

America Invents Act - A Paradigm Shift in Patent Law

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Today, President Barack Obama is signing the America Invents Act (AIA), into law. This patent reform legislation moves the US patent system from a first to invent to a form of first to file system. The legislation also creates an opposition procedure, allows pre-allowance submission of prior art by third parties, changes the nature of the one-year safe harbor (grace period), and changes some of the novelty requirements for obtaining a patent (section 102 of the Patent Act). In addition, the legislation does away with false marking suits, emasculates the best mode requirement and sets up a broad scope of prior user defense against patent infringement. The legislation provides for the formation of a Patent and Trademark Fee Reserve Fund, which will give the U.S. Patent and Trademark Office (USPTO) more control over its finances but does not completely ensure that the fees collected by the USPTO are not diverted for other uses. It also creates a micro-entity status with certain restrictions that allow for a 75% reduction of fees, (but increases fees generally by a 15% surcharge) and makes it difficult to join many parties as defendants in an infringement suit.

First Inventor to File: Through this reform provision, America will move away from a "first to invent" system and closer to the "first to file" approach used in much of the rest of the world. Under this provision, which takes effect 18 months from today, an inventor may win the race to create the

invention but lose the race to file the corresponding patent application, and thus lose the right to patent the invention. The AIA allows an inventor or others who obtained information from the inventor to make disclosures regarding the invention in advance of filing a patent application without self-destruction, as long as the application is filed within one year after the first disclosure. Under this legislation, companies must think carefully about how to manage pre-filing disclosures.

Offers for sale, until disclosure is better defined, should be considered not to be covered. Due to the ambiguity in what activities constitute a disclosure, companies should be advised that filing patent applications to secure a priority date as early as possible will limit the risk of losing the right to pursue U.S. patent protection to a competitor but may forfeit foreign rights. Since the filing date is the only important date under the first to file system, provisional applications have to be enabling for the expected claims in a later utility application.

New Post-Grant Review Procedures: Post-grant review proceedings are conducted through the USPTO in order to reconsider already issued patents, and can lead to the confirmation, cancellation, withdrawal, or modification of patent claims. Two procedures are provided by the AIA, "inter partes review" that is similar to re-examination and a post-grant review that is similar to the opposition procedures available in other national patent offices. Unlike re-examination, "inter partes review" is conducted by the Patent Trial and Appeal Board. *Inter partes* review requests must be filed no earlier than nine months (and in some cases longer) after the grant or reissue of the patent being challenged. The new "post-grant review" process provides a way through which a petitioner who is not the patent owner can petition to invalidate one or more claims of a patent granted or reissued within the previous year. That is, petitions for "post-

grant review" must be filed not later than one year from grant of the patent. Post-grant review introduces a novel way to challenge patents held by competitors. However, the AIA contains provisions intended to prevent a requester from having two bites at the apple by challenging a claim in both a USPTO post-grant review and later in a civil action or International Trade Commission proceeding.

"First User" Defense Against Patent Infringement: The AIA provides a first user defense against patent infringement, extending the previous defense against infringement of business method patents to all patents and requiring commercial use of the invention by others prior to one year before the filing of the patent application, which resulted in the asserted patent. The defense cannot be asserted against a patent on subject matter developed at a non-profit institution of higher education, or owned by a technology transfer organization affiliated with such an institution.

Pre-Issuance Submissions: Through this provision, beginning one year from today, prior to the issuance of a patent application, third parties can provide submissions of prior art accompanied by "a concise description of the asserted relevance of each submitted document" to the USPTO in connection with a pending application. Such submissions can be used, for example, to attempt to prevent or hinder the issuance of a patent that the submitting party views as detrimental to its interests. However, to the extent that a patent examiner finds the arguments provided through a pre-issuance submission unconvincing, the resulting patent might actually be strengthened, not weakened.

Supplemental Examination: This reform provision allows for the creation of a new supplemental examination procedure, effective one year from today, that allows a patent owner to request that the USPTO perform a supplemental examination to "consider, reconsider, or correct information

believed to be relevant” to a patent. Subject to certain exceptions, this process can prevent a patent from being “held unenforceable on the basis of conduct” relating to this information. The supplemental examination provision will provide a mechanism for a patent owner to preemptively fend off inequitable conduct allegations, although the recent *Therasense* decision of the Court of Appeals for the Federal Circuit (en banc) makes inequitable conduct a less attractive defense.

Fee-related provisions: In addition, other provisions set forth in the AIA provide for a 15-percent surcharge on all patent-related fees, including patent maintenance fees, which take effect 10 days from enactment. Additionally, the USPTO will be authorized to proceed with its “Track I” program for fee-based prioritized examination, and to charge a \$4,800 fee for large entities (\$2,400 for small entities). Moreover, the AIA provides for the creation of a micro-entity status, which provides for a 75% reduction in fees for inventors or businesses that have a gross income of less than 3 times the median household income and have not been named an inventor on four or more previously filed US patent applications.

Best mode as a basis for invalidity: Through this reform provision, the AIA does not alter the requirement that a patent application must “set forth the best mode contemplated by the inventor of carrying out” the invention, but eliminates the alleged failure to follow this requirement as grounds for asserting invalidity. This may help reduce some of the costs related to litigation, but only partially, as failure to set forth the best mode may still be asserted in a defense alleging inequitable conduct through international suppression of best mode.

In light of the provisions contained in the AIA, companies should examine any policies they have in place related to invention disclosures and patent protection and determine changes that should be made to the existing policies. Particular importance should be given to how and when invention disclosures are made.

Moreover, companies may choose to monitor the progress of patent applications of competitors using the USPTO’s public patent application information retrieval system (PAIR) to take advantage of the pre-issuance submission reforms. In addition, companies may be advised to monitor the Official Gazette for Patents, which publishes a list of all the patents that were issued in a particular week so that companies can avail the new post-grant review proceedings to challenge recently granted patents. The Official Gazette for Patents is published every Tuesday in electronic form only.

We welcome contacts to discuss how the AIA may impact your patenting procedures and defenses against adversely held patents and to seek advice on implementing policies for working under provisions of the AIA.

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