Leahy-Smith America Invents Act Reforms Patent Law

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The **Leahy-Smith America Invents Act** goes into effect beginning September 16, 2011. This Act represents the most comprehensive legislative change to patent law since the 1950s. Most significantly, it changes how priority is determined for an invention and expands and revises procedures for administratively challenging patents through the Patent Office instead of the court system. Some of the provisions have immediate effect, but many of the most significant changes will not go into effect until 18 months or one year from its effective date. This summary covers the most prominent provisions of the Act.

First-inventor-to-file

The Act brings the United States into conformance with the rest of the world by converting from a first-to-invent regime to a first-to-file regime. Under present law, whoever first conceives of an invention is entitled to the patent (as long as the inventor worked diligently to reduce it to practice, and did not abandon, compress or conceal it), even if another inventor beat them to the Patent Office. Under the new Act, if two people separately invent the same invention, the first person to file a patent application will take priority and be entitled to the patent.

This also means that applicants will not be able to avoid prior art that is dated less than one year before their filing date by “swearing behind” it. Currently, if the Patent Office cites a reference that is less than one year prior to an applicant’s filing date, the applicant can overcome it by swearing that he or she invented his or her invention prior to the date of the reference. That will no longer be possible after this provision takes effect.

Currently if two inventors file a patent application for the same invention, an interference proceeding is held to determine who was the first to conceive and not abandon the invention. The new Act eliminates the interference proceeding. However, a similar proceeding is created by the new Act for instances where the earlier filing applicant is alleged to have derived the invention from the later filing inventor.

In light of switching to a first-inventor-to file regime, it will be more important to file patent applications quickly in order to have an early filing date. In general this will favor entities that establish procedures for getting inventions identified and evaluated early. It

will be a disadvantage to inventors who want to try to monetize their inventions before filing applications, and to unsophisticated companies who don't realize the importance of early filing.

The first-inventor-to-file provisions go into effect in 18 months. Issued patents, and pending applications filed before March 16, 2013 will still be governed by the first-to-invent scheme. Furthermore, an application filed after March 16, 2013 that claims priority to an application filed before that date will get treated under the first-to-invent rules, unless it also includes a claim for priority to an application filed after that date. In other words, the first continuation application filed after March 16, 2013 is entitled to get the more favorable treatment of the first-to-invent regime; whereas subsequent continuation applications will be judged under the new regime.

Expanded Administrative Challenges

The Act expands the ability to administratively challenge the validity of patents through the Patent Office rather than through the court system. These procedures go into effect beginning September 16, 2012.

Preissuance Submissions by Third Parties

The Act provides a procedure for third parties to submit relevant prior art in pending applications. The third party can submit any printed publication they believe to be prior art, along with a concise statement of why the prior art is relevant. Such statements will be considered by the Patent Office as long as they are submitted within six months of the publication of the application.

Post Grant Review

For the first nine months after a patent has been issued, a third party can seek review of a patent on any ground that is a condition for patentability—including any type of prior art and failure to comply with more technical requirements as to form and content. Under current practice review can only be sought based on prior art printed publications. The party requesting review will not be able to later raise as a defense any issues that were or could have been brought in the post grant review proceeding.

Inter Partes Review

After nine months, a third party may request an inter partes review, which is more limited than the post grant

review, and can only be based upon a prior art printed publication. A third party that institutes an inter partes review will be precluded from later asserting a defense to the patent based on any prior art that was or could have been included in the review. Inter partes review is very similar to the existing inter partes reexamination, but differs from current practice in that it authorizes the parties to settle the case without approval of the Patent Office and requires a litigation defendant to institute a request for review within nine months of being served with a complaint for patent infringement.

Supplement Examination

The patent owner can request supplement examination of their own patent to consider any issues that may affect the validity of the patent. This procedure is similar to current ex parte reexamination, but is not limited to printed prior art. Supplement examination cannot be used to correct fraud perpetrated on the Patent Office.

In light of these expanded administrative challenges, it will be more important to closely follow published and newly issued patents in order to take advantage of the enhanced ability to challenge patents outside of formal litigation.

False Marking

The Act largely eliminates the false marking claims that have recently proliferated. Prior to the Act taking effect, virtually anybody could bring a claim against a party that was falsely marking their product as covered by a patent (including marking with an expired patent number). Under the new Act, only a competitor that is actually injured by the false marking can bring a claim. Furthermore, there is now a safe harbor for marking a product with a patent number for three years after the patent expires.

The Act also creates a new way of satisfying the marking requirements. A patent owner can mark its products with a notation saying patented or “Pat.” and indicating an Internet address where the patent number or numbers can be accessed.

Litigation Issues

The Act eliminates failure to disclose the best mode of practicing an invention as a defense to patent infringement. Section 112 of the Patent Act still requires an applicant to disclose the best mode of practicing the invention. However, an accuser can no longer try to show that the inventor actually knew of a better mode as a defense to patent infringement. While the Act is silent on the issue, it is expected that

intentional failure to disclose the best mode would likely still make the patent unenforceable due to inequitable conduct.

The Act also limits the ability of patent owners to name multiple defendants in a single lawsuit, unless the defendants are named jointly, severally, or in the alternative.

The Act statutorily provides that failure to obtain or disclose advice of counsel with respect to an allegedly infringed patent cannot be used as evidence that the alleged infringer willfully infringed a patent. This is consistent with the current state of the judge-made law on the issue, but should provide certainty on the issue going forward.

Commercial use of a process more than one year prior to the effective filing date of a patent has been added as a defense to infringement of a patent directed to the process or to a machine that implements the process. Previously, this defense was only available for patents directed to business methods. This is a personal defense and cannot be asserted by a party that did not themselves use the process.

New "Micro Entity" with Reduced Fees

In addition to the already existing "small entity" that is entitled to a 50% reduction in most Patent-related fees, the Act creates a "micro entity" that is entitled to a 75% reduction. A micro entity is defined as an applicant that is assigning the invention to an institution of higher education or an applicant that did not in the preceding calendar year have a gross income exceeding three times the median household income for the preceding calendar year ($49,445 in 2010), as most recently reported by the Bureau of the Census. Applicants qualifying based on income cannot have filed more than four previous patent applications.

Expedited Examination

The Act authorizes the Patent Office to charge a fee of $4800 ($2400 for small entities) for an "expedited examination." The Patent Office has not formally announced the details of the program yet, but it is expected to be implemented in the near future. The most recent proposal by the Patent Office basically allows an applicant pay the increased filing fee in exchange for quicker handling of the application by the Patent Office.

Business Method Patents

The Act includes several provisions that make it easier to administratively challenge so-called business method patents. The Act defines a "business method patent" as "a patent that claims a method or corresponding apparatus for performing data processing or other

operations used in the practice, administration, or management of a financial product or service." Therefore, its limitations relate primarily to financial services inventions.

The Act creates a post grant review procedure for business method patents that is similar to the post grant review procedure described above that can be based on any grounds and not merely printed publication prior art, except that for business method patents, there is no one-year time limit on bringing such an action. Furthermore, this provision applies to existing applications and patents; whereas the standard post grant procedure will only apply to applications filed more than one year after the effective date of the Act. Even more importantly, a party initiating a post grant review of a business method patent will only be precluded from later asserting the defenses actually included in the post grant review, not all defenses that could have been raised.

The Act also tightens jurisdiction a little in litigation cases asserting a business method patent, requiring that venue for any litigation must be at a principal place of business of the infringer, or where the infringer committed acts of infringement and has a regular place of business. It further clarifies that an ATM machine is not a regular place of business for establishing venue.

The Act precludes issuing patents on tax strategies, which it defines as "strategies for reducing, avoiding, or deferring tax liability." The special provisions related to tax strategy patents apply to pending tax strategy applications, but not to patents issued prior to September 16, 2011.

Prohibition on Patenting Human Organisms

The Act provides that no patent may issue on a claim directed to a human organism. This is consistent with current Patent Office policy.

Increased Fees

Starting September 26, 2011, there will be a 15% surcharge on most Patent Office fees.

Reduced Fee Diversion

Many of the fees collected by the Patent Office have been diverted to outside purposes. The Act permits the Patent Office to retain more of the fees it collects. It is hoped that this will improve the quality of patent examination and reduce costs.