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The America Invents Act: All Grown Up in 2013

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The America Invents Act (AIA), which was commonly referred to as the “patent reform bill,” was signed into law in 2011, rolled out in 2012 and 2013, and business owners are still wondering what, if anything, it means to them. There’s a lot you may not know.

If you or your business develops inventive products and you are on the fence as to whether to protect those products, now is the time. As of March 16, 2013, the United States moves from a first-to-invent system to a modified first-to-file system.

First-to-File System (Effective March 2013)

Every country in the world, except for the United States, has a first-to-file patent system in place, which means that the first person or company to file a patent application on a particular technology has the right to pursue a patent on that invention (the “race to the patent office”). The United States was the only country that utilized a first-to-invent system, which meant that if you filed second, but invented first, you could still pursue a patent on your invention.

It has been generally reported that the AIA harmonized the U.S. with the rest of the world and instituted a first-to-file system, but that is not exactly true. The new section 102(b) reads, in part:

“A disclosure made 1 year or less before the effective filing date of a claimed invention shall not be prior art to the claimed invention...if 1) the disclosure was made by the inventor or joint inventor or by another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor.”

Therefore, if two companies invent the same technology and never disclose it publicly, the first to file at the USPTO “wins” the race to the patent office. If two companies invent the same technology and one company discloses it first (but files at the USPTO second), then that company can take advantage of this provision to use its application as prior art against the other application.

While, companies may gain competitive advantage by using a defensive publication strategy for some inventions, in order to preserve priority of invention, they may also lose patent rights in other countries. A public disclosure of an invention without a patent filing in advance of the disclosure means that the invention can never be patented in another country. In other words, all foreign patent rights are forfeited.

Fee Increase

Almost all patent fees collected by the United States Patent & Trademark Office (“USPTO”) have now increased by 15 percent. The fee increase applies to fees for both patent applications and issued patents, such as maintenance fees. An application can be “prioritized” by the USPTO by paying a flat fee of \$4800 in addition to other ordinary fees. Finally, a \$400 fee will be applied to those matters that are not filed electronically with the USPTO.

One interesting fee-related provision relates to the creation of a “Microentity” designation. Currently, patent applicants are either designated large entities or small entities with the later getting a 50 percent decrease on most USPTO patent fees. The Microentity designation would mean a 75 percent decrease on most USPTO patent fees and is reserved for institutions of higher education or those small entities with a) four or fewer previously-filed patent applications and b) gross income less than three times the median household income. A certification statement must be filed with the USPTO to claim a Microentity status. The Microentity designation takes effect on March 19, 2013.

Post-Grant Review (Effective September 2012)

Any party will be able to petition the USPTO for a post-grant review of any issued U.S. patent within nine months of its issue. The standard for granting review is “more likely than not that at least one of the claims challenged is unpatentable,” which is much broader than the current standard for reexamination (“substantial new question of patentability”). This new process is similar to the Opposition Proceeding currently used in Europe.

Company Alert: Businesses will need to do three things under this new Review petition: a) track and monitor patent applications on significant inventions, b) collect and document any information that can be used to show that any of the claims are unpatentable, and c) be prepared to file a petition quickly when one of these patents issues. A company intellectual property committee that meets on a regular basis can help with this process.

Prior Use Defense

Before the AIA, the “prior use defense” was available to those defendants being sued for patent infringement of a business method patent, if the defendant could prove that he/she reduced the subject matter to practice at least one year before the effective filing date of the patent and commercially used the subject matter before the effective filing date of the patent.



Company Alert: The AIA opens up the prior use defense to all patents issued on or after September 2011 and requires clear and convincing evidence of commercial use in the United States at least one year before the earlier of the filing date of the patent application or the date the invention was disclosed to the public. This provision now puts a company's trade secrets and trade secret protection policy back into play. In the past, a company may have disclosed a trade secret or filed a patent application for it in order to keep a competitor from obtaining a patent on the same technology and blocking them from using it. Now, as long as the company can provide clear and convincing evidence as to the commercial use and timeline, the company may be able to use the prior use defense in all patent infringement cases.

Business Method Patents (Variable Implementation Timeline)

First, tax strategy patents (those strategies for reducing, avoiding or deferring tax liability) are deemed unpatentable under AIA. Methods related to preparing tax returns or financial management are excluded and not considered tax strategies under AIA. This provision is effective immediately.

Section 18 of AIA establishes a program for post-grant challenge of current "covered business method patents" that are not otherwise able to be challenged under Post-Grant Review outlined above. A "covered business method patent" under AIA is "a patent that claims 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." The AIA also issues a directive for the USPTO Director to issue regulations for determining whether a patent is for a technological invention. The AIA also states that "patent-eligible subject matter" is not affected or interpreted therein.

However, only certain prior art can be used—so-called 102(a) prior art—and only certain conditions are allowed for a challenge. Suitable prior art includes anything that shows that "the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent." The person or entity filing the petition has to have been sued for patent infringement or has been charged with infringement under the patent in question.

This program is effective starting September 2012 and will end in September 2020.

Inventor Oaths (Effective September 2012)

Under the current patent system, each inventor must sign an oath/declaration stating that he/she conceived of the invention either alone or jointly with other inventors. If the inventor could not be found or refused to sign the paperwork, the owner or other inventors had to institute a proceeding whereby the owner or other inventors had to prove to the USPTO that they actively tried and failed to find the inventor or get the inventor to sign. This process is expensive and delays patent examination until resolved.

Under AIA, the person or company who is considered the assignee of the patent application may now file the patent application with a substitute oath (statement) for those inventors who are deceased, legally incapacitated or cannot be found. The assignee may also file a substitute statement if the non-signing inventor is under an obligation to assign the application but refuses to sign the oath/declaration.

Company Alert: In this last case, it is very important that businesses review their employment and independent contractor agreements to ensure that their employees and independent contractors have a duty to assign any inventions conceived during their employment or contract period.

Patent Marking (Effective Immediately)

Section 16 of AIA relates to patent marking, which is regularly contested in litigation proceedings. This section favors businesses by allowing patent owners to satisfy the marking requirement by referencing a publically available Internet address or website. In addition, the AIA states that only the United States or a person suffering competitive injury can sue for false marking. These sections apply to currently pending cases.



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