



The Patent Laws They Are A-Changin': A User's Guide to the America Invents Act

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Posted December 21, 2011

On September 16, 2011, President Barack Obama signed the Leahy-Smith America Invents Act into law.¹ The law is considered by many to be the most sweeping change of U.S. patent law in decades.² This article provides a summary of the changes in the law, many of which are designed to streamline patent examination or prosecution, which currently takes several years to complete,³ and patent infringement litigation, which has become increasingly contentious and bogged down by allegations of patent invalidity and, in particular, allegations of inequitable conduct when obtaining the patent.⁴ Certain provisions of the new law are already in effect. Others, such as first-inventor-to-file, will not come into effect until March, 2013.

In Effect as of the Signing Date (September 16, 2011)

No More Best Mode Defense

To qualify for patent protection, the inventor must disclose in the patent application what she or he believes to be the “best mode” of practicing the invention.⁵ Whether the inventor disclosed this best mode is not an issue when the Patent Office examines the application to decide if the invention is patent worthy. It is almost always an issue in patent infringement law suits. One defense to infringement is “inequitable conduct” on the part of the inventor when obtaining the patent. Under the old law, failing to disclose the best mode qualified as such.⁶ Now, the “best mode defense” is no longer available to alleged infringers in proceedings before the Patent Office or in patent infringement lawsuits filed in federal district court.⁷ However, the requirement to disclose the best mode in the patent application remains in effect.

¹ Public Law 112–29 (H.R. 1249), 112th Congress. A copy of the Act is available at http://www.uspto.gov/aia_implementation/20110916-pub-112-29.pdf. The Patent and Trademark Office provides information and resources relating to the Act at the Leahy-Smith America Invents Act Implementation web site, http://www.uspto.gov/aia_implementation/index.jsp.

² See e.g., Sam Favate, *Law Students, Get Thee to a Patent Law Class*, WSJ Blogs (Oct. 17, 2011), <http://blogs.wsj.com/law/2011/10/17/law-students-get-thee-to-a-patent-law-class/>.

³ As of October 2011, applications waited an average 27 months to receive a first Office Action. See *U.S. Patent and Trademark Office, Data Visualization Center*, <http://www.uspto.gov/dashboards/patents/main.dashxml> (accessed Dec. 14, 2011).

⁴ See Paul Rossler, [WhatsUpinIP.com](http://whatsupinip.com), *The Old Bad is No Longer the New Bad: Inequitable Conduct Gets an Extreme Makeover* (Jun. 16, 2011) (available at <http://whatsupinip.com/2011/06/16/the-old-bad-is-no-longer-the-new-bad-inequitable-conduct-gets-an-extreme-makeover-2/>).

⁵ See 35 U.S.C. § 112 ¶ 1.

⁶ See 35 U.S.C. § 282 (listing failure to comply with § 112 as a defense to infringement).

⁷ See Leahy-Smith America Invents Act, § 15 (amending 35 U.S.C. § 112).

Patented Products Can Be Marked “Virtually”

U.S. patent law has never required a patented article to be marked as such.⁸ However, it was advantageous to do so because marking served as public notice and patent damages for infringement can run from the first date that the alleged infringer was on notice of the patent.⁹ In cases in which it wasn’t practical to place the mark directly on the article, the law allowed for packaging or documentation which accompanied the article to be marked with “patent” or the abbreviation “pat.”¹⁰

The new law expands the scope of marking by allowing for “virtual” marking.¹¹ Virtual marking can be accomplished by marking the article (or its packaging or documentation) “with ‘patent’ or the abbreviation ‘pat.’ together with an address of a posting on the Internet, accessible to the public without charge for accessing the address, that associates the patented article with the number of the patent.”

False Patent Marking Requires Competitive Harm to Sue

False patent marking occurs when an unpatented article is marked as patented with the intent to fool the public. In other words, it’s a type of fraud. Congress was so intent on preventing this type of fraud that it made suing for false patent marking a special kind of lawsuit called a qui tam (pronounced kwi tam) action. The qui tam action allowed “any person to sue for the penalty” and share in half the penalty paid by the offending party with the United States. The penalty was defined by statute (“not more than \$500 for every such offense”)¹² and unrelated to any damages actually suffered by the “any person” who had brought suit.

All this led to an increasing number of lawsuits being filed by persons who were not harmed in any way by the alleged false marking but simply found an article on a store shelf with an expired patent number.¹³ In many cases, the “false marking” occurred because of negligence or because, on or after the date of patent expiration, immediate changeover was not practicable or economically feasible.

Under the new law, the qui tam action is no longer available and the only party who can sue for the statutory damages is the federal government. Anyone else who sues for false marking must “suffer[] a competitive injury” as a result of the false marking.¹⁴ That party’s damages are only those which are “adequate to compensate for the injury.” Further, “marking of a product . . .

⁸ See 35 U.S.C. § 287(a) (“Patentees, and persons making, offering for sale, or selling within the United States any patented article . . . may give notice to the public that the same is patented”) (emphasis added).

⁹ *Id.* (“In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice.”)

¹⁰ *Id.*

¹¹ See Leahy-Smith America Invents Act, § 16(a) (amending 35 U.S.C. § 287).

¹² 35 U.S.C. § 292(a).

¹³ See Paul E. Rossler, [WhatsUpinIp.com](http://whatsupinip.com), *Patent Holders Get the Stilt and End Up Bow-Tied* (Nov. 23, 2010), <http://whatsupinip.com/2010/11/23/patent-holders-get-the-stilt-and-end-up-bow-tied-the-patent-marking-conundrum/>.

¹⁴ See Leahy-Smith America Invents Act, § 16(b) (amending 35 U.S.C. § 292).

with matter relating to a patent that covered that product but has expired is not a violation of this section.” None of this makes false marking go away, it just limits who can bring a law suit. Persons who mark a product as patented (or patent-pending), knowing it’s not but with an intent to fool the public into believing it is, can still be held liable for false marking to the federal government or competitors harmed by that false marking.¹⁵

No More Tax Strategy Patents

In 2003, the Patent Office granted U.S. Pat. No. 6,567,790, titled “Establishing and Managing Grantor Annuity Trusts Funded by Nonqualified Stock.” The patent claimed an “estate planning method for minimizing transfer tax liability with respect to the transfer of the value of stock options from a holder of stock options to a family member.”¹⁶ A few years later, the patentee, Wealth Transfer Group LLC, sued the CEO of Aetna, Inc. for patent infringement.¹⁷

The grant of the patent, and the ensuing lawsuit, made financial advisors and tax attorneys uneasy. Presumably any new strategy for reducing, avoiding, or deferring tax liability might be eligible for patent protection, thereby excluding those not licensed under the patent from offering the best advice to their clients. Worse still, the Patent Office was not consulting the IRS when deciding whether those strategies were patentable. With pressure building on the Patent Office to do something about tax strategy patents, the director of the Patent Office, in January 2011, did something very unusual for a director to do: he initiated a reexamination of the Wealth Transfer Group patent.¹⁸

The Patent Office’s reexamination of the Wealth Transfer Group patent is now moot. Under the new law, which applies to any case pending before the Patent Office, “any strategy for reducing, avoiding, or deferring tax liability, whether known or unknown” are “deemed within the prior art.”¹⁹ This is a rather roundabout (and odd) way of stating that tax strategies are no longer eligible for patent protection. The prohibition does not affect the patentability of methods, apparatus, technology, and computer program products or systems that are used to prepare tax information or provide financial management so long as those methods and systems are severable from a tax strategy.²⁰

Prior User Defense Expanded to All Patented Technologies

The old patent law provided a “prior user defense” to patent infringement but only in the case of business method patents. The new law expands this defense to any patented technology provided that the subject matter was “commercially used” at least one year before the earlier of (1) the effective filing date of the patent application or (2) the first public disclosure by the

¹⁵ See 35 U.S.C. § 292(a).

¹⁶ U.S. Pat. No. 6,567,790 at Abstract.

¹⁷ See *Wealth Transfer Group, LLC v. John W. Rowe*, Case No. 3:06CV00024 (Dist. Conn. 2006). The parties settled in March 2007.

¹⁸ See Scott Daniels, *PTO Director Initiates Reexamination against Gift Tax Patent*, <http://www.whda.com/blog/2011/01/pto-director-initiates-reexamination-against-gift-tax-patent-in-week-of-january-10-2011/> (Jan. 19, 2011).

¹⁹ See Leahy-Smith America Invents Act, § 14.

²⁰ *Id.* at § 14(c).

inventor or another who obtained the subject matter of the disclosure from the inventor.²¹ The commercial use can be an internal one or an “actual arm’s length sale” (*i.e.*, to a third party). However, if the commercial use was abandoned at some point in time, the defense is no longer available for any alleged infringing activity which occurred after the date of abandonment.²² Further, the defense, if raised or successful, does not necessarily invalidate the patent.²³ Whether the commercial use invalidates the patent depends upon whether it qualifies as prior art under the novelty and obviousness requirements.²⁴

Paying to Cut to the Head of the Line

The usual practice is for patent applications to be examined on a first-in, first-out basis. However, some applications qualify for out-of-turn or accelerated examination.²⁵ Accelerated examination is available if the applicant is 65 years or older or is in poor health or if the claimed invention is being infringed upon, requires a patent in order for a prospective manufacturer to manufacture it, improves safety or research in recombinant DNA, or materially enhances the quality of the environment, contributes to the development or conservation of energy resources, or contributes to countering terrorism. To qualify for the above, the applicant must petition the Office to make the application “special.”

The new law provides for accelerated or “prioritized” examination regardless of the technology provided the application has no more than four independent claims or 30 total claims and the applicant pays a special fee (currently \$4,800 for large entities and \$2,400 for small entities).²⁶ The goal is to provide a “final disposition within twelve months of prioritized status being granted.”²⁷ Final disposition means either a notice of allowance or final rejection has been issued by the examiner.

Patent Office Can Set Fees to Recover Costs

There’s little debate among patent attorneys and examiners that the Patent (and Trademark) Office has been underfunded or understaffed for quite some time now. Although the Office collected fees, the fees were typically allocated by Congress to unrelated programs in a practice called “fee diversion.” Therefore, the Office was left to run on whatever monies Congress allocated to it.²⁸ Partly as a result of this funding practice, the 6,500 or so patent examiners struggle to examine applications in a timely manner and, although over 500,000 patent applications are processed each year by the Office, about 700,000 patent applications remain

²¹ See Leahy-Smith America Invents Act, § 5 (amending 35 U.S.C. § 273).

²² See *id.* (amending 35 U.S.C. § 273(e)(4)).

²³ See Leahy-Smith America Invents Act, § 5 (amending 35 U.S.C. § 273(g)).

²⁴ See 35 U.S.C. §§ 102 (novelty) & 103 (obviousness).

²⁵ See Manual Patent Examination Procedures § 708.02.

²⁶ See Leahy-Smith America Invents Act, § 25(h). The Office can only accept 10,000 requests for priority examination in any given fiscal year until regulations are promulgated that set another limit *Id.*

²⁷ USPTO, AIA Frequently Asked Questions, Prioritized Examination (Track 1), http://www.uspto.gov/aia_implementation/faq.jsp#heading-9 (accessed Nov. 6, 2011).

²⁸ See *e.g.* Donald Zuhn, PatentDocs blog, Debate over H.R. 1249 Continues, <http://www.patentdocs.org/2011/06/debate-over-hr-1249-continues.html> (Jun. 15, 2011).

waiting in line for review by a patent examiner.²⁹ The Director of the Patent Office now has the authority to set or adjust “any fee” to recover the “aggregated estimate costs to the Office” of processing and issuing patents and trademarks.³⁰

Large, Small and Now Micro

The new law creates a special class of applicants called “micro entities.” Unlike the 50 percent reduction in certain fees enjoyed by small entities — individual inventors or companies having no more than 500 employees³¹ who have not already assigned, or are obligated to assign, the invention to a large (not small) entity — micro entities will enjoy a 75 percent reduction. A micro entity must meet the requirements for small entity in addition to (1) not having been named as an inventor on more than four previously filed patent applications and (2) not have a gross income in the calendar year prior to the one in which the fee is paid “exceeding 3 times the median household income for that preceding calendar year, as most recently reported by the Bureau of the Census.” Get out the calculator.

Cannot Patent Humans³²

Enough said.

In Effect 10 Days After Signing (September 26, 2011)

Fees Are Now FEES

Almost every fee that an applicant encounters during patent prosecution (filing, search, examination, extension of time, continued examination, and appeal, as well as issue fees and maintenance fees) has increased by 15%. Those prices³³ remain in effect until the Office decides to raise fees again, which, as explained above, it can now do to recover costs.

In Effect 60 Days After Signing (November 15, 2011)

The Luddite Penalty³⁴

A new \$400 fee (\$200 for small entities) must be paid by any applicant who does not electronically file her or his patent application.³⁵

²⁹ See USPTO Data Visualization Center, September 2011 Patents Data, at a Glance, <http://www.uspto.gov/dashboards/patents/main.dashxml>, Dashboard (accessed Oct. 23, 2011).

³⁰ See Leahy-Smith America Invents Act, § 10. Any proposed fee must be grounded in a “specific rationale” and is subject to public review and comment. See *id.*

³¹ See 13 C.F.R. §§ 121.801 through 121.805.

³² See Leahy-Smith America Invents Act, § 33.

³³ See USPTO, <http://www.uspto.gov> at “View Fee Schedule.”

³⁴ Rich Stims, *Timeline for Patent Reform Act (America Invents Act)*, <http://www.intellectualpropertylawfirms.com/resources/intellectual-property/patents/timeline-patent-reform-act-america-invents-act.htm>

³⁵ See Leahy-Smith America Invents Act, § 10.

In Effect One Year After Signing (September 16, 2012)

“Important Technologies” Can Cut to the Head of the Line

The new law allows the Patent Office to “provide for prioritization of examination of applications for products, processes, or technologies that are important to the national economy or national competitiveness without recovering the aggregate extra cost of providing such prioritization notwithstanding, [statutory patent fees] or any other provision of law.”³⁶ What this means is that in addition to the technology areas now afforded accelerated examination (environment, energy, terrorism, and recombinant DNA), other technology areas may qualify as well.

An Assignee Can Apply Even If the Inventor Is Not Lost

Unlike the rest of the world, U.S. patent law requires the inventor (or inventors) be named as the applicant for patent, even if the inventor had already assigned away his or her rights in the invention.³⁷ The inventor must also sign an oath or declaration.³⁸ The only exception to this is if the inventor refused to execute an application for patent, meaning he or she refused to sign the required “inventor’s oath of declaration,” or could not be found or reached after diligent effort.³⁹ In such cases, the inventor still has to be named as the applicant but a party which has been assigned the invention or which has a “sufficient proprietary interest” in the invention can apply for the patent.

The new law allows a party who has been assigned the invention to apply for the patent regardless of whether the inventor is lost or found.⁴⁰ The oath or declaration is still required, but the party can submit a “substitute statement” if the inventor is deceased, legally incapacitated, cannot be found, or was under an obligation to assign the invention but refuses to make the oath or declaration.⁴¹ The law also allows for the assignment document to include the statements required in the inventor’s oath or declaration.⁴² By filing that assignment document, the oath or declaration requirements are satisfied.

Inter Partes Reexamination Tougher to Get

An issued patent is never completely out of the woods when it comes to prior art. “*Any person at any time* may cite to the [Patent] Office . . . prior art consisting of patents or printed publications which that person believes to have a bearing on the patentability of any claim of a particular patent.”⁴³ The “any person” and “any time” language mean just that, any person at any time. All that is required is the person submitting the prior art reference provide a written explanation as to why the reference is pertinent. The person may also request that his or her identity be excluded

³⁶ *Id.* at § 25 (adding subsection G to 35 U.S.C. § 2(b)(2)).

³⁷ *See* 35 U.S.C. §§ 115 & 118.

³⁸ *See* 35 U.S.C. § 115.

³⁹ *Id.* at § 118.

⁴⁰ *See* Leahy-Smith America Invents Act, § 4 (amending 35 U.S.C. § 118).

⁴¹ *See id.* (amending 35 U.S.C. § 115).

⁴² *See id.* (adding 35 U.S.C. § 115(e)).

⁴³ 35 U.S.C. § 301 (emphasis added).

from the patent file and kept confidential. If a patent rather than a patent application is involved, the person may also request that examination be re-opened by the Patent Office in view of the reference.⁴⁴

One type of reexamination proceeding is “inter partes” reexamination, in which the third party who submitted the prior art actually participates in the proceeding (as opposed to “ex partes” reexamination in which only the patent examiner and the patent holder participate).⁴⁵ Under the old law, the director of the Patent Office could order inter partes reexamination if he or she found a “substantial new question of patentability affecting any claim of the patent concerned.”⁴⁶ Under the new law, the director cannot order this unless there is a “reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.”⁴⁷

Additionally, a petition for inter partes reexamination cannot be filed later than “9 months after the grant of a patent or issuance of a reissue of a patent.”⁴⁸ If the petitioner has already brought suit in federal court to challenge the validity of the patent, then inter partes reexamination is no longer available.⁴⁹ However, if the petition was filed before the law suit was filed, reexamination is available but the law suit is automatically stayed.⁵⁰ And if the petitioner is the one being sued by the patent owner, then the petitioner has one year from the date on which the complaint was served to petition for inter partes reexamination.⁵¹

More Time for “Not so Fast, Wait Just a Minute” Documents

The Patent Office allows third parties to submit prior art documents into the file of a patent application, provided those documents are submitted within a two-month window of the patent application being published or the mailing of a notice of allowance, whichever date is earlier.⁵² Additionally, the prior art documents must be public information but not ones which the Office would discover on its own with an ideal prior art search. The Office does not allow the third party to explain the relevance of the prior art documents or submit any other information.

The new law extends the window in which these “preissuance submissions” are allowed.⁵³ The submissions are allowed up to the earlier of the following two dates: (1) the date on which a notice of allowance is issued or (2) the date of the first rejection of one of the claims of the application or six months after the application’s publication date, whichever is later.⁵⁴ The law

⁴⁴ *Id.* at § 302.

⁴⁵ *See* 35 U.S.C. § 311; *see also* Manual of Patent Examining Procedure §§ 2200, Citation of Prior Art and Ex Parte Reexamination of Patents, and 2600, Optional Inter Partes Reexamination.

⁴⁶ *Id.* at § 313.

⁴⁷ *See* Leahy-Smith America Invents Act, § 6 (amending 35 U.S.C. § 314).

⁴⁸ *Id.* (amending 35 U.S.C. § 311).

⁴⁹ *Id.* (amending 35 U.S.C. § 315).

⁵⁰ *Id.* (amending 35 U.S.C. § 315).

⁵¹ *Id.* (amending 35 U.S.C. § 315).

⁵² *See* 37 C.F.R. § 1.99.

⁵³ *See* Leahy-Smith America Invents Act at § 8.

⁵⁴ Unless a non-publication request is filed when the patent application is filed, the patent application will publish 18 months after its filing date.

also allows the third party to submit a “concise description of the asserted relevance” of each preissuance submission.⁵⁵

Supplemental Exam Is Available but Is Not an Admission of Wrongdoing

Reexamination of patents is used in cases in which a patent owner or a third party submits a prior art document that raises a “substantial new question of patentability.”⁵⁶ Sometimes the patent owner discovers a prior art reference or learns of a reference that should have been submitted to the Patent Office during patent examination but for whatever reason wasn’t, or learns that a mistake was made in the application itself or in an argument presented to the Patent Office. The new law provides for “supplemental examination” if requested by the patent owner, asking the Office to “consider, reconsider, or correct information believed to be relevant to the patent.”⁵⁷ A reexamination is ordered if any substantial new question of patentability is raised by the request. However, a patent cannot be held unenforceable simply because this request was made or if the information was reconsidered or corrected during the supplemental examination unless a “material fraud” was involved. If a material fraud was involved, the Patent Office must report the fraud to the Attorney General.⁵⁸

What’s Said in Court No Longer Stays in Court

In almost all patent infringement law suits, the patent owner and the alleged infringer argue over the meaning and scope of the patent claims. While the judge ultimately decides or “construes” what the claims mean and how far their scope extends, patent law has always prevented a patent owner from arguing one meaning or scope when trying to obtain the patent and then arguing a contradictory meaning or scope when trying to enforce the patent.⁵⁹ Finding those potentially contradictory arguments is relatively easy because all of the back-and-forth between the applicant and the examiner is a matter of public record. However, the old law did not allow for statements made in court about the scope of a claim to become part of the patent’s official file in the Patent Office. Rather, the old law limited submissions to patents or printed publications “bearing on the patentability of any claim.”⁶⁰

The new law allows those statements to become part of the patent’s official file in the Patent Office and, therefore, a matter of public record. If the patent owner “took a position on the scope of any claim” and filed documents in federal court or in a proceeding before the Patent Office which stated that position, the statement becomes part of the of the file if it’s accompanied by an explanation as to why the statement is pertinent to at least one claim of the patent.⁶¹

⁵⁵ *Id.*

⁵⁶ *See* 35 U.S.C. § 303.

⁵⁷ *See* Leahy-Smith America Invents Act at § 12.

⁵⁸ *Id.*

⁵⁹ This rule or doctrine is called “prosecution estoppel.”

⁶⁰ *See* 35 U.S.C § 301.

⁶¹ *See* Leahy-Smith America Invents Act at § 6 (amending 35 U.S.C. § 301).

Business Method Patents Must Run the Gauntlet⁶²

When Congress last overhauled the Nation's patent laws, "google" was not a verb, "blackberries" were not personal assistants, and "tweeting" was literally for the birds. While patent law is not alone in its struggle to keep up with technological change, it struggles nonetheless. Nowhere is this struggle more apparent than in the U.S. Patent and Trademark Office's handling of so-called "business method" patents in the Internet Age.

By way of background, in the late 1990s the Federal Circuit decided a case involving a patent application for a system for managing financial data using computers. One of the issues in the case, *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, was whether this type of invention was eligible for patent protection.⁶³ To qualify for patent protection, an invention must be a product, machine, composition, or process.⁶⁴ If the invention does not fall into one of these four categories, then there is no need for the Patent Office to continue its examination of the patent application to determine whether the invention is deserving of patent protection.

At the time of the *State Street Bank* case, conventional wisdom held that "process" meant "manufacturing process." Therefore, a process which computerized a business transaction was considered by almost everyone to be ineligible for patent protection. The *State Street Bank* Court disagreed, noting there had never been a business method exception as to what processes were eligible for patent protection. Further, the Court held that as long as the process "produce[d] a useful, concrete and tangible result," then it was eligible for patent protection.⁶⁵

As a result of the *State Street Bank* decision, the U.S. Patent and Trademark Office was flooded with applications for patents involving business methods and courts are now flooded with litigation involving business methods patents.⁶⁶ The "useful, concrete and tangible result" test eventually gave way to the "machine-or-transformation" test. In other words, a process, including a business method, is patent-eligible if "(1) it is tied to a particular machine or apparatus or (2) it transforms a particular article into a different state or thing."⁶⁷ The U.S. Supreme Court weighed in on the matter and held that business methods remain patent eligible and "the machine-or-transformation test is a useful and important clue . . . for determining whether some claimed inventions are [patent-eligible] processes."⁶⁸ Courts continue to struggle with this while at the same time litigation involving business method patents is on the rise.⁶⁹

⁶² This section uses material from Paul E. Rossler, [WhatsUpinIP](http://whatsupinip.com/2010/11/29/when-is-a-business-method-not-a-bilski-the-supreme-court-keeps-the-door-ajar-on-business-method-patents/), *When is a Business Method Not a Bilski? The U.S. Supreme Court Keeps the Door Ajar on Business Method Patents* (Nov. 29, 2011) (available at <http://whatsupinip.com/2010/11/29/when-is-a-business-method-not-a-bilski-the-supreme-court-keeps-the-door-ajar-on-business-method-patents/>).

⁶³ 149 F.3d 1368 (Fed. Cir. 1998).

⁶⁴ This requirement is stated in 35 U.S.C. § 101. Other requirements include novelty (§ 102), non-obviousness or inventiveness (§ 103) and adequate description (§ 112).

⁶⁵ *State Street Bank*, 149 F.3d at 1373.

⁶⁶ See This American Life, *When Patents Attack* (Jul. 22, 2011) (available at <http://www.thisamericanlife.org/radio-archives/episode/441/when-patents-attack>) (accessed Dec. 14, 2011).

⁶⁷ *Id.* at 954.

⁶⁸ *Id.* at 8.

⁶⁹ See e.g., This American Life, *supra* n. 66.

The new law requires the Patent Office to establish a transitional post-grant review for evaluating the validity of business method patents.⁷⁰ This review is available to any party who has been sued for infringement under a business method patent. The party can request the proceeding and challenge the validity of the patent on the grounds of novelty or obviousness. It can also ask the court to stay the infringement proceedings until the Office completes its review.

Effective 18 Months After Signing (March 16, 2013)

Goodbye SIR

The Statutory Invention Registration or SIR, which allowed an inventor to disclose an invention in a patent application and then dedicate that subject matter to the public, is being repealed.⁷¹ One reason for this is that when the SIR was established, patent applications did not get published. This changed when the American Inventors Protection Act was signed into law in 1999. The Act required all patent applications to be published within 18 months of their filing date unless the applicant requested non-publication and refrained from filing for foreign patent protection.

First Inventor to File Wins

In order to obtain a U.S. patent, the invention being claimed in the patent application must be new and inventive over the “prior art.” Prior art includes any issued patent, published patent application, or publication in the U.S. or elsewhere before the applicant’s invention date, as well as any sale or public use in the U.S. before that date. Because an inventor must invent before he or she can file for patent protection, the invention date is usually different than the patent application’s filing date. The difference between these two dates allows the inventor to “swear behind” a prior art reference, thereby eliminating it as prior art. To swear behind a reference, the inventor submits documentation that demonstrates the date of invention as well as reasonable diligence in getting the patent application on file with the Patent Office.

All this will change on March 16, 2013, when the U.S. abandons the first-to-invent system and adopts the first-inventor-to-file system (aka “first-to-file”). Under first-to-file, the invention date no longer matters. What does matter is the filing date of the application, and if that filing date is later than the date of a prior art reference, tough luck, the reference is prior art and can be used by the examiner to reject the patent application. Additionally, the scope of the prior art net got a lot wider. A sale or public use which takes place anywhere in the world, and not just in the U.S., will count as prior art.

One thing the new law won’t change is the “one-year grace period.” Other first-to-file countries have an “absolute bar,” meaning any public disclosure or offer for sale of the claimed invention prior to filing for patent protection bars patentability. The U.S. has always given, and will still give, inventors a one-year grace period in which to file for patent after the first public disclosure or offer for sale. If a disclosure of the claimed invention was made by the inventor one year or less before the effective filing date of the patent application, then that disclosure does not bar

⁷⁰ See Leahy-Smith America Invents Act at § 18.

⁷¹ See Leahy-Smith America Invents Act at § 3(e) (repealing 35 U.S.C. § 157).

patentability. The same holds true if the disclosure was made “by another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor.”

Who Invented?

Under the first-to-invent system, the Patent Office holds “interference” proceedings to determine which of two inventors, each of whom has filed for a patent on the same invention, was the first to invent even if the second one to file for patent.⁷² Who invented first is not an issue under a first-to-file system. However, even under first-to-file, the inventor must have invented the invention rather than derive it from someone who did invent it. Therefore, the new law replaces interference proceedings with “derivation” proceedings and provides for a cause of action in case of “derived patents.”⁷³ An applicant for patent can file a petition alleging that an inventor in an earlier application derived the invention from the applicant (or co-applicant) and did not have permission to claim that invention. The petition must be filed within one year of the date on which an application is published that includes a claim the “same or substantially the same” as the claim of the earlier application. If the patent has already issued but was derived from another, the other patent owner can file suit against the first patent owner, provided the suit is filed within one-year of the patent issuing.

The Effect of the New Law

Whether the new law streamlines patent prosecution and patent litigation remains to be seen. Another “law,” the law of unintended consequences, can undermine or swamp the best of intentions. Two things are for certain. First, applicants for patents and patent owners are going to pay more in fees to the Patent Office. Second, first-to-file is going to place additional pressure on inventors to have a product that is ready-for-patenting sooner rather than later in order to beat others to the Patent Office door.

About the Author

Paul E. Rossler has an extensive background in intellectual property and engineering. In 1984 he received his bachelor of science in industrial engineering from the GMI Engineering & Management Institute (formerly General Motors Institute). He went on to receive his master’s degree and Ph.D. in industrial engineering from Virginia Tech before completing his J.D. at the University of Tulsa, where he graduated with highest honors. Prior to practicing law, Paul served on the engineering faculty at Kettering University and Oklahoma State University. At Oklahoma State, he taught in and directed the graduate degree program in Engineering & Technology Management, a program intended for practicing engineers, scientists and technologists. He continues to teach engineering law and engineering management courses at Oklahoma State University as an adjunct faculty member. Paul is a member of the Oklahoma Bar, is admitted to practice before the U.S. Patent and Trademark Office, is a registered professional engineer in Oklahoma and Michigan. He can be reached by email at prossler@gablelaw.com.

⁷² See 35 U.S.C. § 102(g).

⁷³ See Leahy-Smith America Invents Act, § 3 (amending 35 U.S.C. §§ 135 & 291).