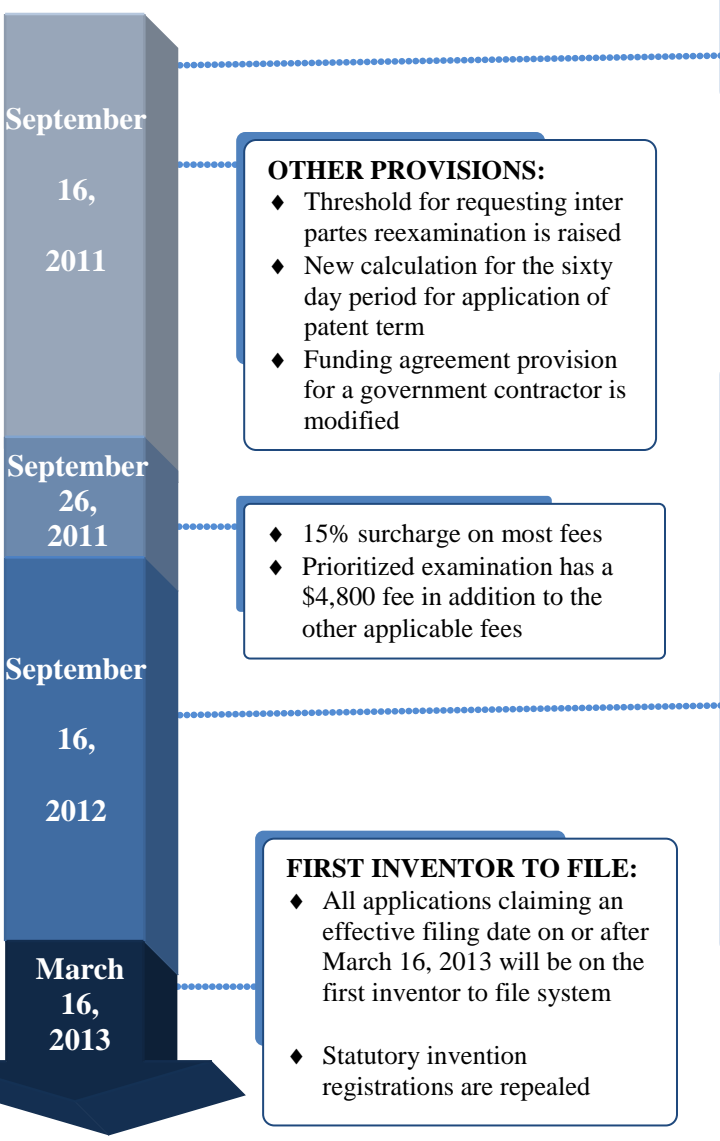


Summary of the Leahy-Smith America Invents Act

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Our patent system is beginning a major transformation due to the recent enactment of the Leahy-Smith America Invents Act, signed into law on September 16, 2011. Many of the provisions in the Act will impact how patents are prosecuted, enforced, and litigated. Some provisions of the Act took effect immediately upon signing. However, many important changes will not take effect until twelve to eighteen months after enactment.

A timeline is provided below showing some of the significant changes that will occur as a result of the Act. A summary follows on pages two to four explaining important provisions in greater detail.



MARKING:

- ◆ Virtual marking by reference to a publically accessible website is allowed
- ◆ Marking a product with an expired patent is not considered false marking
- ◆ Private parties must show they suffered a competitive injury as a result of false marking
- ◆ Only the U.S. can sue for the \$500 penalty for false marking

FEES:

- ◆ Micro entity entitled to a 75% fee reduction once the USPTO sets micro entity fee amounts
- ◆ Refunds allowed for excess claim fees if claims are cancelled before substantive examination

NOT PATENTABLE:

- ◆ Claims directed to or encompassing human organisms
- ◆ Tax strategies for reducing, avoiding, or deferring tax liability

DEFENSES:

- ◆ Failure to comply with the best mode requirement is no longer an option for invalidating a patent
- ◆ Prior user defense is expanded to include all commercial uses in the U.S.

POST GRANT PROCEDURES:

- ◆ Inter partes review and post-grant review proceedings are established
- ◆ Inter partes reexamination is eliminated
- ◆ Supplemental examination is allowed
- ◆ The eight year transitional post-grant review program for covered business method patents is established
- ◆ Third party citations of prior art for inclusion in the patent file are allowed

PROCEDURAL ITEMS:

- ◆ An assignee or one showing a sufficient proprietary interest is able to file an application
- ◆ An applicant for patent, in certain circumstances, is able to file a substitute statement in lieu of an inventor's oath or declaration
- ◆ No additional cost for prioritization of inventions important to the national economy or national competitiveness

OTHER PROVISIONS:

- ◆ Third party submissions of prior art during an application's prosecution are allowed
- ◆ Patent Ombudsman Program is established
- ◆ Failure to obtain the advice of counsel cannot be used to prove willful infringement or intent to induce infringement

First Inventor to File

The Act changes our current "**first to invent**" system to a "**first inventor to file**" system. This change will take effect on March 16, 2013, and will apply to all applications claiming an effective filing date on or after this date.

Under the first inventor to file system, the filing date of the application will determine whether an invention is new and nonobvious rather than the date of the invention (*i.e.*, the date the invention was conceived or reduced to practice). The "**effective filing date**" of an application will be (a) the date the application was filed in the United States Patent and Trademark Office (USPTO) or (b), if priority is claimed to an earlier application or patent, the actual filing date of the earlier application that adequately sets forth the later claimed invention. In general, if two applicants claim the same invention and have different effective filing dates, then the applicant with the earliest effective filing date will be eligible to obtain a patent and the later will be prevented.

Changes to Prior Art

On March 16, 2013, the first inventor to file system brings with it a change in what will be considered prior art in that prior art will be determined based on the effective filing date of the application. Applicants will no longer be able to claim an earlier date of invention by "swearing behind" prior art.

Under the new 35 U.S.C. §102, unless an exception applies, prior art will include patents, printed publications, public uses, sales, and otherwise making the claimed invention available to the public before the effective filing date of the application.

Accordingly, there is no longer a geographical limitation on public uses and sales. For patents and published applications, the effective filing date of the patent or published application will determine when they become prior art: not the date the patent issued; not the date the application published. Further, the "otherwise available to the public" category presumably includes as prior art any other form of public disclosure of the claimed invention. This highlights the importance of having a **nondisclosure or confidentiality agreement** in place prior to a disclosure of an invention to another, as the disclosure could be considered prior art.

Prior to these changes, as of September 16, 2012, any third party will be able to submit prior art at

certain times during the prosecution of an application. Essentially, any patent, published application, or other printed publication can be submitted to the USPTO for consideration and inclusion in the record of an application. The submission must include a concise description of the relevance of the submitted document and must be submitted before the earlier of "(A) the date a notice of allowance under section 151 is given or mailed in the application for patent; or (B) the later of – (i) 6 months after the date on which the application for patent is first published ... or (ii) the date of the first rejection...." Sec. 8(a).

One Year Grace Period

A grace period of one year is provided for inventors under the new 35 U.S.C. §102(b). Essentially, a disclosure of the claimed invention that is within one year of the effective filing date will not be considered prior art if the disclosure was made by the inventor, joint inventor, or another who obtained the disclosed subject matter directly or indirectly from the inventor. In addition, a disclosure of the claimed invention by the inventor, joint inventor, or another who obtained the disclosed subject matter directly or indirectly from the inventor will prevent later disclosures of the claimed invention by others from being considered prior art, as long as the inventor's earlier disclosure was within one year of the effective filing date of the application (a dramatic departure from the **absolute novelty rule** found in Europe and other first inventor to file jurisdictions).

In addition, patents and published applications will not be considered prior art under three circumstances. Specifically, if the subject matter disclosed in the patent or published application was (1) obtained directly or indirectly from the inventor or joint inventor, (2) publicly disclosed before the effective filing date of the patent or published application by the inventor, joint inventor, or another who obtained the disclosed subject matter directly or indirectly from the inventor, or (3) as of the effective filing date of the claimed invention, owned by the same person or subject to an obligation of assignment to the same person as the claimed invention, then the patent or published application will not be considered prior art.

To be considered owned by the same person or subject to an obligation of assignment to the same person, a "**joint research agreement**" must be in

effect on or before the effective filing date of the claimed invention. A joint research agreement is defined as "a written contract, grant, or cooperative agreement entered into by two or more persons or entities for the performance of experimental, developmental, or research work in the field of the claimed invention." Sec. 3(a)(2).

Derivation Proceedings

Derivation proceedings will apply to any application that is subject to the first inventor to file system. If an applicant believes that an inventor in an earlier filed application "derived" the claimed invention from an inventor in its application, then the applicant may file a petition asking the USPTO to institute a derivation proceeding. The petition must be filed "within the 1-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 to the invention." Sec. 3(i). The petition must state with particularity the basis for claiming that the earlier filed application was derived, include supporting evidence, and be made under oath. The USPTO's decision of whether or not to institute a derivation proceeding is final and nonappealable.

If the USPTO institutes a derivation proceeding, then the newly created Patent Trial and Appeal Board (this Board will replace the Board of Patent Appeals and Interferences) will decide whether or not the earlier application was derived from an inventor in the later filed application. The Board's adverse decision to the claims in an application or patent will constitute the final refusal by the USPTO of the pending claims or cancellation of the claims, respectively.

Similar to current 35 U.S.C. § 291, for issued patents that claim the same invention, a patentee can pursue a civil action in federal court against the patentee with the earlier effective filing date and claim that an inventor named in the earlier filed patent derived the claimed invention from an inventor in the later filed patent. The civil action must be filed within one year of the issuance date of the patent with the earlier effective filing date.

Post-Grant Proceedings

Upon enactment, there will be changes to inter partes reexamination, and one year from the date of enactment two new inter partes procedures will be

created. **Ex parte reexamination** will not be changed by the Act.

For **inter partes reexamination**, on September 16, 2011, the threshold for requesting inter partes reexamination changed from "a substantial new question of patentability affecting any claim" to "a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition." Sec. 6(a). Thus, a slightly higher threshold is required and will apply to requests filed on or after the date of enactment. However, on September 16, 2012, inter partes reexamination will be abolished and replaced with inter partes review proceedings and post-grant review proceedings.

Inter partes review will apply to any patent issued before, on, or after September 16, 2012. To institute an inter partes review of a patent, a person who is not the owner of a patent must file a petition challenging a claim in the patent as unpatentable on any ground that could be raised under 35 U.S.C. §§ 102 or 103 using only patents and printed publications as prior art. Thus, depending on the effective filing date of the patent, the current definitions of prior art under §§ 102 and 103 may apply. The petition must be filed after the later of either nine months after the date of grant (or the issuance of a reissue patent) or the date of the termination of a post-grant review. The threshold for inter partes review is if the petitioner has shown that "there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition." Sec. 6(a).

Post-grant review will, in general, apply to patents subject to the first inventor to file system. To institute a post-grant review of a patent, a person who is not the owner of a patent must file a petition challenging a claim in the patent as unpatentable on any ground that could be raised to invalidate a patent, except for failure to disclose the best mode. The petition for post-grant review must be filed no later than nine months after the date of grant or the issuance of a reissue patent. The threshold for post-grant review is (a) if the petitioner has shown that "it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable" or (b) if "the petition raises a novel or unsettled legal question that is important to other patents or patent applications." Sec. 6(d).

For both inter partes review and post-grant review, the USPTO's decision of whether or not to institute a

proceeding is final and nonappealable and the Patent Trial and Appeal Board will conduct an instituted proceeding. For both post-grant proceedings, the petitioner has the burden of proving that a claim is unpatentable by a preponderance of the evidence.

Issuance of a final written decision by the Board in either will prevent the petitioner or the real party in interest from requesting or maintaining a proceeding before the USPTO or later raising a claim in a civil action or before the International Trade Commission (ITC) on any ground that the petitioner raised (or reasonably could have raised) during the proceeding.

A limitation on instituting inter partes or post-grant review is that, if the petitioner or real party in interest has filed a civil action challenging the validity of a claim in a patent, then the petitioner or real party in interest is barred from instituting inter partes or post-grant review. However, a counterclaim in a civil action asserting the invalidity of a claim in a patent does not bar the petitioner or real party in interest from instituting inter partes or post-grant review.

Micro Entity

Upon enactment, a "**micro entity**" will be entitled to a seventy-five percent reduction in fees. However, the USPTO has stated that the micro entity fee discount will not be available until the micro entity fee for a specific fee is set by the USPTO. To be considered a micro entity, the applicant must certify that it is an institution of higher education. Alternatively, the applicant must certify that (a) it qualifies as a small entity, (b) has not been named as an inventor on more than 4 previously filed patent applications (excludes applications filed in another country, provisional applications, and international applications for which the national fee was not paid), (c) did not in the calendar year preceding the calendar year in which the applicable fee is being paid have a gross income exceeding three times the median household income for that preceding calendar year, (d) has not assigned, granted, or conveyed to an entity that, in the calendar year preceding the calendar year in which the applicable fee is being paid, had a gross income exceeding three times the median household income for that preceding calendar year, and (e) is not under an obligation to assign, grant or convey a license or other ownership interest to an entity that, in the calendar year preceding the calendar year in which the applicable fee is being paid, had a gross income

exceeding three times the median household income for that preceding calendar year.

If an applicant has assigned or is under an obligation to assign all ownership rights in an invention as a result of his/her prior employment, then the applicant is not considered to be named on that application.

Supplemental Examination

On September 16, 2012, applicants will be able to request supplemental examination for any patent they own that issued before, on, or after this date. Thus, a patent owner will be able to request that the USPTO consider, reconsider, or correct information it believes to be relevant to the patent. The USPTO will review the information provided by the patent owner and determine if the information raises a substantial new question of patentability. If it does, then reexamination of the patent is ordered.

A benefit provided by supplemental examination is that information considered, reconsidered, or corrected in the supplemental examination cannot be used to hold the patent unenforceable on the basis of inequitable conduct, except where an allegation of inequitable conduct was specifically raised in a civil action before the date of the request for supplemental examination.

The USPTO is actively seeking and encouraging the patent community to provide their comments and input on how to implement the Act (www.uspto.gov/aia_implementation/index.jsp).

The legislative history of the Act can be found at http://www.uspto.gov/aia_implementation/resources.jsp#heading-2.

The comments of Ken Sibley, Jim Cannon, and Alice Bonnen in the preparation of this summary are acknowledged and appreciated.