

September 16, 2011

## NEWS ALERT

### **Patent Reform Bill Enacted, Resulting in Significant Changes to U.S. Patent Law**

After more than six years of debate, Congress finally passed patent reform legislation on September 8, 2011, as the U.S. Senate approved the House version of the Leahy-Smith America Invents Act (H.R. 1249) by an 89-9 vote. President Obama signed that Act into law on Friday, September 16, 2011.

The passage of the long-awaited America Invents Act will change the way you plan and prosecute patent strategy. Most notably, the legislation converts the U.S. patent system from a "first-to-invent" system to a "first-inventor-to-file" system for establishing priority of patent applications. The new law also establishes a new procedure allowing third parties to request post-grant review of newly issued patents by the USPTO, creates prior user rights as a defense to infringement, eliminates interference proceedings, and establishes "derivation" proceedings. Some of the major provisions of the law will not be effective for 12 to 18 months; however, many of the provisions take effect immediately upon enactment or shortly thereafter.

Hayes Soloway PC has been following the progression of this Act through the House, the Senate and now to enactment. Our attorneys are dedicated to staying current on and advising our clients respecting the latest developments in patent law, and implementing legal strategies to best serve our clients' needs in view of such developments. Below is a summary of some of the more significant provisions of the America Invents Act:

#### **First-to-File**

- Section 3 of the Act amends 35 U.S.C. § 102 and after a transition period moves the United States to a first-to-file system. Section 102 will make applicable as prior art any patent, printed publication, public use, or sale occurring even a single day before the filing date of the patent application. A limited one-year grace period will, however, be retained for disclosures made by an inventor, a joint inventor, or by anyone who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor. The first-to-file provisions will apply to applications filed with priority dates that fall 18 months after the date of enactment.
- A notable exception to the application of prior art has been created for art that was "derived" from an applicant's own invention. An earlier filed application or other prior art will not be applied to a later filed application if the earlier publisher/applicant stole or otherwise received the invention from the later applicant. "Derivation proceedings" will be available to determine whether the inventor of 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.

## Fees

- A 15% surcharge will be added to almost all patent-related fees, including maintenance fees, effective 10 days after enactment.
- The USPTO is given fee setting authority to apply a 75% reduction in fees for the new category of "micro entities." Effective immediately.
- The USPTO is authorized to apply a \$4,800 fee (\$2,400 for small entities) for filing a prioritized application, effective 10 days after enactment.
- A \$400 surcharge will apply for applications that are not filed electronically (\$200 for small entities). Effective 60 days after enactment.

## Post-Grant Proceedings

- **Post-Grant Review**
  - New Chapter 32 provides that an invalidity challenge on any grounds may be requested by any person or entity within nine months from grant of a patent or a broadening reissue. This applies to applications with priority claims that fall 18 months after the date of enactment (effective one year from enactment for certain business method patents).
  - Post-grant review will require a showing that "it is more likely than not that at least 1 of the challenged claims is unpatentable," or "that the petition raises a novel or unsettled legal question that is important to other patents or patent applications" to initiate further USPTO review of the issued patent claims.
- **Inter Partes Review**
  - New Chapter 31 provides that patent validity may be challenged by third parties on the basis of patents or printed publications, after nine months from grant or reissue of a patent, or after post-grant review. Effective one year after enactment.
  - Review will only be initiated if a petitioner can show that the petitioner has a reasonable likelihood of success with respect to the challenge of at least 1 claim.
- Board of Appeals decisions will be appealable to the Federal Circuit only; no District Court review.

## Subject Matter Provisions

- Patents will not be granted for "tax strategies" or to claims encompassing "human organisms." Effective immediately.

### Litigation-Related Provisions

- Changes to 35 U.S.C. § 292 will eliminate *qui tam* actions for false patent marking, though false marking suits will be permitted for persons who have suffered a “competitive injury” as a result of a competitor’s false marking. Marking with a patent number which once covered the product but has expired will no longer be “false marking.” Effective immediately.
- Joinder of unrelated accused infringers in a single lawsuit will be strictly limited in infringement cases. Effective immediately.
- “Best mode” will no longer constitute a basis for invalidating a patent. Effective immediately.
- 35 U.S.C. § 273 has been changed to allow a defense for “prior use” in the U.S. as to patents issued after the date of enactment.

### Take-Away Points

Many patent-related strategies and procedures currently in effect, based on the pre-amendment patent statutes, may now need to be re-evaluated and revised in view of the changes just enacted. Monitoring of competitors’ patent filings is likely to become ever more prevalent, and more challenges to patents are likely to be brought in the USPTO for resolution, rather than litigating patents in District Courts. The economics of suits by non-practicing entities will likely change, at least somewhat. Applicants and patent holders may find it preferable to accelerate payment of PTO fees such as issue fees, maintenance fees and the like which are now payable, in order to avoid the 15% surcharge to be imposed effective September 26, 2011.

### Conclusion

The Leahy-Smith America Invents Act significantly changes U.S. patent laws, and significantly impacts the practice of patent law within the United States. Hayes Soloway looks forward to helping our clients benefit from these significant changes.

Hayes Soloway continues to monitor changes to the practice of intellectual property law in the United States. We welcome your inquiries and would be pleased to assist you in preserving and maximizing the value of your intellectual property assets. Please contact us directly if you have any further questions or if you wish to enlist our services.

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Visit our website at [www.hayes-soloway.com](http://www.hayes-soloway.com).