



# TIP SHEET

INTELLECTUAL PROPERTY ALERT

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## President Obama signs off on amendments to Patent Act



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Earlier today, President Obama signed the America Invents Act (H.R. 1249) into law, legislation that drastically changes the face of patent law in the United States. The most significant portion of the legislation effectively changes the U.S. from a first-to-invent system to a first-to-file system, placing the U.S. in line with the majority of countries around the world. This means that the first inventor to file

a patent application is entitled to a patent (assuming that the conditions for patentability are met), regardless of whether another first conceived or reduced the invention to practice. In other words, the change to a first-to-file system creates a race to the patent office, and inventors can no longer rely on an earlier invention date to establish priority. This change will have the greatest impact on individual inventors, small businesses, universities and non-profit institutions, which may not possess the resources to finance the preparation and filing of patent applications at early stages of development.

In accordance with the change to a first-to-file patent system, the America Invents Act includes changes that will increase the pool of "prior art" (i.e. printed publications, patents, and public use and sales activity that can be considered in determining the patentability of an invention). The new law provides a personal one-year grace period in which an inventor can publicly disclose the invention within one year of filing a patent application and such disclosure is not considered prior art. Additionally, any third-party disclosure that is subsequent to the public disclosure by the applicant/inventor is not considered prior art. [For inventors that are only concerned with U.S. patent protection, the personal one-year grace period may provide a useful mechanism to avoid some of the risk associated with delaying the filing of an application. However, many foreign jurisdictions require absolute novelty such that the grace-period will offer little to no advantage for those inventors seeking foreign patent protection.] One other change to note is that public use and sale of an invention in a foreign country is considered prior art under the new laws. The first-to-file provisions of the America Invents Act will be effective 18 months from the date of enactment and will apply to any application filed after the 18 month period.

The following is a list of some of the other major provisions of the America Invents Act:

### **Third-Party Submission of Prior Art**

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Third party submission of prior art to the patent office for consideration in a patent application is extended to the later of six months from the date of publication of the application or the date of the first rejection of any claim of the application. The effective date of this provision is one year from the date of enactment of the Act.

### **Post-Grant Review**

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A new post-grant review process allows third parties to challenge the validity of an issued patent in an administrative proceeding before the patent office within nine months after issuance of the patent. This new post-grant challenge can be on any grounds of invalidity, whereas the current patent “reexamination” procedure is limited to challenges of invalidity based on prior patents and printed publications). A final decision on a post-grant review will have an estoppel effect as to any subsequent civil or administrative proceeding regarding issues that were raised or could have been raised in the post-grant review proceeding. The purpose of the new post-grant review process is to allow a more economically efficient alternative to litigation for challenging an improperly issued patent. The effective date of this provision is one year from the date of enactment of the Act.

### **Expanded Infringement Defenses**

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The Act expands the “prior use” defense to infringement provided under 35 U.S.C. § 273 to commercial use of any type of invention (process, machine, manufacture or composition of matter) that occurred in good faith more than one year prior to the filing date of the patent in question. The practical effect of this provision is to provide a defense to parties who have been commercially using an invention as a trade secret. However, this defense cannot be

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asserted against any patent owned by a university that resulted from research funded by university or government funds. This provision is effective upon enactment of the Act and applies to any patent issuing thereafter.

### False Marking

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The Act limits standing in false marking cases to the government or a party that can establish a competitive injury as a result of the improper patent marking. The false marking penalty is also not applicable to a patent that covers a product, but has expired. This provision is effective immediately upon enactment of the Act and applies to all cases pending or filed after the date of enactment.

### Reduction in Fees for Certain Small Entities

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The Act creates a “micro-entity status” reducing fees by 75% for those applicants who have filed less than four applications and had a gross income of less than three times the median household income in the proceeding calendar year.

### Fee Diversion

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The Act provides that all fees obtained by the United States Patent and Trademark Office (USPTO) that exceed the amount appropriated to the USPTO for a particular fiscal year will be deposited in a reserve fund for use by the USPTO subject to approval by Congress. Under the previous law, Congress was able to divert the excess funds for use in other areas. There is still debate as to whether Congress will be able to divert a portion of the fees under the new law. However, for all practical purposes, the fees in the reserve fund will likely go to support the USPTO. The effective date for this provision of the Act is October 1, 2011.

### Fee Setting Authority

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The Act also provides the USPTO with fee-setting authority. It is not clear at this time exactly what effect this will have on the current fee structure. However, many experts agree that filing fees on both provisional and non-provisional applications may increase substantially over the next few years. The effective date for this provision is the date of enactment of the Act (or 60 days thereafter for some subsections).

In conclusion, the America Invents Act will have immediate and significant effects on patent application filing and infringement litigation strategies. The resulting widespread changes are likely to create a degree of uncertainty in the early stages, but also provide additional strategic options for both protecting and contesting patents.

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