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Intellectual Property Law Alert

September 2011

U.S. Patent Reform: 112 Congress, 1st Session H.R. 1249: The Leahy-Smith "America Invents Act"

Major Changes to U.S. Patent Law

On September 8, 2011, the U.S. Senate passed the Leahy-Smith "America Invents Act" -- perhaps the most significant reform of U.S. patent law in living memory.

The Act was signed into law by President Obama on September 16, 2011 which enacted its provisions. Certain provisions have immediate effect, while others will come into effect at a later date, typically 12 months (September 16, 2012) or 18 months from (March 16, 2013) from the date of the President's signature.

Please note that the following is a summary of the major points of the Act. The Act, however, does not include all of the final provisions and rules, as parts of the Act include authorizations for subsequent rulemaking to be made by the Commissioner for Patents. These are expected to be promulgated within the next several months, and are expected to be published in the U.S. Federal Register for public review and comment prior to their enactment.

Significant New Provisions of the "America Invents Act":

(I) Patent Priority, and "First-to-File"

The "America Invents Act" will harmonize U.S. patent law with that of most industrialized nations by transforming it from the current "first-to-invent" approach to a "first-to-file" approach. However, these "first-to-file" provisions will come into effect 18-months after the day the bill was signed by President Obama, namely March 16, 2013. This 18-month "window" provides a transitional period for applicants to move from the current "first-to-invent" system. In the Act, however, inventors will still be given a one-year grace period after disclosing their inventions to file a patent application. Moving to a first-to-file system will phase out "Interference Practice" in the USPTO. As a substitute, the Act creates "Derivation" proceedings for determining whether one inventor derived the invention from another inventor, without the other inventor's authorization. The "Derivation" proceedings come into effect on March 16, 2013.

(II) Patentability and Prior Art

The Act identifies certain specific types of subject matter as ineligible for U.S. patent protection, including certain types of "business methods," particularly claims directed to certain tax strategies, as well as claims directed to a human organism *per se.* These came into effect on September 16, 2012.

The definition of what constitutes eligible prior art has been expanded to include certain activities outside of the United States, such as the dates of use or sale of the invention abroad.

(III) Prioritized Examination
The Act includes a provision that may advance a patent application for "Prioritized Examination" upon the payment of the usual search, examination, processing and publication fees, and the payment of a further $4800 fee for prioritized examination. This provision comes into effect on September 16, 2012.

(IV) Large Entity, Small Entity, Micro-entity
In addition to the current "Large" and "Small" entities currently recognized, and their corresponding fee and fee reductions (50% reduction of most official fees for "Small" entities), in order to foster technological development from (very) small inventive entities (e.g., individuals) or inventors who are employed by or assign their invention to an institution of higher education. "Micro-entity" applications are entitled to a 75% reduction of most of the current USPTO fees. A "micro-entity" is defined under the Act as an entity which, in addition to meeting the current "Small Entity" requirements, as an applicant which has not been not named as inventor on more than four previously-filed US patent applications; that the applicant's annual income does not exceed three times the US median income; and that the applications is not assigned or subject to be assigned to an entity having an income over three times the US median income.

(V) Prior User Rights
Effective for patents issued on or after the date of enactment of the Act, the current US statute (35 USC 273) would be expanded to encompass commercial use or a sale or commercial transaction of the subject matter of the patent in the U.S. This provides a defense of 'prior commercial use' to an alleged infringer. The Act identifies as specific examples of "prior commercial use" (1) Pre-marketing regulatory review and (2) Nonprofit laboratory use.

(VI) Pre-Grant Review
Several provisions of the Act are directed to improving patent quality by expanding the ability of third parties to challenge patent applications during prosecution as well as challenging granted patents after issuance. Any third party may submit prior art in any pending patent application or in a granted patent with a statement discussing the pertinency of the prior art document and the manner in which it applies to at least one claim of the patent. Such statements are entered into the file wrapper of the application. Thus, prior art submitted by third parties may be considered by USPTO Examiners during specified stages of a patent application's pendency, as well as placed into the file wrapper post-grant of the patent. These provisions come into effect on September 16, 2012, and may be filed in any patent application which was or is filed before, on or after that date.

(VII) Post-Grant Review
The Act includes several provisions that may be used to challenge a patent following its issuance. These provisions come into effect on September 16, 2012; most of the provisions will have effect on any patents issued before, on, or after September 16, 2012.

- **Ex Parte Reexamination**: Under the Act, the USPTO's Central Reexamination Union would retain responsibility for Ex Parte Reexamination Requests, as well as for subsequent actions taken on such Requests. In such Requests, the current standard of review, namely that the Request supports a claim to a "substantial new question of patentability," would be maintained under the Act.

- **Post-Grant Review (a.k.a. "Opposition")**: The current Inter Partes Reexamination system would be abolished 1 year from the date of the enactment of the Act. The Act establishes a new USPTO "Post-Grant Review" which is essentially an "Opposition" system not dissimilar to that used abroad. The new Post-Grant Review provisions provide a 9-month window after issuance of a U.S. patent for third parties to seek invalidation of a granted U.S. Patent (or broadening Reissue) on any available grounds of invalidity, including grounds of lack of enablement or written description, as well as the more traditional grounds of anticipation or obviousness.

Significantly, the Act adopts a new standard for Post-Grant review -- the new standard requires either that “the information presented in the petition, […] if such information is not rebutted, would demonstrate that it is more likely than not that at least one [1] of the claims challenged in the petition is unpatentable” or “… raises a novel or unsettled legal question that is important to other patents or patent applications…” These standards seem to present lower thresholds as compared to the old standard of a "substantial new question of patentability” in present Ex Parte Reexamination or Inter Partes Reexamination requests.

During the Post-Grant Review proceedings, the patentee may file 1 motion to amend the claims of the patent, such as by cancellation of one or more claims, or for each challenged claim, propose a reasonable number of substitute claims. These amended claims may not enlarge the scope of the patent. Futher motions to amend the claims are permitted only on the joint request of the third party making the request for Post-Grant Review, and the patentee.

- **Inter Partes Review**: If the 9-month term for filing a Post-Grant Review has expired, a third party may still file an Inter Partes review, which may be used to challenge a patent's validity on a more limited basis, viz., on prior art patents and printed publications. The Inter Partes review parallels the USPTO’s current Inter-partes Reexamination System.

  The Act identifies a new standard in an Inter Partes review request, that a "reasonable likelihood that a requester would prevail with respect to at least [1] one of the claims challenged," which, however, may not differ from the old standard of a "substantial new question of patentability” in present Ex Parte Reexamination or Inter Partes Reexamination requests.

  The different standards required strongly suggest the benefits of filing a Post-Grant Review within the 9-month window following a grant of patent.

  The Post-Grant Review and Inter Partes Review are both expected to be completed within 1 year from their initiation, with an additional 6-months granted in cases where there is “good cause” for delay in taking action in such reviews.

- **Supplemental Examination**: The Act provides a post-grant process wherein patentees may “cure” perceived defects in the patent’s file wrapper. This permits the applicant to have the USPTO consider, reconsider, or correct information which the applicant believes may be relevant to the patent. The filing of a request for Supplemental Examination also requires that the patentee identify a “substantial new question of patentability” (not unlike in the current Ex Parte Reexamination process) which, however, is not limited to only patents and printed publications (as it is within the current Ex Parte Reexamination process) and to request post-grant consideration, reconsideration, or correction of information believed to be relevant to patentability. This process will provide patent owners the chance to correct or remedy missing information in the original patent prosecution. Following the receipt of the request for Supplemental Examination, the USPTO will determine if the patentee's request raises a substantial new question of patentability within 3 months. If so, the USPTO will initiate the Supplemental Examination process, which will continue in a manner similar to that of the current Ex Parte Reexamination process.

  One notable feature of the Supplemental Examination process is that the Act indicates (with certain limited exceptions) that a patent shall not be held “unenforceable” on the basis of conduct relating to information considered, reconsidered, or corrected during Supplemental Examination. A second notable feature is that the Act also specifies that the making of, or the absence of, a request for Supplemental Examination will not be considered as relevant to enforceability of the patent.

(VIII) Patent Trial and Appeal Board (PTAB)
The current Board of Patent Appeals and Interferences (BPAI) will be replaced by a Patent Trial and Appeal Board (PTAB). The PTAB will have jurisdiction over Derivation proceedings (which replace current U.S. Interference practice), Post-Grant Review and Inter Partes Review.

(IX) Advice of Counsel
The Act includes a provision that indicates that willful patent infringement cannot be proved using evidence that either the failure to obtain advice of U.S. Counsel in relation to any allegedly infringed patent, or the failure to present such advice, may not be used to prove that the accused infringer willfully infringed the patent, or that the infringer intended to induce the infringement of a patent.

(X) Litigation
The Act includes provisions that are intended to reduce the number of lawsuits based on a plaintiff's identification of multiple defendants in a single patent infringement litigation.

Joinder of multiple accused patent infringers in one action is proper only if: (a) a right to relief is asserted regarding the same accused product or process, and (b) there are questions of fact or law common to all defendants or counterclaim defendants, or that such questions will arise in the action. The mere allegation that multiple defendants infringe the same patent is now insufficient to join them in litigation.

In response to the dramatic increase in false marking lawsuits, the Act also eliminates such actions except for those filed by the U.S. government, or by a competitor who can prove competitive injury due to false marking. All false marking claims based on a product marked with an expired patent are also eliminated as long as the patent did cover the product so marked during the term of the patent. The Act also includes a provision for "virtual marking," which allows for the article or package to be "marked" by reference to an Internet address.

The defense that a patent is invalid if it fails to disclose the best mode of the invention is eliminated (which however is a bit incongruous with the Act's preservation of the written description requirement requiring the applicant to set forth the best mode for practicing the invention.)

The Act expands the defense to infringement based on prior commercial use. Prior commercial use now includes any internal commercial use or sale of a useful end result of such commercial use, where such commercial use occurred at least 1 year before the effective filing date of the patent or qualified public disclosure.

(XI) Fees and Funding
USPTO fees will levy a "surcharge" of an additional 15% on most fees, within 10 days of enactment of the Act. Substantial savings may therefore be recognized by advance payment of upcoming fees. The Act will further improve the agency's funding by granting the USPTO Director authority to set fees. (A proposed amendment to eliminate the common practice of diverting fees collected by the USPTO to other government entities unfortunately did not pass, but it is hoped that the new authority granted to the USPTO Director will lessen the likelihood of such fee diversions occurring.)

The Act also provides for a new entity "micro-entity" for fee purposes, which, however, is directed primarily to individual inventors and/or (very) small businesses.

The Act imposes a $400 fee for non-electronic filing of patent applications, which will come into effect 60 days after enactment.

(XII) Miscellaneous Provisions
Helpfully, the Act enables an entity to file an application on behalf of an inventor who assigned, or is under

an obligation to assign, their rights in an invention to the entity, without requiring the inventor to sign the application's papers. This may be a significant relief of the current burdens on corporate applicants during the initial formalities of proceedings before the USPTO. This provision takes effect on September 16, 2012.

The Act includes priority review of technologies important to the national economy or American competitiveness, including nanotechnology. The Act provides for the establishment of one or more PTO satellite offices, including a new office in Detroit, Michigan. The Act provides for a 60-day term for any applications for patent term extensions. The Act also includes authorization for various studies relating to the new provisions of the Act, as well as to other questions and issues regarding the efficacy of the USPTO in its operations.

Timetable:
Fortunately, the USPTO has already published a helpful timetable which specifically lists the "effective dates" of the various provisions of the Act, calculated from the date of the enactment.

The USPTO timetable may be found at:

http://www.uspto.gov/aia_implementation/aia-effective-dates.pdf

New USPTO Fees:
Not surprisingly, the USPTO has prepared a new fee schedule reflecting the changes to official USPTO fees authorized by the Act.

This updated USPTO fee schedule may be found at:

http://www.uspto.gov/web/offices/ac/qs/ope/fee092611.htm

We look forward to discussing the Act with you, and considering how we might work together in utilizing these new provisions to best serve your needs.

This *Intellectual Property Law Alert* was written by **Andrew N. Parfomak, Esq.,** Member of Norris McLaughlin & Marcus, P.A**.** If you have any questions regarding the information in this alert or any related matters, please feel free to contact Andrew by email at anparfomak@nmmlaw.com or by phone at (212) 808-0700.

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