



200 Years of American Patent Law Tradition — Gone!

An Overview of the 2011 America Invents Act

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All legal and other issues should be independently researched.

by *Marin Cionca*

Introduction

After several years of legislative rollercoaster in Congress, which had to find a common denominator among the fiercely defended interests of different interest groups, the Patent Reform initiated during the previous administration, for better or worse, is here. On September 16, 2011, the America Invents Act (http://www.uspto.gov/aia_implementation/20110916-pub-1112-29.pdf) was signed into law by the President. The America Invents Act (AIA) replaces a two-century old American patent law rule, the first-to-invent rule, with an “international” patent law rule, the first-to-file rule, which is followed by almost all foreign countries. There are obviously plenty of minutiae related to the new rule, which are mostly interesting and important to patent attorneys. However, I will address here only some of the most important changes to our patent system that I believe will benefit non-patent attorneys, such as trademark, business or in-house counsel, who may tangentially come in contact with patent issues.

With some exceptions, most provisions of the new law will become effective 1 year or 18 months from enactment. Thus, most provisions

will be implemented in the fall of 2012 or in the spring of 2013. The United States Patent and Trademark Office (USPTO) is making efforts to get ready for the implementation of the new changes.

The New First-To-File Rule

Unlike in other countries, in the United States, for more than two centuries, the inventor who invented the invention first had the right to a patent even if another inventor applied for the same patent first. An interference proceeding was generally declared by the USPTO and the patent was granted to the first-to-invent inventor. Under the new law, the first-to-invent inventor will lose her rights to a patent unless she can show that the inventor who filed first actually derived the invention from her, the first-to-invent inventor. The supporters of the new law argue, and Congress agrees, “that converting the United States patent system from ‘first to invent’ to a system of ‘first inventor to file’ will improve the United States patent system and promote harmonization of the United States patent system with the patent systems commonly used in nearly all other countries throughout the world...” Critics of the AIA claim that the new law will favor financially potent and large companies and will be an additional obstacle in securing patent protection for individual inventors and small businesses. The battle was obviously won by the supporters of the patent reform.

In my view, the law will not considerably disfavor the small entity inventor such as an individual inventor or a startup/small company. Under the previous first-to-invent system, there were arguably also more benefits than costs for filing early. Furthermore, securing an early filing date remains relatively inexpensive with the use of a provisional application for patent. It is true, however, that the new first-to-file rule translates in additional pressure or incentive to file early, depending on how you look at it. Anyway, the new first-to-file system is here, and filing early has to be more than ever an important variable in any patent protection strategy.

The new first-to-file rule will become effective 18 months after enactment, thus, by March 16, 2013.

Assignee as Applicant

Until now, in the United States only the inventor could be the applicant in an application for patent. Her assignee, such as the compa-

ny the inventor worked for, could not generally apply for a patent. The new law changes that. Assignees of the entire interest or a person to whom the inventor is under an obligation to assign the invention, such as the inventor’s employer, may now apply for a patent. This may be advantageous in, for example, situations when an employer wishes to obtain a patent for an invention made by a former and uncooperative employee.

Prior Commercial Use Rights

The AIA has created a new defense to patent infringement based on prior commercial use. If an accused infringer is able to show that she actually used the invention commercially at least one year before such events as the filing of the application or public disclosure by the inventor, she may escape liability. This defense is a personal defense, meaning that it may be

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asserted only by a person who engaged in, or directed performance of, the claimed commercial use. Before the AIA, the patent law allowed for a similar defense, but it was limited to defending against claims for infringement of business method patents. The AIA includes patents directed to all subject matters: process, machine, manufacture, or composition of matter. Supporters of this change claim that it may encourage manufacturing in the United States as opposed to foreign countries, which already provided a similar defense. Critics argue that the expanded defense may be an incentive to practice the invention in secrecy, which is in conflict with the public policy of encouraging public disclosure of inventions, a policy that is

embodied in the patent system. It remains to be seen in the following years, based on the developing data, which side is right here.

Post-Grant Review

The AIA has created two new procedures to attack granted patents before the newly named Patent Trial and Appeal Board (PTAB), while eliminating a previous procedure called Inter Partes Reexamination. The first procedure is called *post-grant review* and may be instituted within 9 months from patent grant date, by any third party and based on any ground. Examples of grounds for review include issues related to prior art (*e.g.*, patents) and insufficiency of the disclosure of the patent application. A petition for post-grant review will be granted if the petitioner will be able to show that “it is more likely than not that at least one of the claims challenged in the petition is unpatentable.”

The second patent challenging procedure is called *inter partes review* and may be initiated at any time after the passage of 9 months from patent grant date, or, if the post-grant review described above was instituted, after the date such post-grant review has ended. Under the *inter partes review* procedure, the grounds for challenging a patent are limited to prior art consisting of patents or printed publications. A petition for post-grant review will be granted if the petitioner will be able to show “that there is a reasonable likelihood that the petitioner would prevail with respect to at least one of the claims challenged in the petition.”

Overall, most observers seem to agree that the new review procedures make it easier than before, for interested third parties, such as competitors or accused infringers, to challenge issued patents. The new review procedures are obviously much quicker and much less expensive than litigation. The new procedures will arguably put more pressure on applicants and their patent attorneys to prepare stronger applications for patent, and will ultimately result in patents that are less susceptible to validity challenges.

Business Method Review

The AIA also created a specific procedure that can be used to challenge business method patents that were issued before or after the effective date of this provision, which is 1 year after the enactment of the AIA. This procedure will be available only to sued infringers and only for a period of 8 years after the effective date of this procedure, September 16,

2012. The affected patents include the ones directed at “method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.” It is unclear at this point what the term “technological inventions” means, and thus, what patents will be excluded from this type of attack. More guidance is expected and needed from the USPTO and the cases that will follow. It would also be interesting to see how the holdings from the *Bilski* case (*Bilski v. Kappos*, 130 S. Ct. 3218, 2010), a cornerstone case implicating business method patents, will be used in disputes under this new review procedure. Some suggest that the business method review procedure is simply an unwarranted gift to banks and other financial institutions who are usually the defendants in expensive litigation related to business method patents. Others suggest that this procedure will allow the USPTO to review these patents relatively quickly and inexpensively before the parties engage in long and expensive litigation, and thus, to potentially contribute to the saving of considerable economic resources.

Fee Setting Authority

The AIA has granted to USPTO the authority to set or adjust the fees it charges. This authority was previously held by Congress. On September 26, 2011, following the enactment of the AIA, the USPTO increased most of its patent fees by 15%. The AIA also introduced a new category of applicants, the micro entities, which will be entitled to a 75% reduction of most fees. The small entity category, which entitles the applicant to a 50% reduction of most fees, is maintained by the new act. A micro entity applicant has to qualify as a small entity, has to not have been named as an inventor on more than 4 previously filed patent applications, and has to have had an income in the previous year that did not exceed 3 times the median household income. As of the date of the writing of this article the micro entity fee reduction was not implemented yet by the USPTO. It is clear, however, that the new fee reduction will be a considerable help to many individual inventors and small or underfunded start-up businesses.

Conclusion

The patent reform is here, whether we like it or not. Its arguably radical changes, such as the first-to-file rules and the post-grant review procedure, will have to be seriously considered

when seeking patent protection, asserting patent rights, defending against patent infringement claims, and in many other patent related strategies.



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