

IP LAW ADVISORY

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U.S. Patent Reform: America Invents Act Makes Major Changes to Patent Law

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On September 8, 2011, the U.S. Senate passed the Leahy-Smith America Invents Act — the most significant reform of U.S. patent law in the past 50 years. It is expected to be signed into law by President Obama within the next ten days. The Act makes major changes to the patent statute, including patent priority, examination, post-grant review and litigation. The full text of the Act can be found [here](#).

Patent Priority

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. This change is significant because it will award patent rights to the party who filed a patent application first, not the party who invented the idea first. The first-to-file system does not go into effect for eighteen months, giving companies time to educate their inventors on the benefits of filing patent applications early. Inventors will still be given a one-year grace period to file a patent application after disclosing their inventions. Moving to a first-to-file approach eliminates the need for the current interference proceedings. In its place, the Act creates derivation proceedings for determining whether one inventor derived the invention from another inventor.

Patentability and Prior Art

The Act renders certain claims unpatentable, such as claims directed to tax strategies and claims encompassing a human organism. There will also be transitional post-grant review procedures

for business method patents relating to financial products and financial services (excluding technological inventions).

Prior art definitions have also been expanded to include additional international activity, such as use or sale of the invention abroad.

Fees and Funding

U.S. Patent & Trademark Office fees will automatically increase 15% 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 PTO director authority to set fees. A proposed amendment to eliminate the common practice of diverting fees collected by the PTO to other government entities did not pass, but the Act does offer a higher likelihood that the agency will retain a greater portion of its fees.

Building upon the current discount provided to small entities, the Act gives a 75% discount on fees for micro-entities, such as inventors who have been named on fewer than four previous patent applications and who have a gross income of less than three times the median household income.

Patent applicants seeking expedited handling of their applications in line with the recent PTO "Fast Track" proposal may take advantage of prioritized examination available for a fee of \$4800 for large entities and \$2400 for small entities.

Pre-Grant and Post-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 and patents after issuance.

Prior art submitted by third-parties may be considered by examiners during specified stages of a patent application's pendency.

A patent opposition system will provide a nine-month window after issuance of a patent for third-parties to seek invalidation on the grounds of lack of enablement or written description as well as anticipation or obviousness. After the opposition period has expired, a modified inter partes post-grant review may be used to challenge a patent's validity on a more limited basis of prior art patents and printed publications. Notably, the Act adopts a new standard for post-grant and inter partes review — the new standard requires a "reasonable likelihood that a requester would prevail with respect to at least one of the claims challenged" as opposed to the old "substantial new question of patentability" standard.

A supplemental examination process is also established to allow patentees 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. The PTO will determine if the patentee's request raises a substantial new question of patentability within three months. If so, the patent will be placed into reexamination.

Litigation

The Act eliminates a standard approach of non-practicing entities to join multiple unrelated defendants in a single patent infringement litigation. Now plaintiffs must limit the joinder of multiple defendants in a litigation to parties jointly or severally liable, or parties involved in acts related to the same accused product or process. The

mere allegation that multiple defendants infringe the same patent is insufficient to join them in litigation. In that instance, plaintiffs will have to file a separate lawsuit against each alleged infringer.

In response to the dramatic increase in false marking lawsuits, the Act eliminates such actions except for those filed by the U.S. government or by a competitor who can prove competitive injury. 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.

The defense that a patent is invalid if it fails to disclose the best mode of the invention is eliminated while, in seeming contradiction, preserving the written description requirement to set forth the best mode for practicing an invention.

Willful patent infringement cannot be proved using evidence that the alleged infringer failed to obtain advice of counsel or failed to present such evidence to a court or jury. Likewise, this evidence cannot be used to prove that an alleged infringer intended to induce infringement of a patent.

Other Provisions

The Act enables an entity to file an application on behalf of an inventor who assigned, or is under an obligation to assign, the invention rights to the entity, without requiring the inventor to sign the application.

Other notable provisions of the Act include priority review of technologies important to the national economy or American competitiveness, adjustment of the patent term extension calculation, the replacement of the Board of Patent Appeals and Interferences with a Patent Trial and Appeal Board, and the establishment of PTO satellite offices, including a new office in Detroit, Michigan.

This overview highlights key changes to the U.S. patent system that will be

brought about by the Leahy-Smith America Invents Act, but the Act includes many other changes. We look forward to helping our clients understand and benefit from these changes, and we are available to discuss the specifics of these provisions, as well as related strategies.

To learn more about the America Invents Act, please contact [John Anastasi](#), [Sarah Gates](#), [Nicole Palmer](#) or [Craig Smith](#).

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