

# PUBLICATION

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## Congress Passes First Significant Patent Reform in 60 Years

September 13, 2011

After several years of discussions about reforming the patent system in the U.S., Congress has passed the *America Invents Act*, which President Obama has stated he will sign. The Act is considered the most significant reform in U.S. patent law in the last 60 years.

The legislation has several components. Significant reforms include the following:

**First-to-File.** The U.S. joins the rest of the world in adopting a first-to-file patent system. Adoption will be delayed for 18 months after the Act becomes law to allow two studies on prior user rights and the impact of the new system on small businesses to be completed. The first-to-file system is expected to go into effect in February 2013.

**Prior Art Redefined.** To go along with the first-to-file system, only disclosures made by an inventor (or on his or her behalf) will get the benefit of the one-year grace period under current law. The one-year grace period for sales, offers to sell, or public use of the invention is eliminated. The prior art sale/offer to sell bar has been expanded to include sales and offers anywhere in the world, not just in the U.S. Further, all patents or published patent applications will now be considered prior art as of the filing date of the first application filed anywhere in the world to which priority is claimed.

**Additional Review.** The Act provides for three new procedures for reviewing a patent after it issues. A *Post Grant Review* allows a third party to challenge the validity of a patent on any statutory grounds within nine months of issuance. *Inter Partes Review* takes the place of the current Inter Partes Reexamination process, but with changes to the standard for granting review and the reviewing entity. *Supplemental Examination* allows the patent owner or assignee the chance to open the issued patent for additional examination to address issues that raise a substantial new question of patentability.

**Prior Commercial Use Defense.** The prior commercial use defense in patent litigation, which has been limited to business methods, is being expanded to include other categories of patentable subject matter. The entities covered also have been expanded to include affiliated entities or companies. Commercial use of technology by a university does not qualify for the defense, however, where the prior use was in a laboratory for research.

**Tax Strategy Patents.** Strategies for reducing, avoiding or deferring tax liability now are effectively unpatentable, with two exceptions for inventions relating solely to the preparation of tax returns, or relating to financial management.

**False Marking Suits.** The Act eliminates *qui tam* cases based on false marking. A third party can only bring a false marking action where it has suffered actual economic harm from the false marking, and damages then are limited to the economic harm. Further, a product marked with an expired patent number that covered the product at one time is no longer considered to be false marking.

A more detailed analysis of the *America Invents Act* is listed below. If you have any questions or want to discuss how the Act will impact your IP strategy, contact your Baker Donelson attorney or one of our [Intellectual Property attorneys](#) or [Business Technology attorneys](#).

## DETAILED SUMMARY

On September 8, 2011, the United States Senate passed the Leahy-Smith America Invents Patent Reform Act by a vote of 89 to 9. President Obama is expected to sign this Patent Reform Act into law in the next week or so. Although many provisions of the law will not take effect for at least one year after the date of enactment, there are several key provisions that will have an immediate impact on patent practitioners.

### Immediate Considerations

**Reexamination** – The standard for reexamination filed after the date of enactment will change from "a substantial new question of patentability" to "a reasonable likelihood that the requestor would prevail" regarding at least one of the challenged claims. Also, Board of Patent Appeals and Interferences ("Board") decisions in ex parte reexamination proceedings will now be appealed only to the Federal Circuit for any reexaminations pending at the date of enactment.

**False-Marking** – Effectively immediately and also applicable to new actions, changes to 35 USC § 292 will effectively eliminate *qui tam* actions for false marking suits. The new law also provides that marking with an expired patent is not a violation of the statute. This means that virtually all pending false marking suits will need to be dismissed once the law is enacted.

**Best Mode** – Effective immediately and applicable to new actions, the "best mode" requirement will no longer be a basis for invalidating a patent. However, the PTO may still require disclosure during prosecution.

**USPTO Fees** – Effective ten days from enactment, a 15 percent surcharge will be added to all patent-related fees, including patent maintenance fees. The USPTO also is authorized to proceed with its "Track I" program for fee-based prioritized examination: a \$4,800 fee for large entities, and \$2,400 for small entities.

### Future Considerations

**Post Grant Review (18 months after enactment):** There will be a nine-month window for challenging a patent on any ground of patentability. The Post Grant Review procedure will apply only to applications with priority claims that are **18 months** after the date of enactment (one year for certain business method patents). Review may be granted in the following situations:

- (a) a showing that it is more likely than not that at least one of the challenged claims is unpatentable; or
- (b) on the grounds that the petition raises a novel or unsettled legal question that is important to other patents/applications.

**Inter Partes Review:** After the time for post-grant review has passed or after a post-grant review proceeding is completed, a patent can be challenged on the basis of prior art patents or printed publications only. This provision takes effect **one year after enactment**, but will be available to challenge patents issued before its effective date. Review may be granted upon a showing that the petitioner has a reasonable likelihood in prevailing on the basis that at least one of the challenged claims is patentable. Decisions by the Board will be appealable to the Federal Circuit only.

**First-To-File (18 months after enactment):** The United States will move closer to a first-to-file system with several caveats based on changes to 35 USC § 102. A limited one-year grace period will be maintained when filing an application after a public disclosure made by the inventor, made by another who obtained the disclosed information from the inventor, or made after such an inventor-derived public disclosure. Under the

first-to-file system, 35 USC § 102(a), the concept that prior art must precede the date of invention, and the one-year statutory bar under 35 USC § 102(b) will be eliminated. The new version of § 102 will apply to applications with priority claims that fall **18 months** after the date of enactment.

**Interference Proceedings (18 months after enactment):** Changes to 35 USC § 135 will replace current interference proceedings germane to the first-to-invent system with derivation proceedings to determine whether the inventor named in an earlier-filed application derived the claimed subject matter from the inventor of a later-filed application. Derivation proceedings will apply to applications with priority claims that fall **18 months** after the date of enactment. Interference proceedings will continue to be available to earlier applications under the previous version of 35 USC § 135.