

Long-Awaited Patent Reform Bill Passes Congress

Yesterday, the United States Senate passed the Leahy-Smith America Invents Act (the “Act”), previously passed by the House of Representatives, sending the most significant reform of the United States patent laws since 1952 to the President for his signature. President Obama has indicated his intention to sign it.

The sweeping legislation, among other things, converts the United States patent system to a “first-inventor-to-file” system, introduces new post-grant review procedures, and imposes an immediate 15% increase on patent office fees. A summary of the most important provisions follows.

Transitions to First Inventor to File: The Act amends sections 102 and 103 of the Patent Act, the provisions that define the concepts of novelty and obviousness, to transition the United States patent system to a “first-inventor-to-file” system similar to that used in much of the rest of the world. As a result, interference proceedings will eventually disappear, but will be replaced by derivation proceedings, in which the second inventor to file can challenge the first-filed application on the basis that the first inventor to file “derived” the invention from the second inventor to file. The changes, however, go substantially further than merely implementing the first-to-file rule. In addition to applicants no longer being able to “swear behind” the filing dates of earlier filed patent applications, applicants will no longer be able to swear behind any third party publications, unless the third party previously obtained the information from the applicant. In addition, earlier filed, yet-to-be published patents and patent applications owned by an entity will no longer be available as prior art against that entity’s later filed patents and applications. (Currently, such earlier filed patents and applications cannot be used to challenge the obviousness of a later filed patent or application, but can be used to challenge novelty.) These changes will not go into effect until 18 months after the enactment of the Act and will apply only to applications filed, and patents issuing from applications filed, after that date that do not claim priority to applications filed prior to that date.

Institutes New Post-Grant Review Procedures: The Act creates a new Post-Grant Review process and replaces the current Inter Partes Reexamination procedure with a new Inter Partes Review.

The Post-Grant Review must be requested within 9 months of the issuance or reissuance of a patent. To obtain such review, a third party must demonstrate that is more likely than not that one or more claims of the patent is unpatentable. Unlike current reexamination proceedings and the new Inter Partes Review, the Post-Grant Review is not limited to evaluating questions of novelty and obviousness, but can be based on any ground for invalidating a patent set forth in paragraphs (2) and (3) of § 282(b).

The Inter Partes Review procedure can be requested only after 9 months have passed after the issuance or reissuance of a patent, or after the conclusion of any Post-Grant Review that may have been instituted. Similar to the current reexamination process, the Inter Partes Review can only be brought on § 102 and § 103 grounds based on patents or printed publications. The new procedure, however, eliminates the current “Substantial New Question” of patentability standard for instituting a reexamination, and replaces it with a “reasonable likelihood of success” standard. Inter Partes Reviews will be conducted by the Patent Trial and Appeal Board (the new name for the Board of Patent Appeals and Interferences). The new proceedings will not be available until one year after enactment. However, immediately upon enactment, the new standard for instituting the Inter Partes Review, will replace the existing standard for instituting inter partes reexaminations for the interim period. The standard for ex parte reexaminations will remain the same.

Revamps Patent Marking Requirements: The Act addresses a number of the current concerns pertaining to patent marking. It creates an option for patentees to identify via the Internet the set of patents that may apply to a product. A patented article need only be affixed with the word “patent” or the abbreviation “pat.” along with an Internet address of a document listing the applicable patents. In addition, Section 16 eliminates the ability of third parties to obtain statutory damages through Qui Tam actions alleging false marking. Such actions can be brought only by the Attorney General. Finally, marking a product with an expired patent that covered the product before expiration is excluded from false marking. These provisions become effective upon enactment.

Expands Prior Commercial Use Defense: The Act modifies the currently existing defense against infringement of method claims set forth in 35 U.S.C. § 273 based on the defendant’s prior commercial use of an invention. Among other changes, the Act extends the defense to all patent claims, including claims directed to methods, machines, articles of manufacture, and compositions of matter.

Eliminates Best Mode Defense: Immediately upon enactment, the Act eliminates violations of the best mode requirement as grounds for invalidity or unenforceability of an issued patent.

Expands Opportunities for Third Party Submission of Art: The Act extends the time period during the prosecution of a patent application in which a third party may submit prior art for the examiner’s consideration. Currently, a third party must submit prior art within 2 months of the publication of the application. The Act extends the deadline for submitting art to the earlier of the notice of allowance of the application or the later of six months following publication of the application and a first office action in the application. These provisions go into effect one year from the date of enactment. They will also apply retroactively, allowing third parties to submit prior art related to then-pending applications.

Creates Supplemental Examination Process: The Act creates a new Supplemental Examination process through which patent owners can have the PTO consider, reconsider, or correct information believed relevant to the patent. The process is specifically created to provide an opportunity for patentees to cure earlier actions or omissions that might otherwise lead to a claim of inequitable conduct. These provisions go into effect one year from the date of enactment. They will also apply retroactively to any previously issued patent.

Creates New Micro Entity Status: The Act creates a new “micro entity” status for small entities having no more than four prior patent applications and revenues less than three times the median United States income for the previous year. Under appropriate circumstances, patent applications filed in the name of inventors employed by institutions of higher education may also qualify for micro entity status. Such entities qualify for a 75% fee discount. These provisions take effect immediately upon enactment.

Codifies Import of Opinions for Willfulness Determinations: The Act codifies the Seagate decision that found that failure to obtain advice of counsel could not be used as evidence to support an allegation of willful infringement. This provision takes effect one year after enactment.

Creates Temporary Post-Grant Business Method Patent Review Process: The Act (Section 18) creates a temporary program lasting 8 years under which defendants in business method patent infringement suits can initiate a post-grant review of certain business method patents after the normal time period for requesting such review has passed. During such proceedings, petitioners are not limited to printed publications and patents. They can rely on any prior art available under the new § 102(a). This section, which apparently will not become a codified section of the U.S. Code, takes effect one year after enactment.

Prospectively Eliminates Patentability of Tax Strategies: The Act generally renders tax strategies unpatentable by considering all methods for reducing, avoiding, or deferring tax liability to be present in the prior art whether or not they were in fact previously known. This section goes into effect immediately upon enactment and applies to all pending patent applications that are currently pending or that are filed after the effective date. The section does not apply retroactively to patents issued before the effective date.

If you have questions regarding this alert, please contact one of the following attorneys: [Mark H. Bloomberg](#), [Joseph M. Guiliano](#), [Gene Whan Lee](#), [Jeffrey H. Ingerman](#), [William J. McCabe](#)