



America Invents Act – Patent Reform Highlights

By Jeffrey Pepe and David Chen

DWC Law Firm, P.S.

October 3, 2011

After six years of debate on how to “modernize” U.S. patent law, the U.S. Senate finally passed the Leahy-Smith America Invents Act (AIA), which President Obama signed into law on September 16, 2011. The AIA represents the most significant reform in the U.S. patent laws in almost 60 years. Some aspects of the new law were effective immediately, while many of the major changes will take effect either one year or 18 months after enactment.

Overall, the Leahy-Smith America Invents Act will have long-lasting ramifications for the U.S. patent system and those who use it. Users of the U.S. patent system should be aware of the changes and the effective date of each change, as well as which patents and patent applications are affected by each change. Additionally, potential patentees should be monitor the regulations promulgated by the USPTO and early judicial decisions construing the new law for additional clarity regarding the meaning, scope and ultimate effect of its provisions.

A highlight of many of the major changes in U.S. patent law, along with the effective dates of these changes, is provided as follows:

Pre-Issuance Provisions: First-to-File and Prior Art

Effective date: March 16, 2013 (18 months after enactment). Applies to all patents and patent applications including a claim with an effective filing date more than eighteen months after enactment of the new law (*i.e.*, no retroactive effect).

First-to File: The first inventor to file a patent application with the USPTO will be awarded a patent. Thus, the important date is the effective filing date with the USPTO and not the date of invention. This means that an inventor will no longer be able to eliminate prior art by showing an earlier conception date. This is similar to the patent systems used in the rest of the world.

Prior Art: If an inventor directly or indirectly discloses an invention publicly before filing a patent application, then the inventor will have a one year grace period to file a patent application with the USPTO. But, such a public disclosure before filing a patent application forfeits patent rights in most other countries. One interesting effect of such a disclosure by an inventor is that a subsequent disclosure of the same or similar invention by a third party, which occurs before the effective filing date of the inventor’s patent application, is eliminated as prior art. This one year grace period is similar to what exists under current US patent law, but the scope of disclosure that would qualify under the exception is unclear due to the new language used in this legislation.

A detrimental aspect of the new law for prospective patentees is the expansion of available prior art. For example, public uses, sales and offers for sale are no longer limited to such activities occurring within the US. There is also a new category of prior art referred to as “otherwise available to the public” – the scope of this prior art and whether it must be enabling remains to be

determined. Additionally, patents and published patent applications will now be prior art as of their effective filing date, which includes foreign priority dates (unlike the current law).

Further Pre-Issuance Provisions

- **Inventor’s Oath or Declaration:** Instead of an inventor’s declaration, a substitute statement now may be submitted under certain circumstances. For example, when an inventor is deceased, under legal incapacity, cannot be found or reached after diligent effort, or when the inventor refuses to sign an oath or declaration while under an obligation to assign the invention. The oath or declaration made be included as part of an assignment document. Filing of a substitute statement with the USPTO does not require a petition or a fee. The USPTO may require that an oath, declaration, or substitute statement from an earlier filed application be filed with a later-filed application.

Effective date: September 16, 2012 (1 year after enactment) and applies to any patent application filed on or after this date (*i.e.*, no retroactive effect).

- **Prioritized Examination:** An applicant can now request “fast track” examination of a patent application by paying an additional \$4,800 (which is in addition to all other fees related to filing). The USPTO will issue a final disposition within 12 months of prioritized status being granted, which means one of the following results: allowance, final rejection, appeal, continued examination, or abandonment of the application. To qualify for this prioritized examination, an application must contain or be amended to contain no more than 4 independent claims and 30 total claims. A request for prioritized examination must be made at the time the application is filed, but an application already on file can be refiled as a continuing application with a request for fast track examination. The USPTO will limit the prioritized examination to the first 10,000 requests received and accepted in any fiscal year to ensure the final disposition can be provided within 12 months. The guaranteed final disposition within 12 months, weighed against the added cost, should be attractive to applicants with time sensitive, business critical applications. The prioritized examination will become available 10 days after enactment.

Effective date: September 26, 2011 (10 days after enactment). [*Note:* An applicant can also request prioritized examination, without an additional fee, for technologies important to the national economy or national competitiveness – effective September 16, 2012 (1 year after enactment).]

- **Third Party Submissions:** Upon payment of fee, a third party may submit to the USPTO any publication of potential relevance to the examination of a pending application with a concise description of its relevance. The submission may be anonymous and are limited to printed publications. Such submissions must be made before a notice of allowance issues, no later than six months after publication or before examination of the application has begun. A third party may not assert other grounds for use by the Examiner to reject the application.

Effective date: September 16, 2012 (1 year after enactment) and applies to any patent application filed before, on, or after this date (*i.e.*, retroactive effect).

- **Fee Issues:** A 15% increase in most patent fees will become effective ten days after enactment (September 26, 2011). The new law also (a) grants the USPTO fee setting authority (effective on September 16, 2011, but is set to sunset in 7 years); (b) establishes a Patent and Trademark Fee Reserve Fund (“Fund”) where any fees collected by the USPTO over and above its appropriation for a given year become part of the Fund and Congress then has the discretion to appropriate the Fund back to the USPTO (effective October 1, 2011); and (c) establishes a new class of applicant (micro-entity) that will be entitled to a 75% discount on patent fees (effective on September 16, 2011). A micro-entity applicant is one who (1) has not been named as an inventor on more than 4 additional U.S. applications, (2) did not, in the previous year, have a gross income exceeding three times the median household income for that year, and (3) has not assigned or under an obligation to assign to an entity with a gross income exceeding three times the median household income for that year. Finally, to encourage electronic filing of non-provisional utility patent applications (*i.e.*, not charged

for design, plant or provisional applications), the USPTO will charge an additional \$400 non-electronic filing fee (\$200 for small entities) (effective on November 15, 2011 – 60 days after enactment).

- **Derivation Proceedings:** Under the current first-to-invent system, an interference proceeding is used to determine which inventor should be awarded a patent when more than one inventor claims the same subject matter in a patent application. In other words, the inventor who conceived first was generally awarded the contested patent rights. The new law replaces interference practice under the prior law with this new derivation practice. In derivation proceedings, the contested patent rights will be awarded to the first inventor to file, regardless of who invented first. More specifically, derivation proceedings will turn on whether the named inventor of the earlier-filed patent application derived the claimed invention from the work of the named inventor of the later-filed patent application. The new derivation procedure will share many similarities with the interference procedure.

Interferences: An interference begun (*i.e.*, on a claim or patent with an effective date before the AIA was enacted) before derivation proceedings come into effect (March 16, 2013), then it may be dismissed without prejudice to petitioning for post-grant review or proceed under the old law.

Effective date: March 16, 2013 (18 months after enactment). Applies to all patents and patent applications including a claim with an effective filing date more than eighteen months after enactment of the new law (*i.e.*, no retroactive effect).

Post-Issuance Provisions

The AIA establishes a new procedure, Supplemental Examination, for use by a patent owner to correct an issued patent. The AIA also creates three new procedures for challenging the validity of issued patents before the USPTO, which include (1) Post-Grant review; (2) *Inter Partes* review; and (3) Transitional Post-Grant review for “covered business method patents.”

- **Supplemental Examination:** This new proceeding allows a patent owner to correct informalities or to address other issues not properly considered by the USPTO during examination. Upon a patent owner’s request for supplemental examination, the USPTO will conduct and conclude the examination within three months and issue a certificate indicating whether the request raises a “substantial new question of patentability.” If a substantial new question of patentability is raised, the USPTO will initiate a reexamination of the patent. Also, if evidence of fraud on the USPTO was committed, then invalid patent claims are to be cancelled and the matter will be referred to the U.S. Attorney General’s office for appropriate action. Any information considered, reconsidered or corrected cannot later be used to render a patent unenforceable, including use in an inequitable conduct challenge. However, this protection has no effect in civil actions commenced before the supplemental examination (and reexamination, if any) is completed.

Effective date: September 16, 2012 (1 year after enactment) and applies to any patent issued before, on, or after this date (*i.e.*, retroactive effect).

- **Post-grant Review:** This new first window review allows any person (other than the patent owner or a person who previously filed a civil action to challenge validity) to petition for cancellation of any patent claim, but the petition must be filed within nine months of the patent issuance or reissue. The patent owner has the right to file a preliminary response to the petition before and after initiation of the review. A petition for post-grant review may be based on *any* ground of patentability, which includes subject matter eligibility, novelty, obviousness, enablement, written description, and others. A post-grant review will be granted (a) if the information presented shows that at least one of the challenged claims is more likely than not unpatentable, or (b) if a novel or unsettled legal question is raised that is important to other patents or patent applications. The USPTO’s decision to initiate or not initiate post-grant review (which must be done within three months of the later of a patent owner filing a preliminary response or the final

date a preliminary response is due) is final and non-appealable. If multiple petitions for post-grant review are filed, the USPTO has the option of consolidating these requests into a single post-grant review proceeding.

If post-grant review is initiated, the newly created Patent Trial and Appeal Board (PTAB, which replaces the Board of Patent Appeals and Interferences) will conduct the review. Petitioner has at least one opportunity to file written comments, but has the burden of proving unpatentability by a preponderance of the evidence. Petitioners and patent owners are permitted to provide expert evidence in the form of affidavits and declarations of supporting evidence and opinion. Discovery is allowed, but is limited to evidence directly related to factual assertions advanced by either party. The content of the post-grant proceeding will be available to the public, but protective orders for exchange of confidential information will be allowed. The patent owner has the right to file at least one motion to cancel challenged claims and/or to propose a reasonable number of substitute claims, but claim scope cannot be enlarged and new matter may not be added. Either party has a right to an oral hearing. Any party may be sanctioned for abuse of discovery, abuse of process, or any other improper use of the proceeding. Intervening rights apply under the same rules applied to a reissue patent. The post-grant review must be completed within one year of initiation (which is extendable up to six months for joinder or good cause). Any post-grant review party dissatisfied with the PTAB's decision can appeal or be a party to an appeal.

A post-grant review will not be instituted if the petitioner filed a civil action challenging the validity of a claim of the patent. Furthermore, if a petitioner files a civil action on or after the date a petition for post-grant review is filed, then that civil action will be stayed until the patent owner moves the court to lift the stay, the patent owner files a civil action or counterclaim that petitioner infringes the patent, or petitioner moves the court to dismiss the civil action. But, a counterclaim alleging invalidity does not constitute a civil action challenging the validity of a claim. In addition, a court may not stay its consideration of a preliminary injunction motion from the patent owner (on the basis of a petition for post-grant review has been filed) if a civil action alleging infringement was filed within 3 months of a patent issuing.

A post-grant review will be terminated if there is a settlement between and joint request from the patent owner and petitioner, unless the PTAB has decided the case on the merits before the request to terminate is submitted. A settlement agreement must be in writing, submitted to the USPTO before termination, and may be kept confidential if requested.

Estoppel: If a post-grant review proceeds to a final written decision from the PTAB on any claim, the petitioner is estopped from pursuing any ground that the petitioner raised or reasonably could have raised during the review in another proceeding before the USPTO, in a civil action, or in a proceeding before the International Trade Commission.

Regulations defining the procedure for post-grant reviews will be issued by the USPTO within one year of enactment and the USPTO is authorized to limit the number of post-grant review proceedings for each of the first four 1 year periods that post-grant reviews are instituted.

Effective date: September 16, 2012 (1 year after enactment). Applies to all patents and patent applications including a claim with an effective filing date more than eighteen months after enactment of the new law (*i.e.*, no retroactive effect).

- ***Inter partes Review:*** This new second window review allows any third party to file a petition to cancel any patent claim any time after the later of either (a) nine months from the issuance of a patent or reissue certificate, or (b) if a post-grant review is initiated for the challenged patent, the termination of such post-grant review. The patent owner has the right to file a response to the petition, but will be required to submit any additional factual evidence and expert opinions (can use affidavits or declarations) to support the response. A petition for *inter partes* review is limited to prior art-related grounds (*i.e.*, lack of novelty and obviousness) and can only be based on prior art

patents or printed publications. An *inter partes* review will be granted if the petition establishes that there is a reasonable likelihood that the petitioner would prevail with respect to at least one of the challenged claims. The USPTO's decision to initiate or not initiate post-grant review (which must be done within three months of the later of a patent owner filing a preliminary response or the final date a preliminary response is due) is final and non-appealable.

Upon initiation, *inter partes* reviews will be heard by the PTAB (instead of patent examiners at the Central Reexamination Unit as is currently done for *inter partes* reexamination). The general contours of the procedure are essentially the same as for the post-grant review proceeding. One difference is that discovery is more limited because it only extends to (a) the deposition of witnesses submitting affidavits or declarations and (b) what is otherwise necessary in the interest of justice.

Estoppel: Similar to post-grant review proceeding.

Inter Partes Reexamination: Upon enactment of the AIA, the standard for granting a petition changes from "a substantial new question of patentability" to the slightly higher standard of "a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged" used for *inter partes* review. The old patent law will continue to govern *inter partes* reexaminations begun before September 16, 2011 (including use of the "substantial new question of patentability" standard). *Inter partes* reexamination requests will no longer be possible after the *inter partes* review proceedings go into effect (*i.e.*, *inter partes* reexamination requests will be effective until September 16, 2012). Unlike an *inter partes* review, an *inter partes* reexamination cannot be terminated by settlement between the parties.

Ex Partes Reexamination: This proceeding is not changed by enactment of the AIA. *Ex partes* reexamination may be requested by the patent owner or a third party and will be carried out by examiners at the USPTO (*i.e.*, not by the PTAB).

Regulations defining the procedure for post-grant reviews will be issued by the USPTO within one year of enactment and the USPTO is authorized to limit the number of post-grant review proceedings for each of the first four 1 year periods that post-grant reviews are instituted.

Effective date: September 16, 2012 (1 year after enactment) and applies to any patent issued before, on, or after this date (*i.e.*, retroactive effect).

- **Transitional Post-Grant Proceeding for "Covered Business Method Patents"**: This is a temporary version of post-grant review that only applies to "covered business method patents." Covered business method patents are patents that claim 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 (not including patents for technological inventions). But, transitional proceedings may only be instituted after a petitioner has been sued for infringement of the patent or has been charged with infringement under that patent. This proceeding can be used as a ground to stay a civil action. Prior art available for transitional proceedings include (1) art defined by prior Section 102(a) (*i.e.*, art showing that the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent) or inventor disclosures made more than one year before the filing date that, if made by another, would be defined by prior Section 102(a). Practically, this includes assertions that the invention was: known or used in this country by an inventor; patented by an inventor; or described in a printed publication by an inventor. This prior art is not limited to patents and publications, so other evidence (such as non-published evidence of knowledge or use prior to the alleged invention) can be used this transitional proceeding.

Estoppel: Applies against the petitioner only for grounds *actually* raised in the transitional proceedings (*i.e.*, the estoppel is more limited in these cases).

Sunset: Transitional proceedings are set to terminate eight years from the date of AIA enactment.

Regulations defining the procedure for post-grant reviews will be issued by the USPTO within one year of enactment and the USPTO is authorized to limit the number of post-grant review proceedings for each of the first four 1 year periods that post-grant reviews are instituted.

Effective date: September 16, 2012 (1 year after enactment) and applies to any patent issued before, on, or after this date (*i.e.*, retroactive effect).

Litigation-Related Provisions

- **Best Mode:** The AIA removes the failure to disclose the best mode as a ground for invalidating a patent. Interestingly, the AIA does not otherwise eliminate the best mode requirement from Section 112. Indeed, Section 112 is amended, including changes to the first paragraph, without changing the language describing the best mode requirement.

Effective date: September 16, 2011 (upon enactment) and applies to all proceedings commenced on or after this date.

- **Advice of Counsel:** The failure of an alleged patent infringer to obtain an opinion from patent counsel, or to present such opinion during litigation, may not be used to prove willful or inducement of infringement.

Effective date: September 16, 2012 (1 year after enactment) and applies to all civil actions commenced on or after this date.

- **Prior User Rights:** The AIA expands the “prior user defense” from applying only to business methods being practiced before a patent application was filed to apply to all patents issued on or after enactment. This defense is only effective if the prior commercial use occurred in the U.S. at least one year before the effective filing date the claimed invention or at least one year before it was disclosed to the public. The prior user right is transferrable to another entity if there was an actual arm’s length sale or transfer of an entire enterprise or line of business. The prior user defense cannot be invoked if (1) the claimed invention was made, owned or subject to an obligation to assign to an institution of higher education or technology transfer organization or (2) the claimed invention was developed using federal government funding.

Effective date: September 16, 2011 (upon enactment) and applies to any patent issued on or after this date (*i.e.*, retroactive effect).

- **Virtual Marking and False Marking:** Two changes to the current law on marking are instituted. First, virtual marking will be allowed by marking articles with the word “patent” or the abbreviation “pat.” along with a web address that lists all the relevant patent numbers. Second, the government is now the only party that can sue for false marking, unless a private party can prove a competitive injury (and then can only collect compensatory damages). Additionally, an article marked with an expired patent number, which covered the article before the patent’s expiration, is now excluded as a false marking violation.

Effective date: September 16, 2011 (upon enactment) and applies to all cases pending on, or commenced on or after, this date.

Miscellaneous Provisions

- **Calculation of 60 day Period for Application of Patent Term Extension:** The 60 day period after FDA approval is calculated based on the next business day if the notice was received after 4:30 pm Eastern time on a business day or if the notice is sent on a non-business day.

Effective date: September 16, 2011 (upon enactment) and applies to any application for extension that is pending on, that is filed after, or as to which a decision regarding the application is subject to judicial review on this date.

- **Appeals or Civil Actions taken from USPTO:** Reexaminations, post-grant reviews, and *inter partes* reviews may be appealed to the Federal Circuit only. Examination and derivation proceeding results may be appealed in a civil action in district court (E.D. VA, not longer D. DC) or to the Federal Circuit.

Effective date: September 16, 2011 (upon enactment) and applies to any civil actions commenced on or after this date.

- **Joinder of Accused Infringers:** Accused infringers may be joined in one action as defendants only if (a) same transaction, occurrence or series of transactions or occurrences, and (b) common questions of fact for all will arise.

Effective date: September 16, 2011 (upon enactment) and applies to any civil actions commenced on or after this date.

- **Tax Strategy Patents:** The AIA now excludes as non-patentable subject matter “any strategy for reducing, avoiding, or deferring tax liability, whether known or unknown at the time of the invention or application for patent.”

Effective date: September 16, 2011 (upon enactment) and applies to any application that is pending on, or filed on or after, this date, and to any patent that is issued on or after this date.

- **Human Organisms:** The AIA now requires that “no patent may issue on a claim directed to or encompassing a human organism.”

Effective date: September 16, 2011 (upon enactment) and applies to any applications pending on, or filed on or after, this date, but will not affect the validity of any other patent.

Notice: This publication/newsletter is for informational purposes only and does not contain or convey legal advice. In particular, the purpose of this publication/newsletter is to review the latest developments that are of interest to clients of DWC Law Firm PC. The information herein should not be used or relied upon relating to any particular facts or circumstances, should not be construed as legal advice or opinion, and is not a substitute for the advice of counsel.

Contact:

David Chen (david@dwcattorney.com)

Jeffrey Pepe (jpepe@dwcattorney.com)