

Impact of America Invents Act on U.S. Patent Law

Last Friday the President signed the “America Invents Act” into law. This Act represents the most wide-ranging revision of the U.S. Patent Laws in more than 50 years. Many of the provisions of the law relate to the *arcana* of practice before the USPTO, and will be of primary interest to patent practitioners. However, there are many changes to the patent laws that will be of interest to any business that deals with patents on a regular basis, either as patentee, licensee, or possible infringer.

The changes to the law can be divided into three categories, based on their effective date. Many of the provisions of the new law take effect immediately; other provisions take effect one year after enactment, while still others are not effective until 18 months after enactment. The provisions of the law that take effect a year or more from enactment include the much-discussed “first-inventor-to-file” and post-grant opposition proceedings, among others. Those provisions will be the subject of future alert(s).

Provisions that take effect immediately:

Best mode

Since the inception of the U.S. Patent system, the requirement for an inventor to disclose his best mode has been seen as part of the bargain with the government that balanced the monopoly that accompanies the grant of a patent. Under the Act, failure to disclose best mode is not a basis to invalidate a granted patent. This change appears to render the best mode requirement toothless. However, since Patent applications are still required to disclose the best mode contemplated by the inventor for carrying out the invention, willful concealment of the best mode might be a basis to find a patentee to have committed inequitable conduct, thereby rendering the patent unenforceable.

Business methods patents

For financial services companies, the Act changes the way the patent law deals with tax laws. Specifically, tax strategies are “deemed within the prior art.” This means that any strategy for reducing, avoiding, or deferring tax liability, whether *known or unknown* at the time of application for patent, is deemed insufficient to differentiate an invention from the prior art. This provision does not apply to a method, apparatus, technology, computer program product, or system, that is used solely for preparing a tax or information return or other tax filing, nor does it apply to a product “used solely for financial management, to the extent that it is severable from any tax strategy or does not limit the use of any tax strategy by any taxpayer or tax advisor.”

Claims that cover human beings expressly prohibited

The Act also amends the patent law to prohibit the issuance of a patent on “a claim directed

to or encompassing a human organism.” Although the Patent Laws had previously been construed to exclude patenting human beings, the Act makes the prohibition explicit.

Grace period

Prior to the enactment of the Act, an inventor had one year from the time of a public use or disclosure in the U.S. to file his patent application. That one-year grace period is preserved in the Act; however, the time of the grace period begins with a public use or disclosure *anywhere in the world*.

Inter partes review

This takes the place of the old *inter partes* reexamination, and is largely similar. One important difference is that under the old law, the *inter partes* procedure was only available for patents issuing from applications filed on or after November 29, 1999. The new *inter partes* review procedure is available for *any* patent, without regard for issue or first filing date. The sections of the statute take effect in stages, and won't be fully effective for 18 months, when the full post-grant review process will be available. This process will be discussed in more detail in a later alert.

“Micro-Entity” discounts available

The Act establishes a new “micro-entity” designation for individual inventors, very small companies, and universities. Patent filers that qualify as a “micro-entity” will be entitled to a 75% discount in patent fees.

Patent marking

The Act also modifies the patent marking requirement, by permitting the patentee to “virtually” mark by posting patent information on the Internet. This will be extremely helpful for products where actual marking is difficult. It will also make it easier for patentholders to change marking information where necessary. The Act eliminates *qui tam* suits for false patent marking. A *qui tam* suit is prosecuted by a private citizen, and the citizen and the government share equally in any recovery. These suits had become common over the last two or three years, after courts held that damages would be based on the total number of improperly marked articles. Under the Act, civil suits for false marking may only be brought by a plaintiff who has suffered a competitive injury as a result of the alleged false marking, and damages are limited to those adequate to compensate for the competitive injury suffered.

Prior user rights

A defendant in a patent infringement suit may use, as a defense, their commercial use of the claimed invention more than a year prior to the filing date of the patent in suit, or the patentee's first public disclosure, whichever is earlier. The “use in commerce” need not be a public use (*i.e.*, it can have been a trade secret of the accused infringer). Use in university research also constitutes “commercial use” for the purposes of the statute. The prior commercial use is also subject to “patent exhaustion,” in the sense that any subsequent purchaser of goods made as a result of the relevant “prior use” will not be subject to suit for patent infringement.

Ten days after enactment:

Fee surcharge

The USPTO is authorized to add a 15% surcharge to all fees.

Prioritized examination

Applicants may request prioritized examination of their application, with payment of an additional fee of \$4800. Small entity discounts will be available.

60 days after enactment:

Electronic filing incentive

The USPTO is authorized to charge an extra fee of \$400 for any application that is not filed electronically. Small entity discounts will be available.

What's not in the Act:

Despite extensive negotiations, there are no provisions in the Act relating to patent damages, willful infringement, or venue for patent infringement suits in U.S. District Courts.

If you have any questions regarding these issues, please contact [Malcolm McGowan](#) or any member of Womble Carlyle's [Intellectual Property](#) team.

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