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## INTELLECTUAL PROPERTY patent & trademark

### America Invents Act: Key Elements Of Reform Law

FIRST-TO-FILE POLICY BRINGS U.S. MORE IN LINE WITH OTHER COUNTRIES

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**W**hen President Barack Obama signed the Leahy-Smith America Invents Act (AIA) last fall, it marked the culmination of a years-long reform process. The act includes some of the most sweeping changes to U.S. patent law since 1836. In particular, several key components will significantly affect the patent prosecution and review processes.

#### First Inventor To File

The AIA shifts the U.S. patent system from a first-to-invent priority scheme to a first-inventor-to-file scheme, bringing the United States closer to, though not completely in line with, the patent systems of most other countries. Under the previous system, the inventor who first conceived of an invention was entitled to patent protection. Now protection is bestowed on the first party to file a patent application on the invention, regardless of the date of invention.

The law provides a grace period triggered by disclosure of an invention by

or for the inventor that extends for the shorter of: 1) A full year for disclosures by or for the inventor, or 2) Up to a year for public disclosures or patent filings by third parties.

During the grace period, those public disclosures or third-party patent filings won't preclude the inventor from obtaining patent

protection even though the inventor's patent filing wasn't the first to be filed during this grace period.

The AIA also replaces the interference procedure, currently used to determine the first inventor when conflicting applications are filed, with a "derivation proceeding." A subsequent filer can use the proceedings to challenge the priority and prior art effect of the first application filer on the ground that the first application was derived from the subsequent filer's invention.



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The first-to-file system takes effect March 13, 2013. But the grace period can begin up to 12 months before filing, so patent owners need to understand by March 2012 how these changes could affect their patent filing strategies.

#### Validity Challenges

Effective Sept. 16, 2012, the AIA will implement entirely new procedures for challenges to the validity of an issued patent. It phases out the current inter partes re-examination proceedings and

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creates several new proceedings:

**Supplemental examination.** This provides a way for patentees to make prelitigation submissions to correct any potential disclosure mistakes made during the prosecution. A patentee can submit materials to the U.S. Patent and Trademark Office (PTO) that may need to be cleansed as prior art.

If the PTO determines that the materials present a “substantial new question of patentability,” it will perform an ex parte examination. If not, the PTO will issue a certificate confirming patentability. As long as the re-examination concludes before litigation begins, the submitted materials cannot later be used by an alleged infringer as the basis for an inequitable conduct defense.

**Post-grant review.** For nine months after issuance, a third party can challenge a patent filed under the new first-inventor-to-file system on any statutory grounds, including: prior art; prior public use; lack of enablement; lack of written description; and lack of utility. Note that failure to disclose best mode is no longer grounds for invalidity, though disclosure is still required. The PTO will initiate a post-grant review of a patent only if the challenger can show that the patent is “more likely than not” invalid.

**Inter partes review.** The AIA establishes a new inter partes review that replaces and expands the current inter partes re-examination. This review is

more limited than post-grant review; it allows only prior art challenges claiming that, based on patents or printed publications, the invention isn’t new or is obvious.

However, the new inter partes review has been expanded to be available to challenge all patents, not just patents filed after Nov. 29, 1999, as was the case for the current inter partes re-examination. The PTO will initiate an inter partes review only if the challenger shows a reasonable likelihood of success with the challenge.

**Transitional program for business method patents.** The AIA creates a temporary eight-year program under which a party accused of infringing a business method patent relating to financial products or services can petition the PTO to review the patent’s validity.

This so-called business method review allows the accused party to use the

post-grant review process for the eligible business method patent to challenge whether the patent is a proper patent under Section 101. Normally, such patents aren’t eligible for post-grant review because they were filed under the old first-to-invent system.

### **Ultimate Impact**

Many of the most significant AIA changes will be phased in over time and apply prospectively to new patent applications. As a result, it could take more than a decade before their ultimate impact on the U.S. patent system can be fairly assessed. In the meantime, it’s hoped that patent quality will improve and litigation costs will drop. •

## **Patent Ownership Could Get More Expensive**

Under the America Invents Act, the U.S. Patent and Trademark Office (PTO) may now set its own fees. But those fees will be subject to public hearings and congressional oversight. Any excess fees collected will be deposited in a special trust account and the PTO must receive congressional authorization before tapping those funds. The general fee-setting authority will take some time to implement, but many patent owners could take a hit to the pocketbook. A 15 percent surcharge already has been added to PTO fees, along with a \$400 charge for nonelectronic filings. However, the AIA also adds a category of “micro entities” that will receive a 75 percent reduction in fees.