

Patent Reform on the Way

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The Leahy-Smith Patent Reform Act, better known as the “America Invents Act,” was signed into law on September 16, 2011 and is the most significant patent reform in more than fifty years. While many of the most dramatic changes do not go into effect until one year or more from the date of enactment, an understanding of all aspects of the new law is important now for future planning. Some of the most noteworthy changes are summarized below.

Perhaps the most important change in the new law switches the United States to a “First-to-File” system, in which the first inventor to file a patent application for an invention is the one entitled to receive a patent. Under current law, the one who is first to make the invention is entitled to the patent, whether or not that inventor was the first to file a patent application (provided certain other requirements are met). First-to-File is generally the standard around the globe and this change attempts to harmonize U.S. patent law with international patent practice. As a result, the new standard (which does not take effect for 18 months) is likely to encourage early filing of one or more provisional patent applications, perhaps at each significant step of a project’s development, in order to stake the earliest possible claim at the Patent Office.

A related change limits the one-year grace period inventors enjoy. Currently, an inventor can still obtain a patent if an application is filed within one year of the first sale, use or other public disclosure of the same invention, regardless of whether the inventor or someone else was the first to undertake such an activity. A change made by the new law, also effective in 18 months, makes the grace period personal to the inventor’s own activities. As a result, if someone else subsequently, independently invents the same product, but commercializes it before the original inventor files a patent application, the original inventor loses the ability to obtain patent protection. The new statute also limits the inventor’s own activities deemed to fall within the grace period to “disclosures,” a term that ultimately may be interpreted more narrowly than current law.

An immediate change raises official fees charged by the U.S. Patent & Trademark Office, increasing most fees by about 15% and giving that Office more control over future fee increases. However, the Act also introduces a new category of discounted fees that is likely to benefit independent inventors and start-up companies by providing a reduction of official fees of up to 75% when certain conditions are met. The Act retains the 50% discount available to most small businesses, subject to a less restrictive set of conditions. The America Invents Act will also affect patents after they are granted, establishing several new post-grant proceedings, most notably a Post-Grant Review by which third parties can essentially oppose the Patent Office’s decision to issue the patent by presenting new information or arguments that call that decision into doubt. The “Post-Grant Review” considers all grounds for invalidity and may be filed within 9 months from the grant of a patent.

Also of interest, the America Invents Act severely curtails the cottage industry of false patent marking actions. Prior to the Act, the patent statute allowed any person to sue for a civil penalty of up to \$500 for each item that was falsely marked. Recent favorable case law also provided prospective plaintiffs in many cases with the unusual presumption that a patentee acted with an intent to deceive (another element of the statute). This encouraged the filing of hundreds of such false marking cases, many by shell companies formed by enterprising individuals. Now, only the U.S. government can sue for statutory civil penalties; private parties may still bring an action for a false marking violation, but only to recover damages sufficient to compensate for a competitive injury. The new statute also includes a safe harbor for items marked with expired patents. The false marking provisions went into effect immediately upon enactment and apply to all pending cases as well as future cases.

For questions on the impact of the America Invents Act, please contact Shawn Leppo or Elizebeth Maag, of the McNees Patent group.

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