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## Major Patent Law Changes In The United States

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The so-called "patent reform" has been in the air for many years in the United States but, after nearly a decade of legislative efforts, it is now real. On September 16, 2011, President Barack Obama signed the "*America Invents Act*"<sup>[1]</sup> into law (hereinafter "*AIA*"), an *Act* qualified by the White House as "the most significant reform of the Patent Act since 1952".

While some changes are relatively minor and simple, some others constitute dramatic changes to the US patent system. Many changes came into effect immediately while others will go into effect very soon. This bulletin highlights key aspects of the *AIA*.

### New Fee Provisions

The *AIA* comprises fee-related sections which will impact all patent applicants.

**Micro Entities.** (Section 10) This provision provides a 75% fee reduction for newly defined "*micro entities*". The *AIA* defines qualifying applicants as (1) a small entity applicant not named on more than four patent applications and having a limited income, and (2) an applicant that works for or has an obligation to assign rights to an institution of higher education. Thus, some individual inventors and university owned inventions can benefit from the 75% discount. *This provision is effective since Sept. 16, 2011.* However, it may take many months before the USPTO creates the micro entity category so that applicants can benefit from this fee reduction.

**Fee Increases.** (Section 11) A 15% surcharge will apply to all general statutory patent fees. *This provision will become effective on Sept. 26, 2011.*

**Electronic Filing Incentive.** (Section 10) The USPTO will require a \$400 surcharge for applications not filed electronically. This provision should not be a concern for our clients since Fasken Martineau has been filing electronic applications at the USPTO for many years. *This provision will become effective on Nov. 15, 2011.*

**Prioritized Examination.** (Section 11) It will be possible to pay a \$4800 fee for "*Prioritized Examination*". This new procedure corresponds to the USPTO's "*Track I*" that was set to begin on May 4, 2011 but that was indefinitely postponed last April (please refer to our past IP bulletin for more details on this topic<sup>[2]</sup>). *This provision will become effective on Sep. 26, 2011.*

### Prior Art & First-to-File (Section 3)

With the *AIA*, the US patent system will no longer be based on the first-to-invent and the United States will join the rest of the world where patents are granted to the first inventors to file for a patent. *This dramatic change will become effective on March 16, 2013.* Implementation of the first-to-file system will require a rewriting of the rules of novelty and nonobviousness, and will also require consideration of following provisions which are integral to the *AIA*.

**Public Disclosure.** Any public disclosure not derived from the applicant is an absolute bar to patentability, subjected to a limited grace period (see below). It is no longer possible to antedate invalidating prior art.

**Public Use or Sale.** Any public use or offer for sale made *anywhere* prior to filing is an absolute bar to patentability. Previously, only uses or offers for sale in the US territory were considered. There no longer seems to be a grace period (see below).

**Grace Period.** The one-year grace period is still available but only for disclosures made by or derived from the inventor, or made by someone after the inventor's first disclosure. The grace period applies to the earliest effective filing date and not just to the U.S. filing date. The application of the grace period to uses, offers for sale and sales is unclear since these actions are no longer expressly listed among the "exceptions" for which a grace period is available.

**Common Ownership.** The *AIA* expands the pre-existing exclusion from prior art of commonly owned invention. The *AIA* adds that co-owned prior patents at the time of filing the subsequent application are not prior art for either novelty or nonobviousness even if they

disclose the subject matter claimed in the late filed application. In the pre-existing law, co-owned prior art was only exempted for obviousness.

**Derivation Proceedings.** Derivation proceedings will be available for inventors in cases where a "stolen" invention is claimed in a patent application filed by a third party before the "real" inventor's patent filing.

### Additional Statutory Provisions

In addition to the switch from the first-to-invent to the first-to-file patent system, the *AIA* comprises many sections which are already effective or will be effective within the next year.

**Defense to Infringement Based on Prior Commercial Use.** (Section 5) Subject to several limitations, this section provides a defense to infringement based on an early enough secret prior use of the patented invention. However, if proven, such prior use does not result in the patent being held invalid. *This provision is effective since Sept. 16, 2011.*

**Post-Grant Review Proceedings.** (Section 6) For the first nine (9) months after issuance, it will be possible to challenge the validity of a patent using a Post-Grant Review (PGR). With the PGR many grounds are subjected to a validity challenge such as statutory subject matter, novelty, non-obviousness, specification, etc. After nine (9) months of issuance, the avenue to challenge the validity of a patent will be an Inter-Partes Review (IPR). The IPR will be limited to novelty and non-obviousness challenges and only on the basis of prior art consisting of patents or printed publications. *This provision will become effective on Sep. 16, 2012.*

**Preissuance Submissions by Third Parties.** (Section 8) This section broadens the scope and the timing of oppositions made by third parties during the prosecution of a patent application pending at the USPTO. *This provision will be effective on Sept. 16, 2012.*

**Supplemental Examination.** (Section 12) In situations where the patentee comes into the possession of material information that might form the basis for invalidity of an issued patent, the patentee may use a supplemental examination procedure to produce that information in front of USPTO and possibly be immunized against validity attacks for unenforceability due to inequitable conduct. *This provision will become effective on Sept. 16, 2012.*

**Best Mode.** (Section 15) The best mode requirement remains in the statute but failure to disclose the best mode in a patent cannot be used as an infringement defense in the event of patent litigation. *This provision is effective since Sept. 16, 2011.*

**Patent Marking.** (Section 16) The *AIA* provides that only US government can sue for and recover statutory damages for false patent marking. Competitive damages may be obtained by someone suffering harm from the false patent marking. It also allows for virtual patent marking by providing a link to a URL where the patents may be listed. *This provision is effective since Sept. 16, 2011.*

**Advice of Counsel.** (Section 17) This provision states that failure to obtain advice of counsel cannot be used to show willfulness or intent to induce infringement. *This provision will become effective on Sep. 16, 2012.*

**Transitional Program for Covered Business Method Patents.** (Section 18) This provision imposes on the USPTO to provide post-grant review proceedings to review the validity of business method patents. *The USPTO has until Sept. 16, 2012 to establish and implement such proceedings.*

**Prohibition of Patents on Human Beings.** (Section 33) This provision states that "no patent may issue on a claim directed to or encompassing a human organism". This provision applies to all pending and newly filed applications and it does not really change the current situation since it has been the law for many years as a prohibition contained in the USPTO annual appropriations legislation. *This provision is effective since Sept. 16, 2011.*

### Conclusion

This historic new patent law clearly impacts Canadians seeking patent protection at the USPTO and Canadians doing business in the United States. While some provisions may be beneficial, others have definitely increased the complexity of the U.S. patent system. There will be some adjustment and uncertainties during a certain transition period, especially until the USPTO drafts new rules to fully implement the *AIA*. Nevertheless, it may take years and dozens of Court decisions before the scope and effect of these changes are fully understood.

[1] Leahy-Smith America Invents Act, H.R. 1249.

[2] Serge Lapointe, [Launching of USPTO Fee-Based Prioritized Examination \(Track I\)](#).

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