

Congress Passes America Invents Act , Significantly Reforming U.S. Patent Law

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On September 8, 2011, the U.S. Senate passed the Leahy-Smith America Invents Act. President Obama is expected to sign the legislation on Friday, September 16, 2011. The America Invents Act is the most significant reform of patent law in the past 50 years. The Act makes major changes, including movement from a first-to-invent to a first-to-file system, changes to prior art and patentability of certain subject matter, expansion of the ability of third parties to challenge a patent or application, and limitations in patent litigation.

The changes are set to be phased in over the next eighteen months. This newsletter article focuses on the provisions of the America Invents Act that will become effective within the next two months, and is organized in the order in which these changes will become effective. While the changes are numerous, the attorneys and staff here at Andrus are committed to keeping our clients informed of these changes as they happen and are prepared to advise our clients accordingly. We will provide further updates and analysis as the Act is implemented and the USPTO issues rules.

Patent Reform changes taking place immediately upon Enactment (September 16th)

Micro Entities – Applicants that qualify for the new "Micro Entity" Status receive a 75% reduction for most Patent Office fees. An applicant may qualify as a "Micro Entity" if the applicant meets the previous requirements for Small Entity status, has been named as an inventor in four (4) or fewer applications for patent, had gross income less than three times the National median household income in the preceding year, and has not licensed or assigned the application to an entity that had a gross income above the limits. Universities also qualify as Micro Entities

Virtual Marking – Patent holders and licensees can now use a publicly accessible website to meet the requirements for patent marking by providing a link from the patented product to the patent number. Virtual marking will be available to all patents issued after the date of Enactment.

Inter Partes Reexamination Standard

The validity of a patent can currently be challenged after it is granted in an *Inter Partes* Reexamination before the Patent Office. The patent reforms change the standard that the Patent Office uses to decide whether

to accept a petition for *Inter Partes* reexamination. In order for the Patent Office to initiate an *Inter Partes* Reexamination, the petitioner must show a "reasonable likelihood that the requester would prevail with respect to at least one of the claims challenged." This raises the standard over the earlier standard. However, since historically 87% of accepted *Inter Partes* Reexaminations result in the cancellation or modification of at least one claim, it is likely that most *Inter Partes* Reexaminations accepted under the old standard should meet the new standard.

Prior User Defense – Defendants accused of patent infringement have a new defense of prior commercial use. The user defense applies to internal commercial use or a sale of the end result of such internal commercial use. The commercial use must have occurred at least one year before the effective filing date of the claimed invention or the date on which the claimed invention was disclosed to the public in a way that qualifies under the new Patent Code Section 102 (b) prior art definition. Several qualifications and exceptions exist for use of this defense. For example, prior commercial use is not a defense if the claimed invention was owned by a

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university at the time the invention was made. This change applies to any patent issued on or after the date of enactment.

No Best Mode Defense – Patent infringers will no longer have the defense that a patent is invalid for failure to disclose the best mode. Notably, the requirement to disclose the best mode in the application will still remain in effect, but without creating the risk of patent invalidity, this requirement is called into question. This provision applies to any future lawsuits.

No Tax Strategy Patents – As of the date of enactment, all strategies for reducing, avoiding, or deferring tax liability, whether currently known or unknown are now considered to be in the prior art. This effectively removes tax strategies from within the scope of patent protection.

No Human Organism Patents – Claims directed to or encompassing a human organism are not considered patentable. This provision applies to any patent application that is currently pending, or filed in the future. Notably, this provision does not affect the validity of any currently issued patent.

Joinder – The patent reforms limit the parties that a patentee can join into a single lawsuit for patent infringement. In order to join multiple defendants into a single patent infringement lawsuit, the plaintiff must now allege more than the defendants infringe the same patent, rather the defendants must be jointly or severally liable or parties that are involved in acts related to the same accused product or process. This provision is largely targeted at non-practicing entities who have been reducing their litigation costs by joining multiple otherwise unrelated parties.

False Marking – False marking lawsuits are limited under the patent reforms to those filed by the U.S. government or by a competitor who can prove competitive injury. All false marking claims based on a product marked with an expired patent are also eliminated as long as the patent did cover the marked product. This change applies to all cases that are currently pending or any future cases.

Patent Reform changes taking place 10 days after Enactment (September 26)

Fee Increases – The USPTO will add a 15% surcharge on most fees paid to the USPTO for the purpose of paying for the transition costs of implementing the changes to the patent law. Substantial savings may be realized by paying upcoming fees such as maintenance and issue fees prior to this increase taking effect.

Prioritization Fee – Applicants that desire an expedited review of their patent applications can pay for prioritized examination. The fee to receive prioritized examination is \$4800 for large entities and \$2400 for small entities.

Patent Reform changes taking place 60 days after Enactment (November 15)

Paper Filing Surcharge – Starting 60 days after the enactment of patent reform, the USPTO will institute an additional \$400 fee for any applications that are not filed electronically. Andrus already files almost everything electronically so this provision should have little, if any effect on our clients.

Look for Future Patent Reform Updates

Some of the biggest changes in the Patent Laws won't be taking place for another year or more.

A new Post-Grant Review process and third party submissions of prior art begin a year from now. These provisions will allow third parties to become more active participants in the Patent Office's decisions to grant patents.

The US patent system moves to a "First to File" system in eighteen months. The "First to File" system rewards applicants that file patent applications early. Along with the "First to File" system, changes will be made to the definitions of what is "prior art."

We will be providing further updates, explanations, and guidance regarding these, and other, aspects of patent reform in advance of those provisions taking effect.

If you have any comments or questions, feel free to email Tambyn K. VanHeyningen at tammyvanh@andruslaw.com or Benjamin R. Imhoff at bimhoff@andruslaw.com.