



# Client Alert

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## America Invents Act Significantly Changes Patent Law

The Leahy-Smith America Invents Act ("The Act") is expected to be approved by the Senate and signed into law by President Obama in the next few days. The Act will make significant changes to current U.S. patent law, and these changes are summarized below.

### First to File System

Perhaps most notably, the Act will transform the U.S. patent system from a "first to invent" system to a "first to file system." Under the current "first to invent" system, the first party to invent is entitled to priority. Under the new "first to file" system, the first inventor to file a patent application will be entitled to priority, regardless of whether that inventor was the first to invent.

The shift to a "first to file" system is aimed at improving certainty in the patent system. For priority purposes, only the date of filing will need to be determined, not the actual date of invention. Further, the majority of other countries already follow a "first to file" patent system. Thus, shifting to a "first to file" system will bring the U.S. into conformity with those countries.

The current statutory provisions for novelty and obviousness (35 U.S.C. §§ 102 and 103, respectively) will be replaced. Prior art will include any prior patent, public use, printed publication, or sale of the claimed invention before the effective filing date. However, there will be a one year grace period to file an application after disclosure that is attributable to the inventor directly or indirectly.

The "first to file" system will become effective eighteen months after enactment of the Act. Under the "first to file" system, there will be a greater emphasis on filing patent applications as quickly as possible.

### Post-Grant Challenges

The Act provides two new procedures for challenging granted patents: Post-Grant Review and Inter Partes Review. Post-Grant Review may be based on any invalidity ground, but may only be sought within the first nine months after a patent issues or reissues. Inter Partes Review replaces Inter Partes Reexamination, and while limited to patents and printed publications, generally may be sought any time after the later of termination of post-grant review or nine months after issuance.

The new post-grant review procedures take effect one year after enactment.

### Pre-Issuance Submissions by Third Parties

Under the Act, third parties may submit and explain the relevance of any patent, published application, or printed publication. These submissions must occur before the earlier of i) the notice of allowance or ii) the later of six months after publication of the application or the date of the first rejection.

This provision takes effect one year after enactment.

### Supplemental Examination

The Act provides for post-issuance USPTO proceedings to correct errors or omissions during the prosecution of an application. These proceedings allow patentees to present information that was inadequately considered, not considered, or incorrect. Moreover, these proceedings are designed to undercut the inequitable conduct defense in litigation, as information considered during supplemental examination generally cannot be used in court to argue unenforceability. However, the information can be considered if there is fraud on the USPTO or the case is brought before supplemental examination is concluded.

This provision takes effect one year after enactment.

### Tax Strategies as Prior Art

Under the Act, strategies for reducing, avoiding, or deferring tax liability are insufficient to distinguish pending claims from prior art. This applies to any tax liability (e.g., Federal, State, Local, or Foreign). The congressional intent behind this provision is that

tax strategies are in the public domain.

This provision applies to any application pending or filed, or any patent issued on or after enactment of the Act.

#### **Prior Commercial Use Defense**

The prior commercial use defense is broadened to extend to all subject matter under the Act. This defense to infringement applies where a prior user reduced subject matter to practice and commercially used the subject matter at least one year before the effective filing date of the application for the patent.

This provision applies to any patent issued on or after enactment.

#### **Best Mode Defense Eliminated**

While best mode is an important requirement for patentability, in litigation, best mode challenges are inherently subjective, and best mode at the time of invention may no longer be relevant. Accordingly, the Act eliminates the failure to disclose a best mode of the invention as a basis for holding claims invalid or unenforceable.

This provision applies to any action commenced on or after enactment.

#### **Patent Marking**

The Act provides for so-called "virtual marking." Specifically, patentees may satisfy marking requirements by marking articles with "patent" or "pat." and an Internet address, accessible to the public without charge, that reports the status of the patent.

Regarding false marking, under the Act, only the United States can sue for qui tam penalties. A person who has suffered competitive injury has standing to bring a civil action for compensatory damages.

These provisions apply to all cases currently pending or commenced after enactment.

#### **Infringement and Advice of Counsel**

Under the Act, willful infringement or inducement cannot be proven by failure to obtain advice of counsel, or failure to present such evidence in court. This provision appears to codify existing case law on willful infringement, and takes effect one year after enactment.

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