

U.S. Patent Reform: An Overview of the America Invents Act



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On September 16, 2011, President Obama signed into law the Leahy-Smith America Invents Act (“AIA”), which is arguably the most sweeping reform to the U.S. patent system since 1952. Various components of the AIA became effective upon enactment and all of the components will be effective by March 16, 2013.

At 150 pages, the AIA is packed with major and minor changes to U.S. patent law. The article below is not legal advice, but merely a broad overview of some of the more impactful changes including the conversion to a first-to-file system, new/revised challenges to the validity of an issued patent, and revisions to the marking and false marking statutes. Some of the other changes introduced by the AIA are also briefly mentioned at the end of this article.

First-to-File System ■ ■ ■

Widely considered to be the most significant change, the AIA converts the U.S. patent system from a first-to-invent system to a first-to-file system by overhauling 35 U.S.C. §102. In the current first-to-invent system, the first inventor to invent an invention is entitled to patent protection, whereas in the new first-to-file system under the AIA, the first inventor to file a patent application is entitled to patent protection.

The amendments to §102 become effective on March 16, 2013. An application is irreversibly subject to the new first-to-file system under the AIA if the application includes even a single patent claim to an invention that has a filing date (U.S., international, or foreign) on or after March 16, 2013 or claims priority to a U.S. or

international application that ever included such a patent claim and is filed on or after March 16, 2013.

The major practical difference between the first-to-invent and the first-to-file systems is the difference in the definition of prior art resulting from amendments to §102. In other words, a particular reference or activity may be prior art in one system and not prior art in the other.

As one example, the new §102, as amended by the AIA, does not include geographic limitations on prior art disclosures in public use or otherwise publicly available², unlike the current §102 in which knowledge³, use⁴, and sales⁵ of an invention are considered to be prior art only if those activities occur in the U.S. Further, in the new §102, the definition of prior art for an application is based on the earliest U.S., international, or foreign filing date of the application⁶, unlike the current §102, which bases the definition of prior art on the U.S. filing date of the application⁷ or the date of the invention⁸. Notably, the new §102 does provide exceptions for certain disclosures made by the inventor named in the application or another who obtained the subject matter from the inventor⁹.

¹ United States. Cong. House. 112th Congress, 1st Session. H.R. 1249, *Leahy-Smith America Invents Act*. 2011.

² United States. Cong. House. 112th Congress, 1st Session. H.R. 1249, *Leahy-Smith America Invents Act*. 2011. (see amended 35 U.S.C. §102(a)(1)).

³ 35 USC. Sec. 102(a) (2006).

⁴ 35 U.S.C. §§102(a) and (b) (2006).

⁵ 35 U.S.C. §102(b) (2006).

⁶ United States. Cong. House. 112th Congress, 1st Session. H.R. 1249, *Leahy-Smith America Invents Act*. 2011. (see amended 35 U.S.C. §§102(a)(1) and (a)(2)).

⁷ 35 U.S.C. §102(b) (2006).

⁸ 35 U.S.C. §§102(a) and (e) (2006).

⁹ United States. Cong. House. 112th Congress, 1st Session. H.R. 1249, *Leahy-Smith America Invents Act*. 2011. (see amended 35 U.S.C. §102(b)).

Changes Introduced by the America Invents Act

- First-to-file System
- Post Grant Review Proceeding
- Inter Partes Reexamination
- Marking
- Prioritized Examination
- Supplemental Examination
- Pre-Issuance Submissions by 3rd Parties
- Prior Commercial Use Defense

The new §102 under the AIA also identifies that a U.S. patent or application publication is considered prior art as of the earlier of the U.S., international, or foreign filing date of the U.S. patent or application publication¹⁰, in contrast with current §102, which does not extend the prior art date of a U.S. patent or application publication to a foreign filing date¹¹. Notably, this eliminates the Hilmer Doctrine¹² and may be considered beneficial to non-U.S. applicants who prefer to first file a foreign patent application and later rely on foreign priority in a U.S. application.

It is important to note that, even under the new first-to-file system, only an inventor or assignee is entitled to patent protection. As such, the AIA amends 35 U.S.C. §§135 and 146 to introduce the possibility of a derivation proceeding, which can be used to determine whether the named inventor(s) of an application derived the claimed invention from another and filed the application without authorization.

During the transition to the first-to-file system, the applicants of certain applications that claim a priority date before March 16, 2013, but add new disclosure after March 16, 2013, may effectively be able to choose between the first-to-file system and the first-to-invent system, and therefore choose between the differences in prior art discussed above. As one example, this situation would arise when a U.S. provisional application is filed before March 16, 2013 and a U.S. nonprovisional application claiming priority to the provisional application is filed after March 16, 2013 and, as is common practice, includes new disclosure in comparison with the provisional application. In this type of situation, the applicant irreversibly places the application, and any children applications, in the new first-to-file system by including at least one claim covering the subject matter disclosed on or after March 16, 2013.

Finally, with respect to practical implications when the first-to-file system becomes effective on March 16, 2013, the effects of this new system should be considered when establishing filing strategies for originating patent applications. First, due to the added importance of application filing dates, applicants may find it advantageous to file U.S. provisional applications early and

often to establish the earliest possible priority date. For example, applicants may file multiple U.S. provisional applications over a one year period covering the initial conception of the invention and any further developments that arise during that one year period and, at the end of the one year period, file a nonprovisional application claiming priority to all of the provisional applications. Further, although the date of invention is no longer relevant under the first-to-file system, applicants may still find it advantageous to maintain inventor notebooks detailing conception dates and contributors, which could be beneficial in the event of a derivation proceeding as previously discussed.

Validity Challenges of Issued Patents ■ ■ ■

As vehicles to challenge the validity of an issued patent, the AIA will add a new procedure called “post grant review” (“PGR”) and will also revise the inter parte reexamination (“IPR”) proceeding. The current ex parte reexamination (“EPR”) proceeding remains unchanged by the AIA and thus remains as another vehicle to challenge validity.

The AIA introduces PGR in a newly added 35 U.S.C. §§321-329 and IPR in amended 35 U.S.C. §§311-319. These proceedings will take place before the Patent Trial and Appeal Board (“PTAB”) of the U.S. Patent & Trademark Office (“USPTO”), which will replace the current USPTO Board of Patent Appeals and Interferences.

Several differences exist between PGR and IPR. First, a petition for PGR must be filed within nine months of the date of grant of the patent, whereas a petition for IPR must be filed after the later of nine months after the grant of a patent or after termination of a pending PGR. In either case, the AIA requires that the final determination in any PGR or IPR be issued not later than one year (extendable by six months) after the USPTO notifies the PTAB of the proceeding.

The basis and the threshold of the petition are also different for PGR and IPR. For example, a petition for PGR can be based on lack of utility, lack of novelty, obviousness, and/or issues under 35 U.S.C. §112 such as lack of enablement, failure to comply with the written description requirement, and/or lack of definiteness (but not lack of best mode), whereas a petition for IPR can only be based on lack of novelty or obviousness. Further, the threshold for granting the petition for PGR is whether it is more likely than not that at least one of the claims challenged in the petition is unpatentable, whereas the threshold for granting the petition for IPR is whether there is a reasonable likelihood that the petitioner would prevail with respect to at least one of the claims challenged.

In both the PGR and IPR, if the petition is granted, the proceeding may allow for discovery, oral proceedings, and at least one chance for the patent owner to amend and/or add substitute claims. If

¹⁰ United States. Cong. House. 112th Congress, 1st Session. H.R. 1249, *Leahy-Smith America Invents Act*. 2011. (see amended 35 U.S.C. §§102(a)(2) and (d)).

¹¹ 35 U.S.C. §102(e) (2006).

¹² See *Application of Hilmer*, 359 F.2d 859 (C.C.P.A.1966) and *Application of Hilmer* 424 F.2d 1108 (C.C.P.A.1970).

the petition is granted, the PGR/IPR petitioner has the burden of proving unpatentability by a preponderance of the evidence, which, notably, is more lenient than the clear and convincing evidence burden of persuasion required for proving patent invalidity in a civil action.

In both the PGR and IPR, the parties can reach a settlement, in which case no estoppel attaches to the PGR/IPR petitioner. If carried to finality, the PGR/IPR will conclude with a final written decision in which claims determined to be unpatentable will be cancelled and claims determined to be patentable will be incorporated into the patent. If a PGR or IPR results in a final written decision, estoppel attaches for USPTO proceedings, federal court proceedings, and International Trade Commission proceedings.

The AIA bars both PGR and IPR if a civil action is already instituted. If a civil action is filed after a petition for PGR or IPR is filed, then the civil action is automatically stayed, except that in a civil action alleging infringement filed within three months after the grant of the patent, the court may not stay its consideration of a patent owner's motion for a preliminary injunction against infringement on the basis that a petition for PGR or IPR has been filed.

PGR as described above will be available for patents in the first-to-file system (except for business method patents subject to the transitional program set forth in section 18 of the AIA), which is another factor to consider when an applicant has the opportunity to choose between the first-to-invent and first-to-file systems as discussed above. The IPR will be available beginning September 16, 2012 for any patent issued on, before, or after September 16, 2012.

In summary, the AIA provides additional and revised options for challenging the validity of issued patents and provides some focus on expeditious resolution of validity challenges. Strategy involved in the decision to proceed with PGR, IPR, EPR and/or a civil action is highly fact dependent and depends upon several factors such as the type of evidence available, the basis for challenging validity, evidentiary thresholds, burdens of persuasion, estoppel effects, and timing of the challenge. Also, potential challengers must remain mindful of the strict timelines set forth by the AIA. In order to avoid missing these timelines, some entities may find it advantageous to perform routine searches, e.g., monthly, for patents that issue to competitors and/or patents that issue in certain patent classes to remain abreast of problematic patents that warrant a validity challenge.

Marking ■ ■ ■

The AIA also changed the "marking statute" of 35 U.S.C. §287(a) and overhauled the "false marking statute" of 35 U.S.C. §292 effective September 16, 2011. With respect to the marking statute, the AIA amended §287(a) to allow for "virtual marking" whereby proper public notice is provided when a patented article is marked with the word "patent" followed by an address of an Internet

webpage that is freely accessible to the public and associates the patented article with the number of the patent. Practically, "virtual marking" provides an easier and less costly option to satisfy the marking statute by merely updating the webpage to delete expired patents or add newly issued patents without performing a manufacturing change, e.g., stamping tools, changing labels, etc., as was often previously required to update markings.

With respect to false marking, the amendments in the AIA appear to be in response to the recent increase of *qui tam* false marking lawsuits. The AIA eliminates *qui tam* false marking lawsuits by amending §292(b) to limit standing to sue for false marking to those who have suffered a competitive injury as a result of the false marking. Also, new §292(c) provides that the false marking statute is not violated by marking a patented article with a patent number that covered the patented article but is now expired as long as the marking is not otherwise a violation of the false marking statute. In practice, these changes significantly soften the false marking statute and will likely severely decrease the number of false marking lawsuits.

Additional Changes ■ ■ ■

The AIA also amends 35 U.S.C. §122 to codify the availability of pre-issuance submissions of prior art by third parties. Relative to the current guidelines set forth in 37 C.F.R. §1.99, the codification in §122 extends the period for accepting a pre-issuance submission, expands the type of art that can be submitted, and requires comments on the art by the submitting party. This amendment becomes effective September 16, 2012, and will apply to any patent application filed before, on, or after that date. While a pre-issuance submission by a third party can be used in an attempt to derail prosecution of a patent application, the decision to make such a submission will likely depend on the overall strategy for validity challenges, as discussed above, so as to prevent misusing a prior art document that could be more effectively used later in one of the validity challenges of an issued patent or in a civil suit.

The AIA also provides for prioritized examination for new applications effective September 26, 2011, which will expedite examination for additional fees. The USPTO has set forth guidelines, fees, etc., for prioritized examination at http://www.uspto.gov/aia_implementation/faq.jsp#heading-9. While this option is relatively costly, prioritized examination may be worthwhile in situations where an issued patent is especially valuable, e.g., when ongoing infringement is actively occurring.

35 U.S.C. §257 is also added by the AIA to provide for supplemental examination of an issued patent at the request of the patent owner to consider, reconsider, or correct information believed to be relevant to the patent. This amendment will become effective September 16, 2012, and will apply to any patent application filed before, on, or after that date.

Finally, the AIA amends 35 U.S.C. §273 to expand the defense to infringement based on prior commercial use. Effective for patents issued on or after September 16, 2011, the AIA now provides for the prior commercial use defense for a process, machine, manufacture, or composition of matter.

Conclusion ■ ■ ■

The AIA is a significant overhaul to the U.S. patent system. The changes that are already effective and the changes that will become effective in the relatively near future may require strategic changes by applicants in order to maximize opportunities to obtain patent protection and strategic changes by potential infringers to maximize opportunities to defend against patent infringement.

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