

“America Invents Act” Changes the Face of Patent Law

On September 16, 2011, President Obama signed into law the Leahy-Smith America Invents Act (Act), which has been called the largest patent reform measure since the 1952 Patent Act and effects sweeping changes in how patents are prosecuted and enforced. The key changes – both at the U.S. Patent and Trademark Office (PTO) and in the courtroom – are discussed below.

Changes at the PTO

- **U.S. Patent Law makes fundamental shift to a “first to file” system.** Effective March 16, 2013, the Act brings U.S. patent law into accord with the majority of patent systems around the world by awarding patents to the first inventor to file a patent application, even if another person was actually the first to invent. This “first to file” system expands the universe of potentially relevant prior art to include all references dated before the inventor’s filing date. Prior art includes information that can be used to render a patent claim ineligible for patent protection, typically on the grounds that the claimed invention lacks novelty or is obvious.

One important exclusion from this expanded prior-art universe is that inventors will continue to enjoy a limited one-year grace period after disclosing their inventions via publication, public use, offer for sale, or sale to seek patent protection in the United States. With the one-year disclosure grace period starting March 16, 2012, it is important for inventors and companies to evaluate now how to adapt their current disclosure practices to upcoming changes in the law.

- **Derivation proceedings will replace interferences to determine rights to the invention.** Because priority contests will no longer be needed to determine who first invented a claimed invention, interference proceedings will no longer be available. A first-to-file applicant can now lose rights to patent an invention only if the applicant is not, in fact, an inventor in the first place but instead derived the invention from the work of another. Effective March 16, 2013, new “derivation” proceedings will be available to determine whether a first-to-file applicant derived the claimed invention from a later-filed applicant.

- **Patent owners can use “supplemental examination” proceedings to strengthen the validity and enforceability of patents.** Effective September 16, 2012, patent holders can initiate new “supplemental examination” proceedings to bolster the strength of a patent by asking the PTO to consider issues not properly considered during the initial examination, including relevant prior art. These examinations will allow patent holders to correct and improve the prosecution record and to remove issues that may otherwise render the patent unenforceable, such as failing to disclose relevant prior art.

- **Third parties can challenge patent validity using three new administrative procedures.** Effective September 16, 2012, the Act establishes three new PTO proceedings for challenging the validity of issued patents: (1) post-grant review; (2) inter partes review; and (3) limited transitional proceedings for certain business-method patents. Third parties can initiate a “post-grant review,” conducted by the newly formed Patent Trial and Appeal Board, within

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nine months of patent issuance (or reissue) to challenge any aspect of validity, including written description, enablement, and novelty or nonobviousness. After nine months or, if later, upon termination of a post-grant review, a third party may file a petition for “inter partes review.” Inter partes review replaces current inter partes reexamination proceedings and permits challenges to a patent’s novelty or nonobviousness “on the basis of prior art consisting of patents or printed publications.” A third party sued or charged with infringement of a covered business-method patent can also challenge the asserted patent’s validity through “transitional proceedings,” which generally provide for a modified version of a post-grant review.

- **Inventions encompassing tax strategies or “human organisms” are not eligible for patent protection.** The Act expressly carves out two categories of nonpatentable subject matter. Effective immediately, tax strategies that include “any strategy for reducing, avoiding, or deferring tax liability, whether known or unknown at the time of the invention or application for patent,” are not patentable subject matter. The Act also requires that “no patent may issue on a claim directed to or encompassing a human organism.” The human-organism carve-out applies to any applications pending or filed on or after September 16, 2011, but will not affect the validity of any other patent.

Changes Affecting Patent Litigation

- **Parties can cite their “prior commercial use” of invention as defense to patent infringement.** The prior-use argument was once available only for business-method patents, but companies can now argue prior use to defend against claims of infringing patents covering virtually any subject matter used in “a manufacturing or commercial process.” To take advantage of the defense, a company must show “by clear and convincing evidence” that it commercially used the subject matter of the asserted patent at least one year before either (a) the patent’s filing date or (b) the one-year disclosure grace period, as discussed above. The defense applies to any patent issued on or after September 16, 2011, and does not apply to any patents that were, at the time the invention was made, owned or required to be assigned to a university “whose primary purpose is to facilitate the commercialization of technologies developed by . . . institutions of higher learning.”

- **Inventor’s failure to identify best mode of practicing invention is no longer a defense to patent infringement.** To obtain a patent, the inventor must still specify the best mode of which he or she is aware for carrying out the claimed invention. But failing to disclose the best mode is not to be “the basis on which any claim of a patent may be canceled or held invalid or otherwise unenforceable.” Viola-

tion of the best-mode requirement is thus no longer a defense to infringement in patent litigation. This portion of the Act is effective immediately and applies to lawsuits initiated on or after September 16, 2011.

- **Failure to obtain advice of counsel cannot be used by a patent owner as proof of willful infringement.** Before certain key Federal Circuit decisions in the mid-2000s, when a company became aware of an infringement issue surrounding a competitor’s patent, it needed to obtain an opinion of counsel that its activities were not infringing or the company would be subject to an inference that it willfully infringed the patent and thus increased damages. Effective immediately, the Act expressly provides that “[t]he failure of an infringer to obtain the advice of counsel with respect to any allegedly infringed patent, or the failure of the infringer to present such advice to the court or jury, may not be used to prove that the accused infringer willfully infringed the patent” or intended to induce patent infringement.

- **“False-marking” lawsuits can be filed only by the U.S. government or competitors who have suffered competitive harm.** Before the Act, any person could sue – and attempt to collect \$500 per offense from – a company that falsely marked its goods “patented,” even if that company had merely neglected to remove the marking of a patent that expired. The law gave rise to a cottage industry of false-marking lawsuits, with unrelated parties seeking millions in damages. The Act ends this practice, allowing false-marking lawsuits only by (a) the U.S. government or (b) competitors who can prove a competitive injury. The Act also excludes from “false marking” the failure to remove expired patent numbers and newly permits “virtual” patent marking, in which a patent holder can mark an article with “patent” or “pat.” together with a reference to a freely accessible Internet address posting any patent number(s) associated with a patented article. This portion of the Act is effective immediately and applies to lawsuits initiated on or after September 16, 2011.

- **Unrelated defendants accused of infringing the same patent with different products or processes cannot be joined in a single lawsuit.** The Act also addresses the procedural issue of joinder in a move that should reduce the number of lawsuits by “patent trolls,” entities that do not practice the patented invention but sue numerous unrelated defendants in a single lawsuit to maximize the often nuisance-value settlement proceeds while expending minimal resources. The Act introduces a “disjoinder” provision, providing that “accused infringers may not be joined in one action as defendants . . . based solely on allegations that they each have infringed the patent or patents in suit.” Effective for cases filed on or after September 16, 2011, patent holders likely cannot now sue accused infringers in

the same case unless their allegedly infringing activities are directed to the same accused product or process.

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