THOMPSON COBURN LLP

Thompson Coburn LLP |One US Bank Plaza | St. Louis, MO 63101

Patent Reform Introduces "First-Inventor-to-File" Law

The Leahy-Smith America Invents Act signed by President Obama on September 16, 2011 will switch the United States from a "first-to-invent" patent system to a "first inventor-to-file" patent system, and make other important changes in the patent laws.

The "first inventor-to-file" law will take effect on March 16, 2013 (18 months from passage) and will apply to new patent applications filed on or after that date. At that point, it will be highly desirable for patent applicants to file their patent applications with the USPTO as early as practical. With a "first-inventor-to-file" patent system, competing claims to the same or similar inventions will be resolved by the respective filing dates for each inventor's patent application—the earliest inventor to file will be the winner when there are competing applicants for the same/similar invention. This is, of course, a big change from the present "first-to-invent" system focused on each inventor's respective actual date of invention.

The "first-inventor-to-file" system will also change what qualifies as "prior art." With the new law, an inventor's date of invention will not affect whether certain public disclosures and the like qualify as prior art against that inventor's invention. While the new law protects an inventor against public disclosures by a third party where it can be shown that the third party derived the relevant information from the inventor (so long as the public disclosure was less than a year before the inventor's filing date), it does not protect the inventor against third parties when no derivation is involved, even if such third party disclosures occurred after the inventor's date of invention (except in certain circumstances where the inventor publicly disclosed the relevant information prior to the public disclosure by the third party and less than one year before the inventor's filing date).

The legislation will also:

- Create new procedures for challenging issued patents at the United States Patent and Trademark Office (USPTO).
- Extend "prior user" defenses to infringement—among other things—not limiting that defense to "method" inventions.
- Eliminate the "best mode" requirement as a grounds for challenging patent validity and/or enforceability during litigation (although the USPTO will still have the ability to reject patent applications for lack of "best mode" during examination).
- Eliminate patent protection for inventions directed toward strategies for tax reduction/deferment (by deeming all such tax strategies to be within the prior art).
- Eliminate patent protection for inventions directed to or encompassing human organisms.
- Modify patent marking, joinder, and damages calculation rules.

- Create a new funding mechanism for the USPTO that avoids the diversion of USPTO revenues to general government funds.

Next to the first-to-file rule, arguably the most important aspect of the law is its creation of new avenues for challenging issued patents at the USPTO. These changes include:

- The creation of a new "Post Grant Review" (PGR) procedure at the USPTO. A third party challenger will have nine months from patent issuance to request that the USPTO review whether a particular patent should have been issued. Under the new PGR procedure, the challenger can challenge a patent's validity on any ground that could be raised during litigation in a court proceeding. Thus, in contrast to current re-examination procedures, challengers using the PGR procedure can seek to have a patent invalidated on patent-eligibility grounds (35 USC 101) and quality of disclosure and claim indefiniteness grounds (35 USC 112) in addition to grounds for invalidity based on prior art (35 USC 102 and 35 USC 103).
- A modification to the current Inter Partes Re-Examination procedure (now re-named as Inter Partes Review (IPR)). The window for pursuing IPR will be 9 months after patent issuance or the close of a PGR proceeding, whichever is later. Relative to PGR, the challenger's grounds for alleging invalidity are narrower under IPR—they will be limited to allegations of anticipation or obviousness based on patents and printed publications.
- The creation of a new transitional procedure for reviewing certain types of "business method" patents that relate to financial products and services. With the new transitional procedure, if a party has been sued for or charged with infringement of a "covered" business method patent, then that party is entitled to seek USPTO review of whether the "covered" business method patent should have been issued. The grounds for such a challenge are limited to certain grounds (where it is expected that the types of prior art available for such a challenge will be different from those types available through IPR). Furthermore, for a patent to be "covered" by this new transitional procedure, the patent must claim "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 USPTO is empowered by the act to define how this "technological" exemption is to be applied.

Given the breadth and complexity of this legislation, it is expected that many of its precise contours will not be fully understood until subsequent court interpretation and USPTO application of the guidelines that are set forth in the legislation. Furthermore, many aspects of this new legislation are scheduled to take effect at different times. Thus, for any specific questions about how this legislation will impact particular matters, please consult your Thompson Coburn attorney or one of the Intellectual Property attorneys listed below.

Benjamin L. Volk, Jr.	314-552-6352	bvolk@thompsoncoburn.com
Dean Franklin	314-552-6038	dfranklin@thompsoncoburn.com
Alan H. Norman	314-552-6284	anorman@thompsoncoburn.com
Thomas A. Polcyn	314-552-6331	tpolcyn@thompsoncoburn.com

Thompson Coburn LLP

Chicago | St. Louis | Southern Illinois | Washington, D.C.

www.thompsoncoburn.com