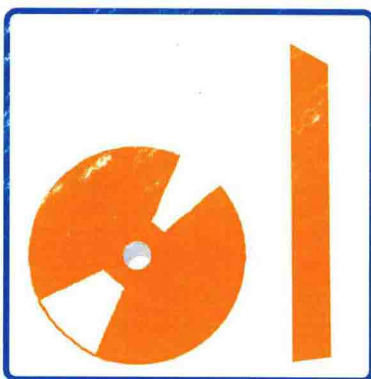


PATENTS IN THE 21ST CENTURY

THE LEAHY-SMITH AMERICA INVENTS ACT



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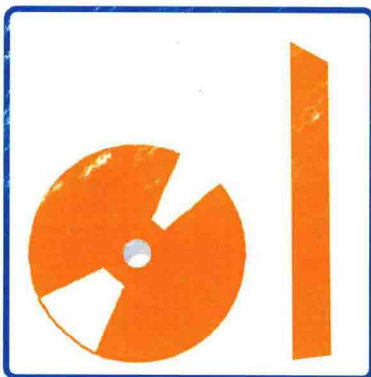


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LETTER FROM THE EDITOR

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Please see our Westlaw Journal newsletters for continuing coverage of related analysis and updates regarding implementation of this major legislation.

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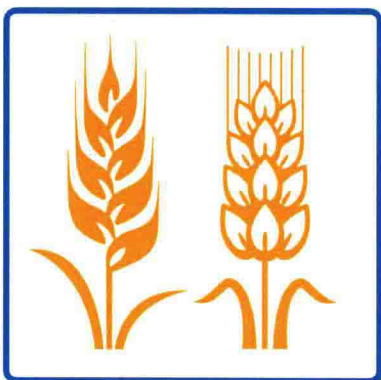
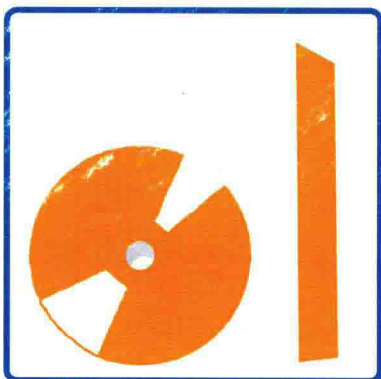
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President Signs Long-Awaited Patent Reform Legislation



President Obama signs the Leahy-Smith America Invents Act Sept. 16.

Photo by Marcelle Leahy

President Barack Obama signed the Leahy-Smith America Invents Act Sept. 16, ushering in a long-awaited overhaul of the U.S. patent system.

Obama signed the bill after the Senate passed the measure Sept. 8 by an 89-9 bipartisan vote.

The House of Representatives passed the bill in June.

President Obama hailed the new law as a boon to creating new businesses and jobs.

"I am pleased to sign the America Invents Act," Obama said in a press statement following the bill signing.

"This much-needed reform will speed up the patent process so that innovators and entrepreneurs can turn a new invention into a business as quickly as possible," he said.

Sen. Patrick J. Leahy, D-Vt., co-sponsor of the legislation, echoed the president's comments.

The law "is a true jobs bill at a time when we need it the most," Leahy said in a press statement.

"This is bipartisan, commonsense legislation that will spur the innovation that drives the American economy," Leahy said, commenting that the law is the product of six years of battles and compromise on Capitol Hill under two presidents.

The new law allows the U.S. Patent and Trademark Office to set its own fees and to do the hiring and technical upgrades needed to catch up on a backlog of nearly 700,000 patent applications.

PTO Director David Kappos hailed the provision.

"This bill will give the [PTO] the tools it needs to deliver cutting edge technologies to the marketplace sooner and drive down the backlog of patent applications," Kappos said in a statement after the Senate action.

"We intend to aggressively implement that mandate by immediately hiring new examiners, instituting new patent acceleration tools and aggressively modernizing our IT infrastructure," Kappos said.

Under the new law, the PTO will grant patents to the first inventors to file, rather than requiring inventors to show they were the first to develop an innovation.

The first-to-file system will bring the U.S. patent process in line with that of many other countries.

The law establishes a post-grant review process to allow challenges to patents before they are used in litigation.

Another new provision puts a limitation on "false marking" suits.

Currently, there has been what some have called a plague of false-marking lawsuits by plaintiffs who stand to gain by sharing the proceeds of any consequent settlement or court award.

The America Invents Act will substantially reduce false-marking suits by requiring that plaintiffs show a personal injury or interest in the suit.

The new law will be fully implemented by 2014.

The Sweeping Changes of the 2011 America Invents Act

By Michael Dixon, Esq.
Akerman Senterfitt

After more than 10 years within Congress, the America Invents Act was enacted on Sept. 16, 2011, and includes the most comprehensive legislative patent reform in the United States in more than 60 years. The act attempts to increase the quality of issued U.S. patents by reducing uncertainty and increasing opportunities for third-party involvement both pre- and post-issuance. Specifically, the act has changed the U.S. patent system from a first-to-invent to a first-to-file system, created a pre-issuance prior-art submission mechanism and created numerous post-grant challenge mechanisms in an effort to reduce litigation costs, strengthen U.S. patents and harmonize U.S. patent law with the majority of foreign jurisdictions.

WHAT CONSTITUTES PRIOR ART?

The act changed U.S. patent law from a first-to-invent to a first-to-file system. The first-to-invent system had been considered supportive of independent inventors and small companies with limited resources by allowing them time to finalize the invention and seek patent protection. However, the first-to-invent system created ambiguity as to which inventor had priority and what constituted prior art. Moreover, the system was not aligned with foreign countries.

Section 102 has been revised in that the first inventor to file a patent application has the priority of invention, with notable exceptions. As an accommodation to independent inventors and small companies, the one-year grace period remains intact. Thus, an inventor may file a patent application within one year of first offering to sell or publicly disclosing the idea.

Nonetheless, revised Section 102 has created ambiguity where there was once some degree of certainty. In particular, Section 102, which once described prior art as art that "was known or used by others in this country, or patented or described in a printed publication in this or a foreign country," now describes prior art as that which is "otherwise available to the public." Undoubtedly, it will take some time for the Federal U.S. Circuit



Courtesy of USPTO

One of the most significant changes made by the act is the shifting of the U.S. patent system from a system that grants a patent to the inventor who is first to invent the claimed invention to a system that grants a patent to the inventor who is first to file a patent application at the U.S. Patent and Trademark Office, shown here.

Court of Appeals to sort this out but not before potentially prolonged prosecution and an increase in appeals before the newly created Patent Trial and Appeal Board and the Federal Circuit.

Furthermore, the expansion of prior art from offers for sale and public use occurring in the United States to those occurring outside the United States will likely reduce the enforceability of U.S. patents as U.S. patent examiners will most likely not have such information available to them during prosecution, thereby creating uncertainty when determining the likely success of enforcing a patent.

Additionally, revised Section 102 includes an interesting provision for inventors who publish documents describing their inventions. Specifically, a patent application filed by Inventor A does not qualify as prior art to Inventor B if Inventor B had publicly disclosed the invention, such as through a publication or presentation, before the patent application was filed by Inventor A, so long as the public disclosure does not occur more than a year before Inventor B's filing of the patent application. Thus, a third-party

patent application filed after publication by an inventor does not qualify as prior art to the inventor's later-filed patent application filed within one year of the earliest publication.

At first blush, revised Section 102 appears to incentivize public disclosure of an invention before filing a patent application. However, such disclosure would result in the loss of potential foreign rights in most foreign countries, with the exception of Australia, Canada and Japan.

Preserving an inventor's rights may best be accomplished by filing a U.S. provisional patent application, and, if necessary, filing multiple provisional patent applications as the invention evolves, thereby eliminating any negative implications at the foreign stage from an earlier public disclosure.

CHALLENGING U.S. PATENTS, PATENT APPLICATIONS

The act has created the new challenge mechanisms of pre-issuance submission, post-grant review and supplemental examination, and has replaced *inter partes* examination with *inter partes* review.

In addition, while the elimination of the first-to-invent system has brought interference practice to an end, the act retained a slightly modified version of derivation proceedings that includes a limited one-year time period for initiating a derivation proceeding.

The derivation proceeding is an adversarial proceeding decided by settlement or arbitration before the Patent Trial and Appeal Board in which each party is able to present evidence and take testimony to determine whether the inventor named in an earlier-filed application that was filed without authorization derived the claimed invention from the inventor of a later-filed application. The derivation proceeding must begin within one year of the date of first publication of a claim to an invention that is substantially the same as the earlier application's claim to the invention.

Pre-Issuance Submission

The pre-issuance submission mechanism further bolsters corporate intelligence initiatives by enabling third parties to submit prior art consisting of patents, published patent applications and printed publications of potential relevance to the examiner of a patent application. Prior-art submissions must set forth a concise summary of the relevance of each prior-art submission.

The submissions may be submitted before the earlier of the date of a notice of allowance, or the later of six months after publication of the application or the date of first rejection of any claim in the patent application. Essentially, if a notice of allowance is not issued within two years of the filing of a patent application and there is no claim for priority to an earlier-filed patent application, third-party submissions may occur for at least two years. A publication earlier than 18 months or an early notice of allowance will reduce the available window for third parties to file pre-issuance submissions.

Businesses should augment ongoing monitoring programs in which published patent applications assigned to competitors are identified with prior-art searches and pre-issuance submissions. Businesses should also carefully consider whether filing for foreign patent protection is necessary to their business concerns and, if not, should file a request for nonpublication, thereby keeping their pending patent applications secret within the patent office and effectively

eliminating the possibility of pre-issuance submissions being submitted against their patent applications.

Post-Grant Review

The newly created post-grant review process resembles European oppositions in which third parties can challenge the validity of a patent on any ground as a less expensive dispute resolution procedure than federal

that is lower than the "reasonable likelihood that petitioner will prevail" standard of the newly formed *inter partes* review that applies to all other technologies after nine months from issuance.

The post-grant review process can be used to stay litigation, and only those issues actually raised within post-grant review — not all issues that could have been raised — will be prevented from being raised at trial.

Businesses should augment ongoing monitoring programs in which published patent applications assigned to competitors are identified with prior-art searches and pre-issuance submissions.

court litigation. Within nine months of issuance of a U.S. patent, a post-grant review may be initiated as long as the petitioner has not already filed a civil action challenging the validity of the patent.

A post-grant review petition must satisfy one of two threshold requirements:

- Unless rebutted, it must be more likely than not that at least one challenged claim is unpatentable.
- The petition must raise a novel or unsettled legal question of importance.

Importantly, a post-grant review proceeding may be based on any ground for invalidity. This is consistent with the revised Section 102 but broader than current *ex parte* re-examination and newly formed *inter partes* review, which are both limited to patents or printed publications.

Thus, within nine months of patent issuance a third-party competitor may attack the patent through post-grant review with any prior art, such as public uses, prior publications, offers to sell, actual sales, lack of enablement and inadequate written description. Challenges for lack of setting forth the best mode are unavailable.

Section 18 of the act provides a transitional program for review of "covered business method patents," which resembles an extended post-grant review system. Beginning Sept. 16, 2012 — and running until Sept. 16, 2020, unless extended by Congress — a party charged with patent infringement of a business-method patent may petition for post-grant review of the asserted patent upon meeting a threshold

Prior art allowed in a post-grant review proceeding is broader than the prior art allowed in an *inter partes* review proceeding. In particular, a post-grant review proceeding may allow use of prior art falling under the

Supplemental Examination Under 35 U.S.C. § 257

- New procedure permitting a patent owner to request an additional examination by the PTO to "consider, reconsider or correct information believed to be relevant to the patent."
- Enables a patent owner to have a patent examiner determine questions of patent enforceability before an infringer raises them at trial.
- Allows a patent owner to cure some previous failures to disclose that otherwise would be grounds for a finding of inequitable conduct.
- A patent cannot later be held unenforceable based on conduct relating to information that had been considered during the supplemental examination.
- Will take effect Sept. 16, 2012.

pre-act Section 102(a), as well as prior art by the applicant and prior art that describes the invention more than one year before the filing date of the patent application.

Guidance is likely forthcoming from the U.S. Patent and Trademark Office to determine what qualifies as a “covered business method patent,” which the act delineates as being 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 ... [and are not] technological inventions.”

Business-method patent owners should consider conducting a thorough pre-suit

a substantial new question of patentability,” the PTO will order a re-examination. Upon conclusion of the proceeding, the PRO will issue a certificate indicating whether the information presented during the proceeding by the patent owner presented a “substantial new question of patentability.”

A patent may not be held unenforceable based on information that had been previously considered during a supplemental examination proceeding, provided that the supplemental examination request was made before the allegations of misconduct are pleaded in court proceedings.

The “substantial new questionz” standard of the supplemental examination proceeding is

a challenger must now establish that there is a “reasonable likelihood that the petition will prevail.” The previous threshold for *inter partes* re-examination required that a substantial new question of patentability existed to initiate a re-examination proceeding. The legislative history states that the new threshold is higher than the “substantial new question of patentability” threshold, which was met in nearly 95 percent of *inter partes* re-examination requests.

The revisions to *inter partes* re-examination do not impact *ex parte* re-examinations proceedings, which remain the same.

The *inter partes* review proceeding will include new procedural safeguards to prevent a challenger from using *inter partes* review to harass patent owners. The *inter partes* review challenges may also now include prior art, including written statements made by the owner of a patent in another lawsuit or at the PTO regarding the scope of the claims.

Finally, this section creates estoppel for an *inter partes* review challenger. In particular, a challenger who “reasonably could have raised” an argument during an *inter partes* review is prevented from raising such an argument in court.

The act provides a timeline for transitioning from the *inter partes* re-examination to the *inter partes* review to prevent a rush of filings before Sept. 16, 2012. Any request for *inter partes* re-examination filed by Sept. 16, 2012, will be granted if a “reasonable likelihood that the petition will prevail” is shown, which is the new standard for *inter partes* review, and such standard will be applied throughout the proceeding. Any request for *inter partes* re-examination filed after Sept. 16, 2012, will not be granted. Only a request for *inter partes* review may be filed after Sept. 16, 2012.

The practical application of the *inter partes* review is unclear as the act describes many of the limitations in only broad terms. For instance, the act’s provision for allowing limited discovery related only to factual assertions by either party will have to be fleshed out. With such ambiguity, there is the risk that such changes will not reduce litigation costs; rather, the costs of challenging and defending a patent will increase with the creation of these alternative challenge mechanisms.

Prior art allowed in a post-grant review proceeding is broader than the prior art allowed in an *inter partes* review proceeding.

analysis to determine whether prior art exists that could result in a business-method post-grant review proceeding. Business-method patent owners may also consider delaying enforcement actions until the PTO issues guidance on this issue. Prior to patent issuance, inventors should consider applying for claims directed to the application of their concept to industries other than the financial industry.

Supplemental Examination

Section 12 of the act, codified at 35 U.S.C. § 257, provides for supplemental examination after Sept. 16, 2012. This procedure enables a patent owner to have any information considered quickly by a U.S. patent examiner to determine patent enforceability before being raised by an infringer at trial without requiring that the patent go through re-examination. Thus, a patent owner may have any information considered by the PTO and presumably may even be able to cure some intentional failures to disclose prior art that would otherwise be grounds for a finding of inequitable conduct.

However, the act does state that if the director becomes aware of material fraud on the PTO, the director may confidentially refer the matter to the attorney general for criminal prosecution, if appropriate.

The PTO will conduct a supplemental examination of the patent within three months of receiving a supplemental examination request. Should the new information “raise

the same standard in *ex parte* re-examinations, which have generally been freely granted in the past. Presumably, the PTO will issue guidelines clarifying application of the supplemental-examination process before supplemental examination takes effect next year.

Inter Partes Review

The act creates *inter partes* review, which replaces *inter partes* re-examination Sept. 16, 2012, as a mechanism for review of a U.S. patent based on prior-art patents and printed publications.

The *inter partes* review will be conducted by administrative patent judges and will allow the PTO to complete most reviews within 12 months. Their decision will be appealable directly to the Federal Circuit. An *inter partes* review may not be pursued if an accused infringer has already filed a declaratory judgment action challenging the patent or if more than six months has passed since the date the infringer was served with a complaint. A patent owner will have the opportunity to explain why the *inter partes* review should not be initiated before it is initiated, unlike the *inter partes* re-examination process, in which input is accepted only after a re-examination proceeding has been initiated.

To invalidate a claim of the patent to institute an *inter partes* review proceeding,

LITIGATION

'Prior Commercial Use' Defense

Section 5 of the act expands the "prior commercial use" defense beyond business-method patents. In particular, an alleged infringer of a process, a machine or composition of matter used in a manufacturing process is not liable for infringement if a use occurred at least one year before the earlier of (a) the effective filing date of the claimed invention or (b) the date on which the claimed invention was disclosed to the public.

The alleged infringer must have commercially used the product in good faith in connection with an internal commercial use or an actual arm's length sale or transfer. The alleged infringer carries the burden of proof and shall establish the defense with clear and convincing evidence.

The broadening of the prior-commercial-use defense strengthens the option available to businesses struggling with the decision of how to best protect a method of manufacture or the like used within the business. Now, rather than obtaining patent protection and disclosing the invention for all to see with little chance of uncovering an infringing use, a business may keep the method secret and if challenged, rely on the prior-commercial-use defense with proper documentation to avoid liability.

Opinions of Counsel

The act codifies *In re Seagate Technology LLC*¹ as it relates to willfulness and clarifies the case law decided thereafter. In particular, Section 17, codified at 35 U.S.C. § 298, provides that the failure of an alleged infringer to obtain an opinion of counsel of noninfringement or the decision of an alleged infringer to not disclose to a plaintiff the opinion of counsel of noninfringement may not be used to prove that the accused infringer willfully infringed the patent or that the alleged infringer induced infringement.

Best Mode

Foreign patentees are typically ill-prepared to comply with the best-mode requirement in 35 U.S.C. § 112. Section 15 of the act, codified at 35 U.S.C. § 282 and effective upon the act's enactment, provides that failure to comply with best mode shall not be a basis upon which a patent may be held invalid or

unenforceable, thereby further harmonizing U.S. patent law with foreign jurisdictions.

Qui Tam False Marking

Section 16 of the act has effectively stamped out the cottage industry in pursuit of easy money by enforcing the previous false-marking statute at 35 U.S.C. § 292. In particular, effective upon the act's enactment date and applicable to pending cases, only the United States may sue for the penalty authorized under the statute, and a person who suffered a competitive injury as a result of a violation of this statute may pursue a civil action for damages. Marking a product with a patent that has expired is no longer a violation of Section 292.

The act also created virtual marking to reduce the burden upon patent owners to comply with the marking requirement. Specifically, a product may be marked with "patent" or "pat." together with an Internet address that associates a U.S. patent with the product.

Joinder

Section 16 of the act, codified at 35 U.S.C. § 299, sets new limits on joinder of accused infringers as parties in one action. Under Section 16, accused infringers may be joined only if relief is asserted against the parties jointly or severally, or arising from the same transaction or occurrence relating to the making, using, importing or selling of the accused product. Simply alleging infringement of the same patent is no longer sufficient.

While combining multiple infringers producing the same class of products is no longer available, combining multiple infringers that are vertically aligned and jointly infringe a patent remains allowable. The limitation of joinder will likely be problematic to plaintiffs and defendants alike as inconsistent Markman claim-interpretation rulings² are more likely to occur.

LIMITATION OF PATENTABLE SUBJECT MATTER

The United States has long had fewer limitations on what constituted patentable subject matter. However, the act has carved out some territory from that broadly defined patentable subject matter. In particular, the act states that any strategy for reducing, avoiding or deferring tax liability

is insufficient to differentiate an invention from the prior art but excludes systems used for the preparation of tax returns or that organize such data or systems used solely for financial management.

CONCLUSION

While the America Invents Act is the broadest legislative patent reform in the United States in years, the consequences of the application of many of the act's provisions remain uncertain in view of the broad language of the act. The rulemaking proceedings within the PTO over the next year will attempt to provide more clarity; however, it will likely take years before aspects of the act have been settled. Time will tell if the act's provisions reduce costs and increase the quality of issued U.S. patents, or whether unintended consequences dominate the landscape.

NOTES

¹ 497 F.3d 1360 (Fed. Cir. 2007) (*en banc*).

² See *Markman v. Westview Instruments Inc.*, 517 U.S. 370 (1996).



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The America Invents Act: Will it be the Nation's Most Significant Patent Act Since 1790?

By Robert A. Armitage, Esq.
Eli Lilly & Co.

On Sept. 16 the 150-page Leahy-Smith America Invents Act, H.R. 1249, became law. It is, without question, significant, even record-setting, patent legislation.

The America Invents Act is — by far — the lengthiest patent act in our nation's history. It is more than double the size of the bill creating the 1952 Patent Act, which recodified the entirety of U.S. patent law from scratch.

The new act's legislative gestation consumed over six years. Only once before, in enacting the American Inventors Protection Act of 1999, did Congress take so long to bring a new patent law into being.

Being the lengthiest patent act of all time — and the slowest to transit Congress — constitute at best uninspiring superlatives. They hardly suggest that this new congressional work product might one day be acknowledged not just as a significant advance in U.S. patent law, but as the most significant since the first Congress crafted the first patent act in 1790.

To make good on such a brash and bold aspiration would be to fulfill a very tall order.

It would require that the new law surpass in its implications and affect both the Patent Act of 1836 (creating the patent office and the modern system of patent examination) and the 1952 Patent Act (providing a complete and cogent, ground-up restatement of all U.S. patent law under a full statutory recodification). In other words, the America Invents Act needs to achieve nothing short of extraordinary credentials to top the significance of these two great patent acts of the 19th and 20th centuries.

Just why might the America Invents Act someday realize such an outsized potential? For the proponents of the new law, it holds the promise of accomplishing two things, each of which is potentially profound.

The first possible accomplishment would be to work a revolution in the criteria by which a new invention can be judged to have been validly patented in the United States. The new act both limits and then reshapes patenting rules to those that, both individually and collectively, are transparent, objective, predictable and simple. It also successfully retains and even enhances the

historic inventor-friendly and collaboration-friendly features that have long set U.S. patent law apart from patent systems globally.

The second potential impact is even more ambitious: that our new patent law will serve as a beacon to guide future changes in foreign patent laws so that in the decades ahead, foreign patent laws would come to be built around the very same principles Congress enshrined in our new law. Should this potential be realized, greater harmonization of the world's patent laws may come to mean nothing more than foreign patent laws adopting the mold and model of America Invents Act provisions.

HOW DOMESTIC PATENT LAW PRINCIPLES WILL BE REVOLUTIONIZED

The New Law is TOPS

The proponents of the America Invents Act sought a new patent law — and a reformed patent system — operating with greater transparency, objectivity, predictability and simplicity in the determination of whether a valid patent could be granted on an invention. To a quite stunning degree, they got what they were seeking with the enactment of the America Invents Act.

Transparency. Once the America Invents Act takes full effect, only information that has become available to the public before an inventor seeks a patent for an invention — or had become publicly available from an earlier patent filing by someone else — will be used to determine whether the invention to be patented is sufficiently different from pre-existing knowledge to merit a patent. To achieve this result, the America Invents Act erases from U.S. patent law an array of archaic principles and practices that resulted in secret knowledge or secret activities — sometimes secret activities undertaken by the inventor and other times secret work done by third parties — being cited to prevent

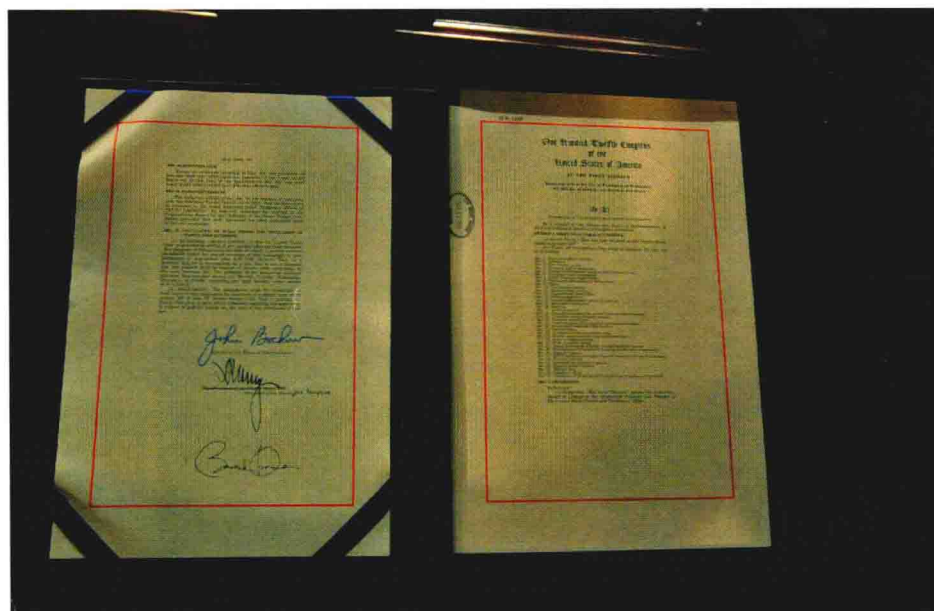


Photo by Sen. Patrick J. Leahy

The America Invents Act, shown here after President Obama signed it, more than double the size of the bill creating the 1952 Patent Act, which recodified the entirety of U.S. patent law from scratch.

a patent from issuing or to destroy its validity once granted.

Objectiveness. In a similar manner, the new statute removes from existing patent law subjective tests that have historically been considered in the assessment of whether a patent is valid. When did the inventor first think of the invention in its completed form? On the day of the patent filing, what did the inventor contemplate would be the best mode for practicing the invention? These types of subjective inquiries have no relevance under the America Invents Act. This full objectivity in patenting principles will be particularly relevant in assessing whether the inventor's patent filing sufficiently disclosed the new invention. Henceforth, a sufficient disclosure rests on two objective standards: whether the actual embodiments of the claimed invention are properly identified in the patent, and whether those embodiments could be put to a practical and substantial use based on the information provided by the inventor in the patent.

Predictability. To a remarkable extent, the new law secures greater predictability in the assessment of a patent's validity by removing unneeded patent law concepts that were fact-intensive and required much discovery during lawsuits to resolve. What remains is a patent law focused on legal standards in preference to extensive factual inquiries.

Predictability is further enhanced for inventors through a set of new remedial and "safe harbor" provisions aimed at permitting an inventor to address and rectify errors and omissions in the information provided to the U.S. Patent and Trademark Office prior to the grant of the patent. If an inventor is incorrectly named in the patent, the naming of the inventor can be more readily corrected. If the inventor supplied a deficient oath as to inventorship, a corrected substitute can be more readily provided and accepted. If other information was missing or incorrect during the original examination of the patent, the missing or corrected information can now be provided and considered in a new procedure that is specifically tailored for this purpose. In each of these respects, patents will become more predictably valid and predictably enforceable.

Simplicity. What the America Invents Act has in essence done is to boil the entirety of U.S. patent law down to a set of four largely legal questions and standards that, while

The statute successfully retains and even enhances the historic inventor-friendly and collaboration-friendly features that have long set U.S. patent law apart from patent systems globally.

they fully protect the public from overly broad or overly vague patents, require little discovery and minimal fact-finding. In a sentence, once the law fully takes hold, the validity for a patent will require no more than that an inventor's claimed invention be confined to subject matter that is:

- Sufficiently different from what was already available to the public (or previously disclosed in a publicly available patent filing made by someone else) as of the date that the inventor's patent was sought.
- Sufficiently disclosed so that the actual embodiments of the invention are identified and can be put to a substantial and practical use.
- Sufficiently definite so a skilled person reading the patent knows what is and is not being patented.
- Sufficiently concrete so that whatever is claimed in the patent is not excessively conceptual or otherwise abstract in character.

Once the new patent law is fully implemented, patents granted under it will be valid or invalid based on whether these four legal criteria are met, producing a patent law its proponents contend is TOPS: transparent, objective, predictable and simple. Indeed, by being TOPS, basing patenting on information available to the public and largely restricting the law to legally rather than factually grounded tests for patenting, it becomes possible that in much patent litigation, little — perhaps no — discovery from the inventor may be of any relevance to the validity of a patent. This, of course, would represent a profound reversal of the situation that applies under existing U.S. patent law.

U.S. Patent Law Becomes Even More Inventor-Friendly and Collaboration-Friendly

Making the substantive patent law simpler and more transparent was, however, only the beginning of the benefits that supporters

of the new act now tout. The United States has long recognized a "grace period" during which inventors who disclosed their inventions during the year before seeking patents were not subject to their own disclosures being used against them to destroy the validity of their patents.

The America Invents Act not only continues these protections for inventors, but further enhances them with a guarantee to the first inventor to publicly disclose an invention of the right either to patent the invention, provided a patent filing is made during the one-year grace period after the disclosure, or to dedicate the invention to the public, in the event the inventor elects not to seek a patent.

The same can be said for the so-called "collaboration-friendly" features of U.S. patent law. In 1999, and again in 2004, Congress amended patent law initially to protect co-workers, and later to protect all individuals working collaboratively under joint research agreements, from having their respective patent filings cited against one another as "prior art." Prior to these changes, an earlier-filed patent application of one such co-worker or collaborator could be cited as a ground for holding the later patent filings of any others unpatentable, even if the earlier patent filing had not become public at the time the later patent filing was made.

The America Invents Act reinforces these unique collaboration-friendly features of U.S. patent law by providing that such earlier patent filings cannot be cited to show either lack of novelty or obviousness in the later patent filing of another co-worker or collaborator. The ironclad protections of this type now found in U.S. patent law are unprecedented; foreign patent systems typically hamper collaborative work by allowing all of the earlier patent filings of inventors, co-workers and other collaborators to be cited as prior art to destroy the novelty of later-filed patents within the same organization or joint-research group.

Looking globally across patent systems today, it becomes clear that one and only one

patent system now exists that fully recognizes the realities of invention in the 21st century. In an era of cooperation and collaboration among research organizations, it is essential that patenting principles reflect that reality. The U.S. patent law now embodies the international “gold standard” for protecting the fruits of collaborative research — and can be credibly monikered as the world’s first truly 21-century patent law.

How U.S. Law Will Set The Standard for the Public’s Role in the Patenting Process

As early as 1980, Congress recognized that the 1836 model of patent examination was deficient in failing to provide any formalized means for public participation in the patenting process. In that year, Congress passed a bill providing for the *ex parte* re-examination of previously issued patents, on the limited ground of whether a patent or other publication raised a substantial new question of patentability. These provisions were subsequently broadened in 1999 under the American Inventors Protection Act to add an *inter partes* re-examination procedure.

someone challenging a patent’s validity can receive a prompt and fair adjudication of each significant validity issue raised by the challenger. The new procedures are termed “post-grant review” and “*inter partes* review,” with the first available only during the period immediately after a patent issues and the latter available thereafter throughout the life of the patent.

These replacement procedures are to be conducted by legally trained, technically competent administrative patent judges, not (as under current law) patent examiners. They can only be initiated through a request that provides all the legal arguments and factual support for moving ahead with the proceeding at the time the request to challenge the patent is initially lodged with the Patent and Trademark Office. They are to be confined to addressing only issues where a serious question of validity has been established, an issue that is more likely than not to invalidate the patent or for which there is at least a reasonable likelihood of invalidation.

As a result of being “front loaded” with the relevant evidence and arguments of

Patent Office typically takes five times — even 10 times — as long to resolve a “patent opposition” as the new U.S. law will permit, the new U.S. post-grant regime, if effectively implemented, may well earn the status of international gold standard for defining the mechanisms for public participation in the patenting process.

What The New Act Means for Efforts at Global Patent Cooperation and Harmonization

The America Invents Act — the world’s first truly 21-century patent law — contains all the elements needed for a patent system to operate effectively, efficiently, economically and equitably. If the decade ahead yields greater international patent cooperation and harmonization among patent systems around the world, the starting point for that effort should lie in the incorporation of its provisions into patent laws across the globe.

Should that promise be realized, the America Invents Act will have realized its full potential as the most significant patent act since 1790, not only for the United States, but for inventors and creators everywhere, as well as those who invest in the creation of new inventions, those who are employed producing and selling them, and, of course, those who are then able to benefit from them as consumers.

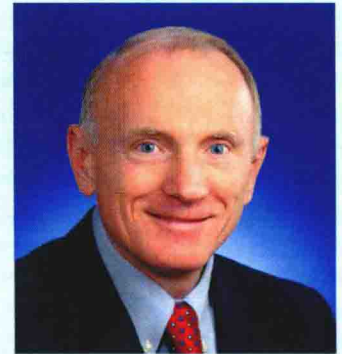
What the America Invents Act has in essence done is to boil the entirety of U.S. patent law down to a set of four largely legal questions and standards that require little discovery and minimal fact-finding.

The America Invents Act phases out the 1999 *inter partes* procedure and instead offers what could prove to be the world’s best provisions for public participation in the patenting process. First, the new law provides effective public participation early in the patenting process — before a decision to issue a patent is made by a patent examiner. It does so by providing a formal mechanism for submitting information relevant to whether the subject matter for which a patent is being sought is new and nonobvious — sufficiently different from the prior art to merit issuing a patent.

In a more sweeping set of statutory changes, the replacement for the 1999 re-examination law provides that both the patent owner and

the challenger and limited to truly serious questions of patent validity, each of these new proceedings is subject to a one-year statutory deadline to reach a final decision. Because of the legal nature of the patent validity issues under the America Invents Act — and the limited nature of the factual matters that will underlie those legal determinations — the new procedures provide for limited discovery, assuring fairness while tightly controlling the time and costs required to get to a final resolution.

Again, the promise of the new law is nothing short of revolutionary. By moving away from the so-called “opposition” procedures used in Europe since the 1970s, where the European



Robert A. Armitage is senior vice president and general counsel of **Eli Lilly & Co.** Reprinted with permission from the Washington Legal Foundation. © 2011.

The New Grace Period Under the America Invents Act

By Ammon Leshner, Esq.
Turner Padgett Graham & Laney

On Sept. 16, 2011, President Obama ceremoniously signed the America Invents Act into law and proclaimed that the "much-needed reform will speed up the patent process so that innovators and entrepreneurs can turn a new invention into a business as quickly as possible."¹ Given the extreme partisanship that exists in Washington these days, it was refreshing to see a piece of legislation pass through the Senate by a vote of 89-9.

However, it appears that even when Congress can actually agree on something, it is still unable to formulate a comprehensive solution. Right now, there is considerable debate occurring throughout the patent world as to whether the AIA is, in fact, an improvement to our existing system. Regardless of which side of the fence you are on when it comes to the law's impact, the AIA is arguably the most significant change to U.S. patent laws since the 1836 Patent Act, which established the modern American system of patent examination.

At the heart of the AIA is the change to a first-inventor-to-file system, which replaces the "well-developed 200-year-old American patent system that has a proven record as the best in the world."² This alone begs the question whether "harmonization" is in fact in our country's best interest.

Replacement of the first-to-invent system with a first-inventor-to-file system necessitated a complete rewrite of 35 U.S.C. § 102, altering the definition of "prior art" under the new regime. The complexities introduced through the new Section 102 alone are so great that it would be impossible to discuss each change in a meaningful way in this article. Therefore, this article will focus on one particular aspect of the new Section 102 that will haunt patent practitioners and litigators for the foreseeable future.

As an introduction, the new Section 102 has an effective date of March 16, 2013. This means that an application containing a single claim that is not based upon an earlier application entitled to a priority date before March 16, 2013, is governed by the first-inventor-to-file system.³ However, the transition will effectively take several years, given that an applicant will be able to file continuation applications under 35 U.S.C. § 120, with an ultimate priority date before March 16, 2013, in order to continue operating under the first-to-invent system.

Accordingly, the initial step for any patent litigator in evaluating a potential dispute must be to determine which set of patent laws is applicable to the patent at issue. Failure to perform this critical first step could lead to disastrous results.

One of the most noteworthy changes in the new Section 102 is that the prior-art categories now extend to events occurring anywhere in the world. In contrast, current Section 102(a) and the "public use" and "on sale" bars under current Section 102(b) are all limited to acts occurring within the United States. The broadened scope of available prior art will undoubtedly increase the costs associated with prior-art searches conducted in furtherance of an invalidity defense.

In addition, the new Section 102 eliminates the separate categories of prior art that exist under the current laws. Currently, 35 U.S.C. § 102(a) is directed to the acts of others, versus the prior-art events set forth in Section 102(b), which are applicable to an inventor and have occurred more than one year before the filing date. Under the new Section 102 there is no segregation of these prior art-events.

The America Invents Act is arguably the most significant change to U.S. patent laws since the 1836 Patent Act, which established the modern American system of patent examination.

The most perplexing aspect of the AIA, however, is the ambiguity and uncertainty associated with one of the most important provisions of the new law: the grace period.

Under current law, an inventor's own activities are excluded from the prior art if they occur within the one-year period leading up to filing.⁴ This uniquely American provision has fostered efficient innovation for decades, allowing inventors to fully develop their inventions and make informed decisions as to whether the cost of seeking patent protection is justified by the potential value of the technology at issue.

With the passage of the AIA, Congress has seemingly narrowed the activities protected by the grace period and introduced an unacceptable level of uncertainty that will remain until the courts are forced to resolve the issue. Under the new Section 102(a)(1), a person is entitled to a patent unless:



Sen. Patrick J. Leahy (left) and Rep. Lamar Smith (right) sponsored the America Invents Act.

[T]he claimed invention was patented, described in a printed publication, or *in public use, on sale, or otherwise available to the public* before the effective filing date of the claimed invention.⁵

The public-use and on-sale bars are well-established under the current law. However, Congress has added a new catchall category to cover inventions that are “otherwise available to the public” prior to the time an application is filed. The applicable grace period for inventors is set forth in new Section 102(b)(1)(A), which states:

[A] disclosure made one year or less before the effective filing date of a claimed invention shall not be prior art to the claimed invention ... if ... the disclosure was made by the inventor or joint inventor or by another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor.⁶

Congress’ failure to clearly and consistently delineate the boundaries of the new grace period will create problems for years to come. Instead of preserving the comprehensive exemption for an inventor’s own acts during the one-year period before filing, Congress chose to exclude only qualifying “disclosures” from the prior art. However, new Section 102(a)(1) includes statutory bars that may or may not qualify as “disclosures” under the literal wording of the statute.

The public-use and on-sale bars were absent from the original bill introduced in 2005 and were not added until this year.⁷ In the 2005 bill, prior-art events under 35 U.S.C. § 102(a)(1) occurred when an invention had previously been patented, described in a printed publication, or *otherwise publicly known*.⁸ The 2005 bill clearly defined the scope of the grace period under Section 102(b)(3)(A), which provided that:

[S]ubject matter is publicly known for the purposes of subsection (a)(1) only when (i) it becomes reasonably and effectively accessible through its use, sale or disclosure by other means; or (ii) it is embodied in or otherwise inherent in subject matter that has become reasonably and effectively accessible.⁹

Under subsections (a) and (b) of this provision, any prior-art event would serve as a bar only where it occurred more than one year prior to the filing of the application, or through

disclosures made by someone other than the inventor, or a joint inventor, or by others who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor.¹⁰ Clearly, in order for an event to qualify as prior art under this provision, it had be both “public” and “accessible.”

Congress’ intent to include a complete one-year exemption for an inventor’s own pre-filing actions within the 2005 act was clear and unequivocal. Further, the definitional statements within the statutory language undeniably overruled the broad definition of “public use” as set forth in *Metallizing Engineering Co. v. Kenyon Bearing & Auto Parts Co.*¹¹ and its progeny. The AIA provides no such clarity.

Congress’ failure to clearly and consistently delineate the boundaries of the new grace period will create problems for years to come.

In *Metallizing Engineering*, the 2nd U.S. Circuit Court of Appeals held that an inventor’s secret commercialization of an invention creates a patentability bar against the inventor, and is considered a public use under 35 U.S.C. § 102(b).¹² This holding was later followed by the U.S. Supreme Court, which recognized that “it is a condition upon an inventor’s right to a patent that he shall not exploit his discovery competitively after it is ready for patenting; he must content himself with either secrecy, or legal monopoly.”¹³

Further, the Federal U.S. Circuit Court of Appeals has, on multiple occasions, followed the precedent that “[a] commercial use is a public use even if it is kept secret.”¹⁴ While prior precedent has established that this type of activity constitutes a public use under new Section 102(a), it is not evident whether such public use would also constitute a disclosure under Section 102(b)(1)(A).

Congress’ affirmative addition of the public-use limitation and effective elimination of the comprehensive one-year grace period allowed for in the 2005 bill is persuasive evidence of its intent to narrow the grace period and preserve the *Metallizing Engineering* bar to patentability. However, this issue will not be settled until many years from now, when the first test case is brought before the Federal Circuit.

In cases involving secret commercialization activity, parties will be faced with uncertain positions. Patentees that arguably engaged

in such activity must argue either that the literal wording of “public use” is in clear contradiction to secret commercialization; or that such commercialization constitutes a “disclosure” under the new Section 102 and is, therefore, protected if it occurred within one year prior to the filing.

In contrast, alleged infringers will argue that the term public use was preserved from the old law and must be applied in accordance with prior precedent. The fact that a provision expressly overruling *Metallizing Engineering* was included in the 2005 bill and subsequent versions of patent reform, but was later excluded from the AIA, will only serve to bolster this position. Therefore, each party will be forced to evaluate the merits of these types

of cases with little to no guidance on how a court may interpret the critical provisions of the new law.

One commentator has suggested the AIA does in fact overrule *Metallizing Engineering* and that “basing patenting on information available to the public and largely restricting the law to legally rather than factually grounded tests for patenting, it becomes possible that in much patent litigation, little — perhaps no — discovery from the inventor may be of any relevance to the validity of a patent.”¹⁵ Unfortunately, this position is incorrect.

The global scope of available prior art and the seemingly narrowed protections of the new grace period mean that alleged infringers will expend substantial time and expense attempting to unearth any potentially patent-defeating event. Further, if any discovered activity originated with the inventor, the question will then become whether it was a public use, was on sale, or was otherwise available to the public under new Section 102(a), but fails to qualify as a disclosure under Section 102(b)(1). Under such circumstances, a patentee may be forced to settle a dispute for far less than its actual value, as opposed to rolling the dice on a novel interpretation of an ambiguous statute.

The AIA does many things well; however, its failure to clearly define the scope of the applicable prior art with respect to the grace

period will present significant problems in many future cases. Many commentators also question whether the grace period is personal to the inventor or whether an early disclosure by an inventor may prevent a subsequent third-party disclosure from becoming prior art.¹⁶

These arguments are indicative of the problem. One provision of the new Section 102 appears to encourage early “disclosure” of an invention, while another provision within the same statute seemingly discourages such conduct by failing to delineate the boundaries of what qualifies as a “disclosure.” Prior-art and invalidity issues are raised in practically every patent infringement case.

Before the new Section 102 becomes effective, here’s hoping that Congress will amend this particular provision, providing clarity and predictability for innovators, practitioners and the courts.

NOTES

¹ See Press Release, White House, President Obama Signs America Invents Act, Overhauling the Patent System to Stimulate Economic Growth, and Announces New Steps to Help Entrepreneurs Create Jobs (Sept. 16, 2011), available at <http://www.whitehouse.gov/the-press-office/2011/09/16/president-obama-signs-america-invents-act-overhauling-patent-system-stim>.

² See Ron Katznelson, *The America Invents Act’s repeal of secret commercial use bar is constitutionally infirm*, IP WATCHDOG (May 31, 2011), available at <http://ipwatchdog.com/2011/05/31/the-america-invents-acts-repeal-of-secret->

commercial-use-bar-is-constitutionally-infirm/id=17489/.

³ America Invents Act, Pub. L. 112-29, § 3(n)(1)(A).

⁴ 35 U.S.C. § 102.

⁵ America Invents Act, Pub. L. 112-29, at 10 (1st Sess. 2011) (emphasis added).

⁶ *Id.* at 6 (emphasis added).

⁷ See Lamar Smith, Patent Reform Act of 2005, H.R. 2795 (1st Sess. 2005) (emphasis added).

⁸ *Id.* at 3 (emphasis added).

⁹ *Id.* at 5-6.

¹⁰ *Id.* at 3.

¹¹ *Metallizing Eng’g Co. v. Kenyon Bearing & Auto Parts Co.*, 153 F.2d 516 (2d Cir. 1946).

¹² *Id.*

¹³ *Pfaff v. Wells Elecs.*, 525 U.S. 55, 68 (1998) (quoting *Metallizing Eng’g*, 153 F.2d at 520).

¹⁴ *Kinzenbaw v. Deere & Co.*, 741 F.2d 383, 390 (Fed. Cir. 1984) (citing *Metallizing Eng’g*, 153 F.2d at 520); *D.L. Auld Co. v. Chroma Graphics Corp.*, 714 F.2d 1144 (Fed. Cir. 1983).

¹⁵ Robert A. Armitage, *Leahy-Smith America Invents Act: Will it be nation’s most significant patent act since 1790?*, WASH. LEGAL FOUND. LEGAL BACKGROUNDER, Vol. 26 No. 21 (Sept. 23, 2011), (available at http://www.wlf.org/publishing/publication_detail.asp?id=2268).

¹⁶ See Gene R. Quinn, *Prior art under America Invents: The USPTO explains first to file*, IP WATCHDOG (Oct. 4, 2011), available at <http://ipwatchdog.com/2011/10/04/prior-art-america-invents-uspto-explains-first-to-file/id=19571/>.



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Advising Clients on the First-to-File System

By Marc Hubbard, Esq.
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The Leahy-Smith America Invents Act changes the American patent system from a "first to invent" to a "first inventor to file" system. What do you tell clients about the switch and, more importantly, how do you prepare them for it?

TIME TO GET READY

To make the switch from a first-to-invent system to a first-to-file system the AIA amends Section 102 of Title 35 of the U.S. Code by substituting an entirely new novelty standard bearing little resemblance to the current one.

The new standard will apply only to claims with an effective filing date on or after March 16, 2013. Applications filed before this date, as well as all claims in applications filed after this date entitled to priority from or the benefit of earlier filed applications, will be subject to the existing rules. It may seem like there is plenty of time to get ready, but clients need to start planning well before effective date of the amendment.

ABSOLUTE NOVELTY, WITH A GRACE PERIOD

The new novelty standard is essentially comprised of two parts or rules: one relating to acts and the other relating to previously filed U.S. applications.

The first rule, which is set out in the new Section 102(a)(1), is that the claimed invention cannot have been made available to the public in any way, including by patenting or printed publication, before the earliest effective filing date for the claimed invention. This is consistent with the absolute-novelty requirements in most countries. However, unlike the absolute-novelty standard used by other countries, the rule further specifies that novelty is lost when the claimed invention has been in "public use" or "on sale." If these terms are interpreted the same as they are under current law, nonpublic events can result in a loss of novelty.

There are two exceptions to this rule.

The first, set out in Section 102(b)(1)(A), is a one-year grace period for direct or indirect

disclosures of the inventor. A disclosure up to one year before the effective filing date of an invention is not considered prior art if the disclosure is made by either the inventor or someone who obtains the subject matter of the disclosure directly or indirectly from the inventor. The term "disclosure" has not been defined by the AIA.

Under the second exception, found in Section 102(b)(1)(B), a third-party disclosure of a claimed invention is not prior art if it is made after the inventor, or a person who obtains it from the inventor, publicly discloses it. Therefore, a public disclosure of an invention prevents others from patenting it and permits an inventor to wait up to one year to file a patent application without losing novelty.

PRIOR APPLICATIONS

The second novelty rule, stated in Section 102(a)(2), specifies that all patents and applications that have been published or deemed published under Section 122, and that have an earlier effective filing date than the claimed invention, constitute prior art.

The effective filing date of an application is, according to Section 102(d), the filing date of the earliest application containing the relevant subject matter, to which the application is entitled to claim priority, or which the application can claim the benefit of, under Sections 119, 120, 121 or 365. This means that all earlier filed applications, except for those that have not been published, constitute prior art, in contrast to the current novelty rule of Section 102(e), which limits the prior art effect of published applications and patents to those filed before the date of invention.

Furthermore, unlike the current rule in Section 102(e), applications claiming priority to foreign filed applications will have prior-art effect as of their priority dates and not their filing dates in the United States.

There are three exceptions to this second rule, which are set out in Section 102(b)(2). First, subject matter disclosed in a prior application is not considered prior art if both



U.S. Patent and Trademark Office Director David Kappos hailed the act.

it and the claimed invention are owned by, or are subject to an obligation to assign to, the same person as of the effective filing date of the claimed invention. This first exception is consistent with current law. Second, subject matter disclosed in a prior application that was obtained directly or indirectly from the inventor of the claimed invention is not prior art. Third, subject matter in a prior application is not prior art if the inventor publicly disclosed it before the effective filing date of the prior application.

To address joint-research situations, Section 102(c) provides that the subject matter of the prior application and the claimed invention will be deemed to be owned by the same person if both were developed by or on behalf of a party to a joint-research agreement that was in effect prior to the effective filing date of the claimed invention. The claimed invention must also have been the result of activities under the agreement, and the application must identify, or be amended to identify, all parties to the agreement.

If these conditions are satisfied, a prior application of a party to a joint-research agreement will not be prior art as a claimed invention arising from the joint research (unless there has been a publication or other