

Client Alert

INTELLECTUAL PROPERTY LITIGATION PRACTICE GROUP | SEPTEMBER 2011

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Sweeping Patent Reform Set to Become Law

On September 8, 2011, The United States Senate passed H.R. 1249, the Leahy-Smith America Invents Act (the “Act”). When President Obama signs the Act into law, it will represent the most extensive change to U.S. patent law since 1952.

The Act’s provisions will be applied in phases: some retroactively, some effective immediately, and others effective a year or more after the date of enactment.

Below is information regarding these new provisions:

FIRST-INVENTOR-TO-FILE PROVISIONS

The most far-reaching change is the shift from a “first-to-invent” system to a “first-inventor-to-file” system for deciding which inventor can claim priority, and thus be entitled to a U.S. patent. Priority will depend upon the effective filing date of the patent application, rather than the date of invention. Similar to existing law, an inventor will have a one-year grace period in which to file an application in the case of a disclosure by the inventor himself, or a person who obtained the subject matter from the inventor. Other disclosures of the invention will be considered prior art. This system has the effect of encouraging both early disclosure and prompt filing of patent applications. The new first-inventor-to-file system will go into effect eighteen months after the Act’s enactment date. The Act moves the United States closer to patent systems in other countries, but is not in perfect harmony with them. Most other countries insist on absolute novelty, and offer no grace period to file after disclosure by anyone, including an inventor.

Interference proceedings, currently used to determine who was first to invent, will be replaced by derivation proceedings to determine whether the inventor named in an earlier-filed application derived the claimed subject matter from the inventor of a later-filed application. Derivation proceedings will apply to applications claiming a priority date eighteen months or later after the date of enactment. Interference proceedings will continue to be available to applications filed under the current statute.

FEES

Effective upon enactment of the Act, the U.S. Patent and Trademark Office (USPTO) is given authority to set its own fees, including the authority to offer a 50% fee reduction to small entities and a 75% fee reduction to newly defined “micro-entities.”

Effective ten days after enactment of the Act, a 15% surcharge will be added to all patent-related fees, including patent maintenance fees. The USPTO will also be authorized to implement the “Track I” program for fee-based prioritized examination, with a \$4,800 fee for large entities and \$2,400 for small entities.

Effective sixty days after enactment of the Act, the USPTO will charge a \$400 surcharge for applications that are not filed electronically. This surcharge will be \$200 for small entities.

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NEW POST-GRANT REVIEW PROCEDURES

The Act creates two new procedures for reviewing patents after they are granted:

Post-Grant Review: After the date of grant, third parties will have a nine-month window for challenging a patent on any ground. The new post-grant review procedure will take effect in one year for certain business method patents, but otherwise will apply only to applications claiming a priority date eighteen months or later after the date of enactment. This should provide a less expensive way for third parties to challenge a patent, compared to current options, and would further harmonize U.S. law with other countries, many of which offer some type of post-grant opposition.

Review may be granted upon a showing that it is more likely than not that at least one of the challenged claims is unpatentable. Post-grant review may also be granted if the petition raises a novel or unsettled legal question that is important to other patents or applications.

Inter Partes Review: Under new inter partes review provisions, patents can be challenged on the basis of patents or printed publications only, after the window for post-grant review has passed or after a given post-grant review proceeding is completed. This procedure takes effect in one year, but will be available to challenge patents issued before its effective date. Review may be granted upon a showing that the petitioner has a reasonable likelihood of success in challenging patentability of at least one claim.

The burden of proof for the petitioner will be by a preponderance of the evidence for both types of proceedings. Post-grant reviews will be conducted by a new Patent Trial and Appeal Board. Board decisions will be appealable only to the Federal Circuit.

POST-GRANT REVIEW OF BUSINESS METHOD PATENTS

Certain business method patents will be subject to transitional post-grant review procedures, beginning one year after the date of enactment. A challenge to a covered business method patent can be brought only by an accused infringer of the patent, meaning one who has been sued for or “charged with” infringement. Covered business method patents are defined as patents claiming a method or apparatus for “performing data processing or other operations used in the practice, administration, or management of a financial product or service.” Patents for “technological inventions” are excluded from this definition. Regulations for this post-grant review, including a definition of “technological invention,” are to be issued by the USPTO.

LITIGATION PROVISIONS

Many of the litigation provisions in the Act will be effective upon enactment, including the elimination of a “best mode” violation as a basis for invalidating a patent, and the availability of a revised prior commercial use defense.

Several changes to the provisions governing false marking suits will be effective upon enactment, and also apply to pending cases. Private false marking claims will require proof of competitive injury, with the relief being damages. Marking a product with the number of a patent that covered the product but has expired will no longer be considered false marking. Virtual marking, by referring to a website, will be accepted as marking the actual product.

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One litigation-related change that takes effect one year after enactment, and applies only to patents granted after that date, provides that the failure of an accused infringer to obtain an opinion from counsel, or to produce such an opinion during litigation, cannot be used to prove willful infringement or intent to induce infringement.

CONCLUSION

The effects of the Leahy-Smith America Invents Act will be studied and debated for years to come. This Client Alert can only highlight the most important changes to our nation's patent system. Please contact us for advice on your particular situation.

If you have any questions about this Client Alert, please do not hesitate to contact:

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