Cooley

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On September 8, 2011, the Senate approved the House version of the Leahy-Smith America Invents Act (H.R. 1249). President Obama has already indicated his approval of the bill and is expected to sign it into law on September 16, 2011. Several provisions of the bill will take effect immediately while others will be implemented in the next year or 18 months. As summarized below, this bill represents some of the most significant changes in US patent law in the last 50 years.

Changes effective immediately

USPTO Fee-Setting Authority. The Leahy-Smith America Invents Act gives the United States Patent and Trademark Office ("USPTO" or "the Patent Office") fee-setting authority with the objective that this authority will permit the USPTO to increase its efficiency. Although the USPTO will be authorized to set or adjust fees to recover its operating and administrative costs, each change to the fee schedule will be subject to public comment and Congressional oversight.

Certain changes in the fee structure take effect upon enactment of the bill or soon afterwards. Notably, all patent-related fees will increase by 15% ten days after enactment. At this same time, patent applicants will be able to request prioritized examination for applications having no more than 4 independent claims and no more than 30 total claims by submitting an additional fee of $4,800 (small entity fee $2,400). This sets into law a program that the USPTO instituted earlier this year, and remains limited to no more than 10,000 requests per year until the PTO sets a new limit.

Prior User Rights. Previously, patent law recognized a "prior user defense" for a person accused of infringing a business method patent. Upon enactment, the America Invents Act extends this defense to all patents so long as the alleged infringer demonstrates, among other requirements, that they have reduced the subject matter to practice and put it to use commercially at least one year before the effective filing date of the patent. A significant carve-out bars the use of this defense against institutions of higher education.

Best Mode Defense. Another immediate change in the law concerns the best mode requirement. Although inventors are still required by 35 U.S.C. § 112 (and therefore the USPTO) to disclose the best mode of practicing their inventions in their patent applications, failure to do so will no longer be a basis for cancellation, invalidity, or unenforceability of the issued patents in federal court. Failure to do so also will no longer be an impediment to obtaining benefit of priority under 35 USC sections 119 and 120.

***Ex parte* Reexamination.** *Ex parte* reexamination procedure will continue largely unchanged. Effective immediately upon enactment, however, an appeal from any *ex parte* reexamination decision must be submitted directly to the Federal Circuit rather than to a district court.

False Marking and Virtual Marking. The America Invents Act also immediately limits the parties who can bring claims of false marking to those persons who have suffered a competitive injury as a result of the false marking. Under the new law, marking a product with an expired patent number no longer constitutes false marking. Patent owners will also be able to use a virtual marking to associate their product or service with an Internet address that associates the patented article with the number of the patent.

Changes effective one year from enactment

Preissuance Submissions of Prior Art. The Leahy-Smith America Invents Act implements several changes intended to improve the quality of the patent application examination process and to provide an alternative to patent litigation in the courts. One of these changes effective one year after enactment expands the window and content for third party submissions prior to issuance. When submitting prior art, the third party must provide a description of the relevance of each document along with a fee. Preissuance submissions must be filed with the Patent Office before the earlier of either a notice of allowance or the later of 1) 6 months after publication of the patent application or 2) the date of the first rejection during examination. This provision will apply retroactively to

all pending patent applications.

Post-Grant Review. A new procedure will also be available that allows a third party to institute review of a patent by the Patent Trial and Appeal Board within 9 months of its grant or reissue. Under this procedure, the third party must show that its petition raises novel or unsettled legal questions important to other patents or patent applications or that at least one of the challenged claims is unpatentable by a preponderance of the evidence. An advantage of this procedure is that the USPTO is statutorily required to complete the proceeding within 1 year with a possible extension of 6 months for good cause. Another advantage is that, unlike in an *ex parte* reexamination, a post-grant review is not limited to written prior art invalidity bases. This procedure, however, can only be used to challenge First Inventor to File patent applications (discussed below).

Inter partes Review. After the post-grant 9 month window has passed or post-grant review proceedings have terminated, a third party will also be able to institute *inter partes* review provided that they can show a "reasonable likelihood" of prevailing with respect to at least one of the challenged claims. This new standard will replace the previous "substantial new question of patentability" standard and is available for all granted patents. The Request is submitted directly to the Patent Trial and Appeal Board, which is statutorily required to complete the *inter partes* review within a maximum of 18 months. Under the estoppel provisions of the new law, parties are barred from raising arguments that they previously raised or could have raised in a post-grant review or an *inter partes* review during a later proceeding before the Patent Office.

Failure to Obtain Advice from Counsel. Failure to obtain the advice of counsel and failure to present such advice to a court or jury will no longer be grounds to find that a party willfully infringed or intended to induce infringement of a patent.

Errors in Inventorship. Errors in inventorship will no longer be grounds for holding a patent unenforceable if the error is remedied at any time with a supplemental or corrected declaration of inventorship. Any such correction will not require a statement that the error arose without any deceptive intent.

Changes effective 18 months from enactment

First Inventor to File. Perhaps the most significant change, the transition from the first-to-invent system to the first-inventor-to-file system, does not take effect until 18 months from enactment. The new system will allow the inventor a grace period of one year prior to filing during which time any publication, public use, offer for sale, or sale in the U.S. will not impact the patentability of the invention. This grace period, however, only extends to the inventor's own disclosures and not to third party disclosures unless they occur after the inventor's disclosure within the one year grace period. Because the grace period provision will take effect 6 months from enactment, it is important for inventors and companies to evaluate now how to adapt their current practices to this change.

Derivation Proceedings. Although interferences will no longer be available under the first-inventor-to-file system, a new procedure called a derivation proceeding will be available. Under this procedure, a party must file a petition with the Patent Office supported by substantial evidence within one year of the issuance of a patent containing a claim to a derived invention. The Patent Trial and Appeal Board, which will replace the Board of Patent Appeals and Interferences, will hear all derivation proceedings.

Strategic considerations

The above discussion summarizes a few of the most important changes in store now that the Leahy-Smith America Invents Act will become law. In light of these changes, clients are advised to consider:

- Filing under the new prioritized examination option;
- Quickly filing manuscripts and invention disclosures as provisionals to establish an earlier effective filing date;
- Virtual marking as a way to integrate aspects of your patent portfolio with your business's presence on the Internet;
- Patent landscape monitoring to identify opportunities for pre-issuance submissions and post-grant review as alternatives to patent litigation;
- Whether publishing during the one year grace period makes sense from either a national or global perspective; and
- What company policies and practices should be instituted to prepare for the transition to the first-inventor-to-file system.

Conclusion

The above discussion is not an exhaustive review of all strategies that might be contemplated. We recommend that applicants consider the potential benefits and shortcomings of all available strategies before proceeding. The attorneys listed on this *Alert* are available to discuss the latest information and strategies related to the changes in patent law and procedure brought about by the Leahy-Smith America Invents Act.

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Key Contacts

Christopher Hutter **Reston**	**chutter@cooley.com** **+1 703 456 8506**
Orion Armon Colorado	oarmon@cooley.com +1 720 566 4119
Dr. Bonnie Weiss McLeod Washington, DC	bweissmcleod@cooley.com +1 202 842 7833

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