

SUMMARY OF THE IMPENDING UNITED STATES PATENT ACT THE LEAHY-SMITH AMERICA INVENTS ACT

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On September 8, 2011, the Senate approved the Leahy-Smith America Invents Act (H.R. 1249) (hereinafter "the Act"). It is expected that President Obama will sign the Act into law on Friday, September 16, 2011. When the Act becomes law, it will substantially modify the United States' patent laws, regulations and procedures for the first time since 1952. There are numerous provisions of the Act, and varying dates upon which they take effect. The more salient points are summarized below.

The following provisions will **immediately** take effect, or take effect **within ten or sixty days** of enactment of the Act:

- **Inter Partes Reexamination.** The standard for granting requests for an *inter partes* reexamination will change. Under the old standard, a request for *inter partes* reexamination was granted if "a substantial new question of patentability affecting any claim of the patent concerned is raised by the request." According to the Act, the new standard is whether "the information presented in the request shows that there is a reasonable likelihood that the requester would prevail with respect to at least 1 of the claims challenged in the request." The new standard makes it more difficult for a request for *inter partes* reexamination to be granted. The new standard, however, may benefit requesters of *inter partes* reexamination because an estoppel associated with *inter partes* proceedings becomes effective after a request for *inter partes* reexamination has been granted and the PTO issues an order for reexamination. H.R. 1249, sec. 6.
- **Infringement Defense.** The Act establishes a defense to infringement based on prior commercial use. This defense extends the prior use defense beyond business method patents to all areas of technology. It is a personal defense, and is applicable if the accused infringer commercially used the subject matter in the United States at least one year prior to the effective filing date of the claimed invention or the date on which the claimed invention was disclosed to the public in a manner that qualified as an exception from prior art. Premarketing regulatory review and nonprofit laboratory use (where the public is the intended beneficiary) are considered commercial uses. H.R. 1249, sec. 5.
- **Patent Marking/False Marking.**
 - It will be permissible for an article to be marked with the word "patent" or the abbreviation "pat.," together with an Internet address, accessible to the public without charge for accessing the address, that associates the patented article with the number of the patent. H.R. 1249, sec. 16.
 - *Qui tam* suits for false marking will no longer be permitted. Under the Act, only the United States or a person who has suffered a competitive injury as a result of false marking can bring a false marking lawsuit. Additionally, the Act makes clear that the marking of an article with a patent that covered the article but which patent has expired, is *not* false marking. This amendment is applicable to all cases pending on, or commenced on or after, the date of enactment of the Act. H.R. 1249, sec. 16.
- **Fees.**
 - A 15% increase in most fees charged by the PTO. H.R. 1249, sec. 11.
 - An option is established for prioritized examination of a nonprovisional application for an original utility or plant patent (for a \$4,800 fee, \$2,400 for small entities). The Act gives the PTO the right to prescribe conditions for acceptance of applications for prioritized examination. Until the

PTO prescribes such conditions, no application for prioritized examination can contain more than 4 independent claims or more than a total of 30 claims. Additionally, until regulations are prescribed, the PTO may not accept more than 10,000 requests for prioritized examination per fiscal year. H.R. 1249, sec. 11.

- The Act defines a new category of “micro entity” applicants, for which fees shall be reduced by 75%. A micro entity must: (a) qualify as a small entity; (b) not have been named as an inventor on more than four previous non-provisional patent applications filed in the United States; (c) not exceed certain income requirements; and (d) not have assigned the patent application to an entity that exceeds certain income requirements. H.R. 1249, sec. 10.
- Effective 60 days after enactment, the PTO will charge an additional \$400 fee (\$200 for small entities) for patent applications (except design, plant, or provisional applications) that are not filed electronically. H.R. 1249, sec. 10.
- **Patentable Subject Matter.** Any invention: (1) concerning a strategy for reducing, avoiding, or deferring tax liability; or (2) directed to or encompassing a human organism, will be ineligible for patent protection. H.R. 1249, secs. 14 and 33.
- **Best Mode.** The failure to disclose the best mode will no longer be a ground upon which a patent can be invalidated. This applies to any proceeding commenced on or after the date of enactment of the Act. H.R. 1249, sec. 15.
- **Joinder of Parties.** Parties that are accused infringers may be joined as defendants in one action only if any right of relief is asserted with respect to, or arising out of, the same transaction and if there are questions of fact common to all defendants. H.R. 1249, sec. 19.
- **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, on a business day. H.R. 1249, sec. 37.
- The following provisions of the Leahy-Smith America Invents Act take effect **one year** after enactment:
- **Opposition Period.** In addition to the *inter partes*

reexamination amendment discussed above, the Act establishes a post-grant review system (or “opposition period”).

- (i) Within nine months of the issuance of a patent or reissue patent, a person who is not the owner of the patent may petition the PTO to institute a post-grant review of the patent based upon almost any ground. H.R. 1249, sec. 6, chapter 32.
- (ii) After the later of either: (a) nine months after the issuance of a patent or reissue patent; or (b) if a post-grant review was instituted, the date of the termination of such post-grant review, a person who is not the owner of the patent may petition the PTO to institute an *inter partes* review of the patent.
- (iii) An *inter partes* review can only involve a ground that can be raised under 35 U.S.C. §§ 102 or 103 and can only be based upon prior art consisting of patents or printed publications. H.R. 1249, sec. 6, chapter 31.
- (iv) The petitioner of a post-grant or *inter partes* review is estopped from later asserting in a district court action that a claim is invalid on any ground that the petitioner raised or reasonably could have raised during the post-grant or *inter partes* review.
- (v) The PTO must establish the details of the post-grant and *inter partes* reviews within one year after enactment of the Act. H.R. 1249, sec. 6.
- **Supplemental Examination.** The supplemental examination procedure allows a patentee to request supplemental examination of a patent by the PTO to consider, reconsider, or correct information believed to be relevant to the patent. If the PTO determines that the request indicates that a substantial new question of patentability is raised by one or more items in the request, the PTO will order reexamination. A patent cannot be held unenforceable on the basis of conduct relating to information that had not been considered, was inadequately considered, or was incorrect in a prior examination of the patent if the information was considered, reconsidered, or corrected during a supplemental examination of the patent. This supplemental examination procedure is not applicable under certain circumstances, such as when an allegation is either pled with particularity in a civil action, or set forth in the detailed statement of factual and legal basis

required by the Hatch-Waxman Act, prior to the date of a supplemental examination request. H.R. 1249, sec. 12.

- **Business Method Exceptions.** The Act calls for a transitional post-grant review proceeding for business method patents. The PTO must establish regulations to establish and implement this type of proceeding within one year after enactment of the Act. A person may not file a petition for a transitional post-grant review unless that person has been sued for, or charged with, infringement of the business method patent in question. H.R. 1249, sec. 18.
- **Third Party Submission of Prior Art.** Any third party will be permitted to submit for consideration and inclusion in the record of a patent application, any patent, published patent application, or other printed publication of potential relevance to the examination of the application. The third party must submit the prior art by the later of: (a) six months after the publication of the patent application; or (b) the date of the first rejection. If the PTO issues a notice of allowance before the third party submits its prior art, the third party will be foreclosed from submitting prior art for consideration even if the permitted period for such submission has not yet ended. H.R. 1249, sec. 8.
- **Assignment.** The Act will allow an assignee of an invention to file a patent application. H.R. 1249, sec. 4.
- **Advice of Counsel.** The Act forbids the use of an alleged infringer's failure to obtain advice of counsel to prove willful infringement or inducement of infringement. H.R. 1249, sec. 17.

The following provisions of the Act take effect **18 months** after enactment:

- **First-Inventor-to-File.** The United States' patent system will change from a first-to-invent system to a first-inventor-to-file system. Section 3 of H.R. 1249, entitled "First Inventor to File," will replace 35 U.S.C. §102. The revised section 102 will retain a limited one-year grace period for filing an application after a public disclosure made either by the inventor or by another who obtained the disclosed information from the inventor. Additionally, revised

section 102: (i) erases the distinction between foreign and domestic sales and public uses; (ii) prevents the use of an earlier-filed patent application from anticipating a later-filed application if the applications are owned by the same entity; and (iii) renders an invention unpatentable whenever a third party who did not obtain the subject matter directly or indirectly from the inventor previously placed the invention on sale – even if the sale or sales took place less than one year before the patent application's filing date. Furthermore, once published, a patent application filed before a pending application will become prior art as of the earlier-filed application's effective filing date (even if it is published *after* the pending application was filed). It is important to note that the "old" U.S. patent law will apply to applications with effective filing dates prior to March 16, 2013 (18 months after the currently expected date of enactment of the Act), and the "new" law will apply to applications filed after that date. Therefore, the filing of continuation, continuation-in-part, and divisional applications, will cause the "old" law to linger for many years after the Act becomes law. H.R. 1249, sec. 3.

- **Interference/Derivation Proceeding.** The Act's move to a first-inventor-to-file system makes interference proceedings unnecessary, and replaces them with "derivation proceedings." An applicant for a patent may file a petition to institute a derivation proceeding by setting forth, with particularity, a basis for finding that an inventor named in an earlier application derived the claimed invention from an inventor named in the petitioner's application and, without authorization, filed the earlier application. A derivation petition may only be filed within the one-year period beginning on the date of the first publication of a claim to an invention that is the same or substantially the same as the earlier application's claim. H.R. 1249, sec. 3. The Act changes the name of the Board of Patent Appeals and Interferences to the Patent Trial and Appeal Board. Interference proceedings will remain available for patent applications with effective filing dates prior to March 16, 2013 (*i.e.*, 18 months after the currently expected date of enactment of the Act). H.R. 1249, sec. 7.