use.

- Expands defense to affiliates.
- Expands defense to all areas of technology (beyond current restriction to business methods).
- Requires showing of both reduction to practice and commercial use at least 1 year before effective filing date.
- Provides exception for patents owned by universities or their technology transfer organizations.

Sec. 6 – Post-Grant Review Proceedings.

- Replaces "optional inter partes reexamination" with "inter partes review" to be conducted by Patent Trial and Appeal Board within 1 year (with possible 6-month extension for good cause); available for life of patent after later of 9 months from

grant or termination of post-grant review; not available if filed more than 1 year after service of infringement complaint or if petitioner previously filed DJ action alleging invalidity; basis limited to patents or printed publications; provides for intervening rights re any new or amended claims. Threshold showing is “reasonable likelihood” that the petitioner will prevail. Estoppel standard is “raised or reasonably could have raised” before the USPTO and the courts. Director may limit number of proceedings in first 4 years.

- Establishes “post-grant review” before the Patent Trial and Appeal Board to review validity of issued patents within 9 months of grant on any patentability issue except best mode; not available if petitioner previously filed DJ action alleging invalidity; review should be completed within 1 year (with a possible extension of 6 months for good cause); provides for intervening rights re any new or amended claims. Threshold showing is “more likely than not” that at least 1 of the claims is unpatentable. Estoppel standard is “raised or reasonably could have raised” before the USPTO and the courts. Director may limit number of proceedings in first 4 years.
- Provides for settlement agreements to be treated as “business confidential information” at the request of a party to the proceeding.

Sec. 7 – Patent Trial and Appeal Board.

- Establishes Board to include the Director, the Deputy Director, the Commissioners for Patents and Trademarks and the administrative patent judges, to replace the Board of Patent Appeals and Interferences. Appeals, derivation proceedings, post-grant reviews, and inter partes reviews will be heard by at least 3 members of the Board.

Sec. 8 – Preissuance Submissions by Third Parties.

- Allows third parties to submit printed publications of potential relevance to examination either before the earlier of a notice of allowance or the later of 1) 6 months after publication of the application or 2) date of first rejection, accompanied by a fee and a concise description of the asserted relevance of the submitted document.

Sec. 9 – Venue.

- Changes venue in certain suits where USPTO is a party from the D. of the District of Columbia to E.D. of Virginia.

Sec. 10 – Fee Setting Authority.

- Provides authority for the Director to set or adjust by rule any fee established, authorized, or charged under title 35 and the Trademark Act, so that the fees, in the aggregate, are set to recover estimated operating and administrative costs.
- Defines “micro entity” (to include universities) and provides for 75% fee reduction for those applicants.
- Provides for input by USPTO’s advisory committees, public comment and a Congressional comment period.

- Requires additional \$400 fee (with 50% reduction for small entities) for patent applications not filed by electronic means; these fees would not be available for obligation or expenditure.
- Authority is subject to 7-year sunset and is available only as long as USPTO remains an agency with DOC.

Sec. 11 – Fees for Patent Services.

- Codifies current fee schedule.
- Establishes prioritized examination fee of \$4,800 (above usual fees) with 50% reduction for small entities, effective 10 days after enactment.
- Implements 15% surcharge on all patent fees, effective 10 days after enactment.
- Prioritized examination and surcharge fees will be credited to USPTO’s Appropriation Account and shall remain available until expended.

Sec. 12 – Supplemental Examination.

- Establishes process for a patent owner to request supplemental examination of a patent to consider, reconsider, or correct information believed to be relevant to the patent.
- Upon a determination that a “substantial new question of patentability” is raised, the Director must order an ex parte reexamination.
- A patent shall not be held unenforceable in litigation on the basis of conduct relating to information considered in a supplemental examination if such is concluded before the date an action is brought.
- If the Director becomes aware of material fraud during the supplemental examination, the Director may take appropriate action and must refer the matter to the Attorney General.

Sec. 13 – Funding Agreements.

- Increases share of royalties retained by universities under the Bayh-Dole Act for federally funded inventions.

Sec. 14 – Tax Strategies Deemed Within the Prior Art.

- Provides that any strategy for reducing, avoiding, or deferring tax liability, whether known or unknown at the time of the invention or application for patent, is deemed insufficient to differentiate an invention from the prior art.
- Does not apply to a method, apparatus, technology, computer program product, or system, that is used solely for preparing a tax or information return or other tax filing.
- Further, does not apply to a product “used solely for financial management, to the extent that it is severable from any tax strategy or does not limit the use of any tax strategy by any taxpayer or tax advisor.”

Sec. 15 – Best Mode Requirement.

- Eliminates as a defense in infringement actions the alleged failure to disclose the best mode for carrying out the subject invention.

Sec. 16 – Marking.

- Provides for virtual marking by posting patent information on the Internet.
- Virtual marking provisions apply to all pending and future infringement cases.
- Requires USPTO report to Congress within 3 years on effectiveness of virtual marking alternative.
- Provides that only the U.S. may sue for the penalty authorized by the false marking statute.
- Civil suits re false marking are limited to persons who suffer a competitive injury; damages adequate to compensate for the injury may be recovered.

Sec. 17 – Advice of Counsel.

- Provides that failure of an infringer to obtain advice of counsel can not be used to prove willfulness or induced infringement.

Sec. 18 – Transitional Program for Covered Business Method Patents.

- Establishes an 8-year transitional post-grant review proceeding for review of the validity of certain business method patents.
- Covered patents include those that claim a method or corresponding apparatus for performing data processing operations utilized in the practice, administration, or management of a financial product or service, but not patents for technological inventions; effective date is 1 year after enactment and applies to patents issued before, on, or after that date.
- Petitioner for review must have been sued for, or charged with, infringement of the subject patent.
- Provides that an ATM is not a “regular and established place of business” for venue purposes.

Sec. 19 – Jurisdiction and Procedural Matters.

- Clarifies federal court jurisdiction over patent and copyright cases.
- Establishes requirements for joinder of accused infringers in patent cases.

Sec. 20 – Technical Amendments.

- Makes various clarifications to patent law.

Sec. 21 – Travel Expenses and Payment of Administrative Judges.

- Clarifies authority to pay for expenses of non-federal employees attending training programs conducted by the USPTO.
- Clarifies authority for payment of administrative patent and trademark judges.

Sec. 22 – Patent and Trademark Office Funding.

- Establishes in the Treasury a “Patent and Trademark Fee Reserve Fund” effective October 1, 2011.
- Fees collected in excess of the appropriated amount in any given fiscal year would be deposited in the Reserve Fund and made available until expended only

for USPTO operations “to the extent and in the amounts provided in appropriations Act.”

Sec. 23 – Satellite Offices.

- Director shall, subject to available resources, establish 3 or more satellite offices within 3 years.
- Specifies various factors for consideration in the selection process.
- Requires report to Congress on selection rationale, progress and performance no later than the end of the first 3 fiscal years that begin after the date of enactment.

Sec. 24 – Designation of Detroit Satellite Office.

- Office named for Elijah J. McCoy.

Sec. 25 – Priority Examination for Important Technologies.

- Authorizes Director to provide for prioritization of examination of patent applications for products, processes, or technologies that are important to the national economy or national competitiveness without recovering the aggregate extra cost of providing such prioritization.

Sec. 26 – Study on Implementation.

- Requires study and report to Judiciary Committees within 4 years on implementation of Act and related issues and recommendations considered appropriate by the Director.

Sec. 27 – Study on Genetic Testing.

- Requires Director to conduct study on effective ways to provide independent, confirming genetic diagnostic test activity where gene patents and exclusive licensing for primary genetic diagnostic tests exist.
- A report to Judiciary Committees is required within 9 months with appropriate findings and recommendations.

Sec. 28 – Patent Ombudsman Program for Small Business Concerns.

- Using available resources, the Director shall establish and maintain a Patent Ombudsman Program to, in part, provide support and services relating to patent filings to small business concerns and independent inventors.

Sec. 29 – Establishment of Methods for Studying the Diversity of Applicants.

- Requires Director, within 6 months, to establish methods for studying the diversity of patent applicants.

Sec. 30 – Sense of Congress.

- Patent System should promote economic growth while protecting the rights of small businesses and inventors from predatory behavior.

Sec. 31 – USPTO Study on International Patent Protections for Small Businesses.

- The Director, in consultation with the Secretary of Commerce and the SBA, shall study and report to Congress, within 120 days after enactment, on ways Federal agencies can help small businesses with international patent protection.

Sec. 32 – Pro Bono Program.

- Director shall work with IP law associations in the establishment of pro bono programs designed to assist financially under-resourced independent inventors and small businesses.

Sec. 33 – Limitation on Issuance of Patents.

- Codifies “Weldon Amendment” to prohibit issuance of a patent on “a claim directed to or encompassing a human organism.”

Sec. 34 – Study of Patent Litigation.

- Requires GAO study and report to Congress, within 1 year, on patent litigation by non-practicing entities or patent assertion entities.

Sec. 35 – Effective Date.

- Provides an effective date of 1 year after enactment unless otherwise specified.

Sec. 36 – Budgetary Effects.

- References Pay-As-You-Go-Act of 2010.

Sec. 37 – Calculation of 60-Day Period for Application of Patent Term Extension

- Requires that the date of marketing approval, to begin the 60-day calculation, is the next business day if the time of transmission of approval is after 4:30 P.M., Eastern Time
- Applies to any application for term extension pending on, filed after, or as to which a decision regarding the application is subject to judicial review on, the date of enactment.