

## WSGR ALERT

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# THE NEW PATENT REFORM BILL: THE TOP 10 HIGHLIGHTS

On September 16, 2011, President Obama signed into law the America Invents Act (AIA), which includes some of the most significant changes to U.S. patent law in over 50 years.

The new "first-to-file" provision has been highlighted as the most significant change in this new legislation. However, the AIA includes many other features that are likely to have a direct impact on the patent strategies we develop with our clients. This alert does not attempt to summarize in detail the AIA in its entirety, but focuses instead on several key areas of interest.

### 1. Patent Priority Is Awarded to the First Inventor to File for a Patent Rather than the First to Invent

- This transitions the U.S. to a first-inventor-to-file patent system from a first-to-invent patent system.
- What about the patent applicant's own pre-filing disclosures? A one-year grace period still exists during which an inventor can file for a patent despite prior disclosure of an invention.
- What are derivation proceedings? If an inventor claims that another person obtained his or her invention and then disclosed it, the inventor can initiate a derivation proceeding to determine the true inventor. As the AIA states, "Any such petition may be filed only within the 1-year period beginning on the date of the first publication of a claim to an invention that is the same or substantially the same as the earlier application's claim to the invention . . ."

- This provision will take effect in 18 months.

### 2. Fees and Expedited Patent Examination

- The bill provides for U.S. Patent and Trademark Office (USPTO) fees to increase by 15 percent across the board, but reserves fee-setting authority in the USPTO Director. Thus, the Director may adjust the fees after a public comment period. Fee discounts will be available for "small" and "micro" business entities, which will be "defined in regulations issued by the Director" and subject to certain other statutory requirements.
- In a section that may be of interest to some clients, the AIA codifies the "prioritized examination" system, which will be similar or identical to the "Track 1" program earlier adopted and postponed due to budgetary issues. The USPTO will aim to provide examination within 12 months for a Request Fee of \$4,800 (reduced to \$2,400 for small entities and \$1,200 for micro-entities). The program would apply to continuing applications (e.g., continuations and divisionals), but exclude reexaminations and reissue applications. National stage applications of a PCT filed under 35 U.S.C. § 371 would not be eligible. However, "bypass" applications (§ 111(a) applications filed as continuations or continuations-in-part of a PCT) would be eligible. The AIA limits the number of requests for prioritization to 10,000 in a given fiscal year, but the Director has the power to adjust this

number and prescribe other conditions for acceptance of prioritized examination requests.

- These provisions will be effective on September 26, 2011.

### 3. Inventor's Declaration and Assignee's Ability to File for a Patent

- Ordinarily, each inventor listed on a patent application must file a declaration stating that he or she "believes himself or herself to be the original inventor or an original joint inventor of a claimed invention in the application." But if the inventor is deceased, incapacitated, cannot be found or reached after a diligent effort, or "is under obligation to assign the invention but has refused to make the oath or declaration," the applicant can provide a substitute statement.
- "A person to whom the inventor has assigned or is under obligation to assign the invention may make an application for a patent." Thus, the assignee no longer needs to ask the inventor to execute the application. The patent would be granted directly to "the real party in interest," i.e., the assignee. Declaration and execution issues typically arise when employee inventors assign invention rights to their employers.
- This provision will take effect on September 16, 2012, and will apply to all patent applications filed on or after that date.

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## 4. Pre-Issuance Submissions by Third Parties

- Any third party can submit to the USPTO printed publications “of potential relevance to the examination” of a pending patent application, along with a description of how the publications are relevant to the examination of the application. Submissions must generally be made by the later of the two following dates: six months after the publication of the application or the date of the first USPTO rejection of any claim in the application.
- Third parties can make submissions as provided by this section starting on September 16, 2012, but the submissions can concern patent applications filed even before that date, as well as on or after that date.

## 5. Supplemental Examination at the Patent Owner’s Request

- “A patent owner may request a supplemental examination of a patent in the Office to consider, reconsider, or correct information believed to be relevant to the patent . . . .” If the request is determined to raise “a substantial new question of patentability,” reexamination of the patent will be ordered. Claims may be narrowed or cancelled in this proceeding, but “[n]o proposed amended or new claim enlarging the scope of a claim of the patent will be permitted.”
- This provision will take effect on September 16, 2012, but will apply to patents issued before, on, or after that date.

## 6. Post-Grant Review and *Inter Partes* Review

- The new post-grant review procedure allows a third-party challenge to the validity of an issued patent under any statutory patentability provision, so long

as the petition is filed within nine months of the date of the patent grant or issuance of a reissue patent. To initiate the review, the challenger need only show that “more likely than not . . . at least 1 of the claims challenged in the petition is unpatentable,” or that “the petition raises a novel or unsettled legal question that is important to other patents or patent applications.” This route for challenging patents is far more expansive than the existing reexamination procedures.

- The existing *inter partes* reexamination system is replaced with what is now called “*inter partes* review,” which is available after the nine-month period for requesting post-grant review passes, or after the post-grant review procedure is concluded. As with the *inter partes* reexamination, the *inter partes* review is limited to validity challenges only on the basis of patents or printed publications. However, the threshold standard for initiating *inter partes* review is “reasonable likelihood” of claim invalidation, which is to be contrasted with the “substantial new question of patentability” standard under the old system.
- A final determination in the post-grant review proceeding will be issued in one year, which can be extended up to six months for good cause.
- Petitions for post-grant review can be filed starting September 16, 2012, and will be available for patents issued before this date, subject to a limit on the number of such petitions that the USPTO Director may impose. The new “reasonable likelihood” standard for *inter partes* procedures takes effect immediately.

## 7. Challenging Business Method Patents

- A new section requires the USPTO Director to “issue regulations establishing and implementing a transitional post-grant review

proceeding for review of the validity of covered business method patents.” This program will operate similarly to the regular post-grant review proceeding, but the challenges will not be limited to the nine-month period after patent issuance. The “covered business method patents” are defined as patents claiming “a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.”

- As with regular post-grant review, a final determination in the covered business method patent post-grant review proceeding will be issued in one year, which can be extended up to six months for good cause.
- Regulations pursuant to this section will take effect on September 16, 2012, but challenges under this section can be made to patents issued before, on, or after that date.

## 8. Elimination of the Best Mode Requirement as an Invalidity Challenge

- Failure to include the best mode of practicing the claimed invention has been eliminated as a ground for rendering a patent invalid or unenforceable in litigation. Including the best mode in the patent application, however, remains a requirement for a grant of a patent.
- This provision takes effect immediately; only pending patent infringement lawsuits are excluded from its effect.

## 9. The New “Prior Commercial Use” Defense

- An accused infringer’s prior commercial use of an invention at least one year before the filing date of the application

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for a patent, or at least one year before the public disclosure by the patentee, is a defense to patent infringement personal to the accused party. The party claiming prior commercial use must establish the defense by clear and convincing evidence. Previously, this was a very narrow defense applying only to business method patents.

- The prior commercial use defense “is not a general license under all claims of the patent at issue, but extends only to the specific subject matter for which it has been established that a commercial use” took place.
- This provision is in effect for every patent issued on or after September 16, 2011.

### **10. No Patents on Tax Strategies**

- Strategies for “reducing, avoiding, or deferring” tax liability are deemed to be within prior art and are therefore unpatentable.
- This provision takes effect immediately and applies to patent applications pending on or filed on or after September 16, 2011, and to any patents issued on or after September 16, 2011.

For any questions, or for more information on the AIA and its effects, please contact Vern Norviel, Jeff Guise, Esther Kepplinger, Larry Shatzer, Jose Villarreal, your regular Wilson Sonsini Goodrich & Rosati contact, or any member of the firm’s intellectual property litigation practice.



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