

# It's Official: The 'Race' is On...and Other Provisions of the 2011 Leahy-Smith America Invents Act

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On September 16, 2011, the Leahy-Smith America Invents Act ("AIA") was signed into law by President Obama. The AIA ushers in the most dramatic change to U.S. patent law since the early 1950s. Some of the provisions of the AIA became effective immediately upon enactment of the AIA, while other provisions will be phased in over time. So how will the AIA affect your intellectual property management decisions?

## **First to File (The "Race" Provision)**

Arguably the most significant provision of the AIA, and the one that has drawn the most attention (and controversy), converts the United States patent system from a "first to invent" system, which was unique to the United States, to a "first to file" system, which is practiced throughout most of the rest of the world. Under the "first to invent" system, an inventor who first conceives and reduces to practice an invention is given priority for a patent to that invention, even if another person actually files an application for the invention first. Under the new "first to file" system (effective 18 months after the date of enactment, or March 16, 2013), the first party to get its application filed will be the one entitled to the invention regardless of who was the first to invent; accordingly, the first inventor to file in the United States Patent and Trademark Office ("USPTO") will win the "race" and, thus, the patent.

This provision of the AIA will help to harmonize United States patent law with that of other countries throughout the world. However, opponents of the change suggest that this may put small businesses and sole inventors at a disadvantage, as they may not have the resources or sophisticated processes available to them to ensure that patent applications for their valuable innovations are promptly drafted and filed.

Conversion to the "first to file" system impacts other areas of United States patent law. For example, the current interference practice, established to ascertain who was the first to invent when multiple inventors are alleging they each were, will become obsolete and, thus, phased out over time. However, the AIA does provide for a replacement "derivation proceeding" to determine whether an inventor named in an earlier-filed application derived the invention from the inventor of a later-filed application for the same subject matter. Derivation proceedings will apply to patent applications with priority claims that fall on or after March 16, 2013, effective date. The time period for filing a derivation proceeding will be one year from the issuance of the contested patent or, if the inventor petitioner has also filed a patent application, then one year from the first publication of the contested claim.

It is important to note that under the AIA, an inventor will continue to receive a one-year grace period after disclosure of the subject matter of the invention in which to file a patent application in the United States, provided the disclosure is made by the inventor (or an individual who obtained the information from the inventor) and the inventor is the first to file the patent application on the invention. This will be unique to United States patent law; most other countries require absolute novelty and do not recognize such a grace period after public disclosure of an invention. Therefore, upon disclosure of an invention prior to filing, the

inventor will still forfeit the inventor's filing rights throughout a number of other countries.

## **Post-Grant Proceedings**

Another significant change resulting from the enactment of the AIA is the implementation of additional procedures for parties to challenge issued patents, including Post-Grant Review and Inter Partes Review.

Under Post-Grant Review, a party will have nine months after the issue date of a patent to submit a petition for Post-Grant Review of the issued patent. The petitioner may submit any prior art (patents or printed publications) relevant to the issued patent and may raise any questions of patentability (such as indefiniteness, lack of enablement, or written description). The provisions regarding Post-Grant Review apply to patent applications with priority claims that fall on or after March 16, 2013 (or September 16, 2012, for certain business method patents). To obtain Post-Grant Review, the petitioner will be required to demonstrate that it is more likely than not that at least one of the challenged claims is unpatentable.

After the window for filing Post-Grant Review has passed, a petitioner will be entitled to seek an Inter Partes Review up to the expiration date of a patent. This procedure will allow anyone to challenge an issued patent; however, such a challenge may be based solely on prior art patents or printed publications. This will replace the current Inter Partes Reexamination procedure. The provisions regarding Inter Partes Review will take effect on September 16, 2012, but will apply to patents granted before September 16, 2011 (the AIA enactment date). To obtain Inter Partes Review, the petitioner must show a reasonable likelihood that the petitioner will prevail with respect to at least one of the challenged claims.

## **False Marking**

In still another significant change, effective as of the date of the enactment of the AIA (September 16, 2011), the AIA amends the patent false marking statute in two ways.

First, qui tam actions (actions by an individual or entity brought on behalf of the government) based on "false marking" are no longer available to private parties. However, competitors may still bring false marking actions based on actual harm resulting from false marking, and the United States may bring actions for false marking based on the traditional \$500 per offense fine.

Second, marking a product with a patent that once covered the product but has since expired does not violate the false marking statute. This provision became effective immediately as of the date of the enactment of the AIA (September 16, 2011) and is applicable to all pending and newly-filed false marking cases.

## **Other Noteworthy Provisions of the AIA**

Effective as of the enactment of the AIA (September 16, 2011):

- A patent owner has the opportunity to request a Supplemental Examination of a patent. The patent owner may provide corrected or new information or other information that was not accurately presented to the USPTO during the application process. If the USPTO concludes in a Supplemental Examination that the information does not impact the patent, the patent cannot be held unenforceable on the basis of the information considered in the Supplemental Examination. Even if the USPTO concludes that the information does impact the patent, the information cannot be used later as a basis for inequitable conduct.
- Tax strategies (i.e., strategies for reducing, avoiding, or deferring tax liability) are no longer considered patentable subject matter because they are deemed to be within the prior art and, thus, insufficient to

differentiate the "invention" from the prior art. However, the AIA provides an exception for computer programs intended solely for the preparation and filing of tax returns.

- Failure to disclose the "best mode" is no longer a basis for rendering a patent invalid or unenforceable in a civil suit. This provision does not apply to cases pending prior to September 16, 2011, so the best mode defense is still applicable in lawsuits pending prior to that date.
- "Virtual marking" is available, enabling the marking requirement to be fulfilled by including the word "patent" or "pat." together with a publicly accessible Internet address listing the patent numbers associated with the product. The listing on the Internet can be kept up to date, making compliance with patent marking requirements easier.
- A new "micro entity" category was established which significantly reduces certain fees (up to 75%) for individual inventors and very small companies that meet the requirements to qualify as a micro entity.
- The prior use defense to infringement was extended from just "business method" patents to any patent issued after September 16, 2011. However, commercial use must have begun one year before the effective filing date. The AIA specifies certain examples of activities that are considered "commercial use"; however, it does not specifically provide a general definition of "commercial use."
- Patent claims that cover human beings "directed to or encompassing a human organism" are expressly prohibited.

Effective September 26, 2011:

- Any applicant can pay a fee of \$4,800 for prioritized examination, and the USPTO will expedite examination. Applicants will receive a final disposition within 12 months of being granted priority status. However, the AIA currently limits the number of priority examinations to 10,000 per fiscal year, and the application must be limited to four independent claims and 30 total claims.

Effective September 16, 2012:

- A third party is allowed to use pre-issuance submissions to submit publications potentially relevant to a patent application for consideration by the USPTO.
- A person to whom an inventor has assigned (or is under an obligation to assign) an invention is authorized to make an application for a patent. Also, the inventor's oath or declaration can be made in an assignment document.

## **Conclusion**

The AIA introduces significant changes to the current United States patent system. So what will this mean to you or your company as an inventor? Perhaps the most important is the necessity of filing your valuable patent applications timely. You need to revisit your procedures to eliminate delays that often occur between your conception and generation of an invention disclosure and your filing of a patent application. You may want to revise your procedures and put additional ones in place to identify inventions more quickly, evaluate their value, obtain the needed research and enablement, and get to the USPTO early. Otherwise, you or your company may lose your rights to a competitor who is first to file. You also may wish to establish or expand procedures to watch for patent applications applied for by, or issued to, your competitors for the purpose of submitting prior art that may bear on the patentability of a competitor's patent or patent application, or potentially pursuing Post-Grant Review or Inter Partes Review. In any event, it will be important for you and your company to understand how the AIA does, and will, impact your intellectual property holdings and

strategies.

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*For further information regarding the issues described above, please contact Ryan K. Simmons.*

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