

## The America Invents Act and Your Business

Sandra Thompson, Ph.D.

The America Invents Act (AIA)—commonly referred to as the “patent reform bill”—was signed into law last month and business owners are still wondering what, if anything, it means to them. Given that patent reform has been discussed in some form for the last 6-10 years, there are several aspects of this Act that are misunderstood or exaggerated.

First, it is important to know that AIA will be implemented over the next 18 months with some provisions taking effect immediately and others in 2012 or 2013. The “first to file” provision, for example, does not take effect until March 2013. Therefore, it is important to review any questions or concerns about whether aspects of the AIA apply to your business, patents or patent applications before considering amending your company’s best practices or implementing new policies.

### Fee Increase (Effective Immediately)

Almost all patent fees collected by the United States Patent & Trademark Office (“USPTO”) have now increased by 15%. The fee increase applies to fees for both patent applications and issued patents, such as maintenance fees. An application can now be “prioritized” by the USPTO by merely 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.

### 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 reported that the AIA harmonized the US with the rest of the world and instituted a first-to-file system, but that may not exactly be true. Given that the pros and cons of this issue are being discussed and debated in the patent community, it is clear that there will be a lot of case law covering this topic in the future.

### Post-Grant Review (Effective September 2012)

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 (Effective Immediately)

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.

The AIA opens the prior use defense up 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 patent infringement cases.

### Business Method Patents (Variable Implementation Timeline)

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

### **Inventor Oaths (Effective September 2012)**

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. 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.

There will continue to be a significant amount of commentary and information coming out over the next 36 months on the provisions and implementation of AIA. Businesses should stay in touch with intellectual property counsel and ensure that technical teams, sales teams and management have an understanding of how new patent laws apply to them.

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*Sandra Thompson, Ph.D. is a Shareholder in the firm's Intellectual Property Practice Group in Orange County. Dr. Thompson can be reached at 949.224.6282 or [sthompson@buchalter.com](mailto:sthompson@buchalter.com).*