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Patent Reform Becomes Law: Highlights of the Leahy-Smith America Invents Act

After years of debate, on September 16, 2011, President Barak Obama signed into law the Leahy-Smith America Invents Act (Act), which introduces sweeping changes to U.S. patent law. The debate now moves to how the changes will be received in practice. The first significant overhaul to the Patent Act since 1952, the Act addresses a number of facets of patent prosecution and litigation. In this legal update, we outline the following changes: (1) provisions relating to the conversion to a first-inventor-to-file system (from the first-to-invent), (2) provisions designed to ameliorate the burden of patent litigation, and (3) provisions revamping the fees charged by the United States Patent and Trademark Office (USPTO).

CONVERSION TO A FIRST-INVENTOR-TO-FILE SYSTEM

In perhaps its most significant change to the Patent Act, the Act harmonizes the U.S. patent system with the rest of the world by replacing the uniquely American "first-to-invent" rule with the global "first-inventor-to-file" system. Under the old rule (first-to-invent), an applicant was entitled to a patent unless the invention sought to be patented was known or used by others in this country prior to invention by the applicant. The new rule (first-to-file) eliminates the use of the date of invention as the benchmark for patentability and instead uses the date of filing an application for a patent with the USPTO. Notably, the new system, which will be phased in over the next 18 months, retains the 12-month disclosure grace period, which allows an inventor who publicly discloses an invention to file a patent application within 12 months of the disclosure and to claim first-to-file status.

In recognition of the potential hurdles to businesses posed by the transition to the first-to-file system, the Act also includes a new defense to a potential infringement action that is available to inventors who commercialized their invention, but did not seek a patent, prior to the filing of an application for a patent of the same technology by another inventor. Although this defense existed previously, it was only available to prior commercializations of business methods. Pursuant to the Act, it will be available for any commercialized technology or business method.

PROVISIONS INTENDED TO REDUCE THE BURDEN OF PATENT LITIGATION

The provisions of the Act, designed to mitigate the cost and burden of patent litigation by creating new and more meaningful opportunities for review before the USPTO, are another hallmark.

Specifically, Section 6 of the Act creates a right to post-grant review, in which a third party may, within nine months after the grant of a patent or issuance of a reissue patent, challenge the USPTO's issuance on any invalidity grounds. If the USPTO accepts the petition, the petitioner must prove the challenged patent's invalidity by a preponderance of the evidence. Post-grant review is intended to provide a streamlined forum for resolving invalidity disputes before the USPTO.

Similarly, the standard governing *inter partes* reexamination has been heightened, with petitioners now having to establish a reasonable likelihood that they will prevail with respect to at least one of the challenged claims. Previously, petitioners had to demonstrate a substantial new question of patentability.

Additionally, even before patentability is determined, the Act now gives third parties the right to submit prior art to the USPTO for consideration and inclusion in the record.

Although the Act does not directly address the growing body of law related to inequitable conduct allegations, it does create a process for supplemental examination at the request of the patent owner. Patent owners submitting to a supplemental examination are permitted to supplement disclosures or correct mistakes in disclosures during the prosecution. Patent owners who use this option are immune from inequitable conduct challenges related to those submissions.

USPTO FEES

Lastly, the Act confers upon the USPTO the authority to set its own fees and to create an expedited review system, available for a premium fee (\$4,800). Applications considered on the expedited track could be decided within just one year from filing, as compared to the average of three years. Effective September 26, 2011, all fees will be increased by 15 percent.

Additionally, the Act carves out a special fee category for individuals and small businesses that meet certain threshold requirements. Qualifying "micro-entities," as they are defined by the Act, are entitled to a 75 percent reduction on most fees.

CONCLUSION

The foregoing are just a few of the many changes to the patent laws included in the Act. Some additional changes include the following:

- Significant changes to complaints for false patent marking under 35 U.S.C. § 292(a) that may have the effect of virtually eliminating such claims
- Effective elimination of tax strategy patents by classifying any strategy for reducing, avoiding, or deferring tax liability as within the prior art
- Implementation of special post-grant review proceedings concerning the validity of covered business method patents

- Elimination of the best mode defense by alleged infringers

While some changes are effective immediately, many will be implemented over the course of the next year to 18 months. The Act's provisions apply only to patents issued after the relevant effective date. Accordingly, pending patent litigation is not directly affected by the Act.

As with any significant overhaul of existing legislation, the Act will have dynamic changes on the way patents are issued and litigated. It remains to be seen whether it will have the desired intent of encouraging innovation and streamlining the patent system or, as some commentators predict, will result in a tumultuous upheaval of years of precedent.

The Act is a comprehensive piece of legislation that makes broad changes to a statutory scheme that has been relatively unchanged for nearly 60 years. Accordingly, a careful, detailed analysis of its provisions should be undertaken prior to taking any action with regard to any specific intellectual property or intellectual property litigation.

Click to read the [Leahy-Smith America Invents Act](#).

CONTACT US

If you have any questions concerning the applicability of the Act or its effect on your business, lawyers in Robinson & Cole's Business Litigation Team and Intellectual Property & Trade Secrets Litigation Team are happy to assist you.

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