Proskauer

Patent Reform Bill Signed by the President

September 19, 2011

On September 16, 2011, President Obama signed into law the *Leahy-Smith America Invents Act* (the "Act"), which makes the most comprehensive changes to the U.S. Patent Laws since the enactment of the Patent Act of 1952. The Act overhauls the patent system, moving the U.S. to a first-to-file system, expanding infringement defenses, creating new post-grant review procedures and implementing a surcharge on all patent-related fees.

The following is a chronological summary of key changes to the U.S. Patent Laws.

Changes Effective Immediately

Inter Partes Review

The Act heightens the standard for determining whether the Director of the U.S. Patent and Trademark Office (PTO) may authorize a request for inter partes review, which allows members of the public to request and participate in the reexamination of an issued patent. The new standard of review requires that the petitioner present information sufficient to show a "reasonable likelihood" that the petitioner will prevail in invalidating at least one challenged claim. Prior to enactment, the petitioner was only required to present information sufficient to show that a "substantial new question of patentability" affected any claim of the issued patent.

Prior Commercial Use Defense

Prior to the Act, the prior commercial use defense could only be asserted against patent claims directed to methods of doing or conducting business. As a result, some corporations were faced with a difficult choice. A corporation could maintain a non-business method, such as a manufacturing process, as a trade secret and run the risk of being blocked by a later filed patent, or the corporation could file a patent application disclosing their secret process to the public. The Act expands the prior use defense to cover subject matter consisting of a process, or a machine, manufacture, or composition of matter, used in a manufacturing or other commercial process, which would otherwise infringe the claims of an issued patent, if the alleged infringer commercially used such subject matter in the United States at least one year before the effective filing date of the claimed invention or the date on which that claimed invention was disclosed to the public. The expanded prior use defense applies to any patent issued on or after September 16, 2011.

Best Mode Defense

The U.S. Patent Laws require that a patent set forth the best mode of carrying out the invention contemplated by the inventor. Prior to the Act, a defendant in a patent infringement suit could invalidate a patent by showing that the inventor failed to disclose the best mode of carrying out the invention. The Act eliminates the best mode defense for all actions commenced on or after September 16, 2011.

Virtual Patent Marking

The Act establishes virtual patent marking. A patent holder may now mark products by using the word "patent" or "pat." together with an Internet address that associates the patented article with the number of the patent.

False Marking

The Act all but eliminates "*qui tam*" actions for false marking where the plaintiff is a private citizen. The Act requires that a plaintiff in a private action show "competitive injury" as a result of a false marking violation. Moreover, the Act limits damages resulting from a false marking violation to "adequate" compensation for the injury. These amendments will apply to all cases that are pending on, or commenced on or after, September 16, 2011.

New Joinder Rules

The Act limits a plaintiff's ability to join unrelated defendants in patent infringement actions. Under the new rules, parties that are accused infringers may be joined in one action only if questions of fact are common to all defendants. The mere fact that the defendants are accused of infringing the same patent or patents is not a sufficient basis for joinder.

Tax Strategy Patents

The Act eliminates the granting of patents directed to strategies for reducing, avoiding or deferring tax liability. The term "tax liability" is defined as any liability for a tax under federal law, state law, local law or the law of any foreign jurisdiction. The Act does not eliminate the granting of patents for systems or methods of preparing a tax return or filing, or for systems or methods used solely for financial management.

Human Organism Patents

The Act eliminates the granting of patents directed to human organisms. This limitation applies to any patent application currently pending and patent applications filed on or after September 16, 2011.

Changes Effective September 26, 2011

Patent Office Fees

The Act implements a fifteen percent (15%) surcharge on all patent-related fees, and sets a $4,800 fee for filing a prioritized patent application under the PTO's Fast-Track Patent Processing Program (Track I). Information regarding the PTO's Track I program is available for review at http://www.uspto.gov/news/pr/2011/11-24.jsp.

Changes Effective September 16, 2012

Pre-issuance Third-Party Submissions

The Act establishes procedures for third-party submissions to the PTO of any patent, published patent application, or other printed publication of potential relevance to a pending patent application. The Act requires that the third party set forth a concise description of the relevance of each submitted document and pay the fee prescribed by the Director of the PTO.

Inventor's Oath/Declaration

The Act eliminates the requirement that each inventor execute an oath or declaration if the inventor is obligated to assign the invention to another. As a result, business entities having a sufficient proprietary interest in an invention may file a patent application on behalf of an inventor, without an executed oath or declaration.

Advice of Counsel

The Act states that the failure of an infringer to obtain the advice of counsel with respect to an allegedly infringed patent, or the failure of the infringer to present such advice to a court or jury, may not be used to prove that the accused infringer willfully infringed the patent or that the infringer intended to induce infringement.

PTO Post-Grant Review

The Act modifies the current Inter Partes reexamination procedures by creating two different procedures for third-party-initiated post-grant review of a patent: Post-Grant Review under new chapter 32 and Inter Partes Review under amended chapter 31. Under the new Post-Grant Review procedure, a third party will have nine (9) months from the issuance of a patent to challenge the validity of the patent on any ground. The Director of the PTO may authorize a petitioner's request for Post-Grant Review of a patent if it is demonstrated that it is more likely than not that at least one of the claims challenged in the petition is unpatentable, or by a showing that the petition raises a novel or unsettled legal question that is important to other patents or patent applications. In contrast, under the Inter Partes Review procedure, a third party may only challenge the validity of a patent on the grounds of novelty under Section 102 or obviousness under Section 103, and only on the basis of prior art consisting of patents or printed publications.

Post-Grant Review of Business Methods

The Act establishes a new Post-Grant Review procedure for business method patents directed to performing data processing used in the practice or management of a financial product or service. This new procedure will employ the standards and procedures of the new Post-Grant Review procedure of chapter 32 and will be limited to persons charged with infringement or sued for infringement of a business method patent.

Changes Effective March 16, 2013

First-to-File

The Act changes the U.S. patent system from a first-to-invent system to a first-to-file system, which awards the first inventor to file a patent application with rights in the invention. The Act will retain a modified one-year grace period for filing an application after the disclosure of an invention. The new provisions of the first-to-file system will apply to any patent application having an effective filing date on or after March 16, 2013.

The Act replaces interferences with newly established Derivation proceedings, which will permit patent owners claiming similar inventions to request that a determination be made whether the inventor of an earlier-filed patent application derived the claimed invention from the inventor of the later-filed patent application.

Expansion of Prior Art

The Act also expands the scope of available prior art under Section 102. For example, under the new law, published foreign national patent applications may be used as prior art as of their filing date rather than the later date of publication as provided under prior law. Further, the Act expands the public use and on-sale bars to patentability by eliminating the requirement that the public use or sale occur in the United States.

Conclusion

This client alert provides an overview of many of the sweeping changes to the U.S. Patent Laws that will occur over the next eighteen months. Proskauer's Patent Law Group will closely monitor the PTO's implementation of the new law, and work actively to assess the strategic implications of these statutory changes for its clients.

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