



Patent Reform Legislation Brings Host of Changes to US Patent Law

The Leahy-Smith America Invents Act, signed by President Obama into law on September 16, 2011, is the culmination of patent reform efforts taking years. Making several significant and long-awaited changes to US patent law and a myriad of potentially less significant changes, the Act as a whole likely represents the most substantial change to US patent law since 1952. This alert summarizes the Act's most important changes.

Adoption of a "First to File" Patent System

Harmonizing American patent practice with the rest of the world's most advanced economies – and representing its single biggest change – the Act converts the US patent system from "first to invent" to "first to file." In other words, priority will be established on the basis of when a patent application is filed, and not on the basis of which inventor first conceived and reduced the invention to practice. Limited exceptions to the "first to file" regime are available for an inventor who files an application within one year of his or her first disclosure (for example, at a conference).

Some critics charge that this change will create a "race to the PTO" that unfairly burdens individuals and small entities that may not have the resources to file applications as promptly as large companies. Advocates contend that the change will reduce the expense of the patent process and of patent infringement litigation,

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enabling innovators to put the money saved to research, development and the creation of new industries and jobs. Time will tell who is right.

The Act will eventually eliminate patent interference practice because the earliest filing date of competing applications will establish priority. Consequently, to address claims that a patentee copied his or her claimed invention from an earlier inventor, the Act creates a new category of "derivation" petitions. Derivation petitions allow an alleged first inventor to file a petition with the PTO – or a civil action in US District Court – within one year of a patent's issue date or one year of a patent application's publication date, seeking to have the patent or patent publication deemed derivative.

Post-Grant Proceedings

The second significant change comes in the form of two new post-grant opposition proceedings. The first – "*inter partes* review" – will replace the *inter partes* reexamination process. It allows any person (except the patent owner) to challenge an issued patent within the first nine months following its issuance on grounds of anticipation or obviousness. The PTO standard for allowing the review to proceed is "that there is a reasonable likelihood that the requester would prevail with respect to at least one of the claims challenged in the request." Discovery is available. Although the existing *ex parte* reexamination process is left intact, a patent owner dissatisfied with the result of an *ex parte* reexamination may appeal only to the Federal Circuit; it no longer may do so in district court.

"Post-grant review," the second new mechanism, allows a party to oppose a patent within the first nine months following issuance on any invalidity ground (including any requirement under Section 112 of the Patent Act other than best mode).

Prior Commercial Use

Section 273 of the Patent Act has provided alleged infringers of business method patents with a "prior commercial use" defense. The Act's third significant change is its expansion of this defense to infringement claims involving any type of patent. Doing so will protect innovators who have chosen to maintain inventions or processes as trade secrets against infringement claims brought by later claimed inventors.

False Marking

The rash of recent false marking cases that have

continually improve staffing and pricing models, training and resource optimization, knowledge management and more.

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flooded district courts over the past two years will soon be gone. The Act eliminates the private enforcement of false marking claims except as to those who can show a competitive injury. Because the Act expressly covers all cases pending on the Act's effective date, we expect all but a very few cases around the country will be dismissed.

The Good and Bad News Regarding PTO Fees

After siphoning off the funds collected by the PTO over the years, Congress heeded the PTO's call to cease doing so. The Act thus allows the PTO to keep essentially all of the fees that it collects, which presumably will be used to hire more personnel and reduce the ever-increasing backlog of pending applications, reexaminations and PTO appeals. That's the good news.

The bad news is that on September 26 (10 days after the Act's effective date), all patent fees – including filing fees, national fees, examination fees, issue fees, disclaimer fees, appeal fees, maintenance fees, patent search fees and continued examination fees – rise by 15 percent. The Act also introduces a "prioritized examination" mechanism that, for an additional fee of US\$4,800, will accelerate examination of an application deemed "important to the national economy or national competitiveness."

The Act makes many other changes that, while perhaps less significant than those above, will impact US patent practice. Now, more than ever, innovative individuals and companies need to take the time to re-think their patent policies and portfolio strategies.

Squire Sanders will continue from time to time to share its analysis of the Leahy-Smith America Invents Act with our clients and colleagues, particularly focusing on the Act's practical impact on the US patent system. For further information about the Act, please contact your principal Squire Sanders lawyer or one of the individuals listed in this Alert.

The contents of this update are not intended to serve as legal advice related to individual situations or as legal opinions concerning such situations. Counsel should be consulted for legal planning and advice.

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