

# NEW US PATENT LAW: The America Invents Act of 2011

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## First major revision in nearly six decades changes the patent landscape.

The Smith-Leahy America Invents Act (H.R. 1249), signed into law on September 19, 2011, represents the first major revision to U.S. patent law since the Patent Act of 1952. At the highest level, the Act changes the patent landscape in three significant ways:

- It converts U.S. patent law from a “first-to-invent” regime to a “first-inventor-to-file” regime, harmonizing U.S. practice with other jurisdictions throughout the world.
- It establishes new ways to challenge the patentability of applied-for or already-issued patents through patent review and derivation proceedings.
- It enacts a number of provisions that will make it more difficult for patent holders to enforce their patents.

To be sure, there are some pro-patent holder provisions, such as the elimination of *qui tam* cases for false patent marking, the elimination of best mode as a means to challenge validity, and a 75% reduction in most administrative fees for very small inventive entities as well as for institutions of higher education. Nevertheless, the America Invents Act will likely make it more costly for all companies to secure patent protection, and this burden likely will fall disproportionately on smaller companies and start-ups.

### First-Inventor-to-File

Under prior law, priority of inventorship could be awarded to an applicant, even if someone else had previously filed a patent application for the same invention, by proving an actual date of invention earlier than the other person’s filing date. The America Invents Act changes this to a priority scheme based on the first to file a patent application, without regard to who was the first actual inventor. This provision goes into effect March 2013

The new regime will put a premium on earlier and more frequent patent application filings. Under prior practice, an applicant could “swear behind” an earlier application filed by another by submitting an affidavit with corroborating evidence to the United States Patent and Trademark Office (PTO), in order to establish an actual date of invention earlier than the filing date of the other application. This practice of swearing behind earlier-filed applications will no longer be available. Thus, we expect more widespread use of provisional patent applications to quickly establish an effective filing date. Provisional applications have been available since 1994, but they will assume greater importance. Provisional filings are comparatively less expensive and time-consuming than non-provisional applications because they do not need to meet the claiming requirements and other formalities of a non-provisional application. Provisional patent applications do require full technical disclosure, however. To take full advantage of these types of applications, and to file them quickly, start-up companies and those companies whose products are in an early development phase will need to dedicate more resources to patent protection and dedicate those resources earlier in the process.

We also expect to see an emphasis on building patent portfolios rather than prosecuting single patents. For example, companies with continuing R&D on a product line may opt to file a corresponding series of incrementally more detailed provisional applications to capture each development as it occurs with the earliest possible filing date. In this situation, losing an individual race to the PTO on a single inventive feature of a product might not be as catastrophic to the applicant if it can attain protection for other features. There is no question that the advantage will likely shift to those who can file applications quickly and win the race to the PTO. This inherently favors large companies with established patenting disciplines and departments that have procedures to develop patent disclosures quickly, and the means to reduce them to written patent applications without delay.

The Act includes two potentially mitigating options to offset some of the effects of the first-inventor-to-file, race-to-the-PTO framework. These are (1) a voluntary disclosure rule and (2) protection for “prior users” of the invention.

**Voluntary Disclosure.** Under the new law, as an exception to a blanket rule of first-to-file, an inventor can obtain the benefit of the date of a voluntary disclosure of an invention up to a year prior to the filing date of the patent application. This will allow an informal public disclosure to protect the possibility of later filing a patent application for an invention that has not, as of the time of the disclosure, been fully worked out. One obvious drawback is that this exception is not harmonized with European practice, in which any public disclosure prior to filing is a bar to patentability. Moreover, such a disclosure will forfeit trade secret protection, which could be a major concern for companies that have traditionally relied in part on trade secrets.

**“Prior User” Rights.** Under prior law, there was no defense of prior use to patent infringement except in the narrow case of business methods patents. The Act now expands that prior use defense to all technology areas concerning any manufacturing or commercial process, and against all patent holders other than universities and their technology transfer organizations. It must be proved by clear and convincing evidence. This provision takes effect immediately. For industries that rely on trade secrets to protect their intellectual property, this defense will provide a measure of infringement protection against a subsequent filer, without having to disclose a trade secret.

The balance between trade secret and patent protection has always presented a difficult issue for technology companies. The Act introduces a new set of challenges in this regard.

### **Challenging Published Applications and Issued Patents**

The Act provides three new ways to challenge a filing at the PTO: (1) preissuance submissions by third parties; (2) post-grant review; and (3) *inter partes* review. *Ex parte* reexamination is still available and remains largely unchanged.

Preissuance submissions by third parties allow for challenges to an application during prosecution by submitting prior art patents or printed publications. Under the Act, petitioners are now able to submit a detailed explanation of the relevance of the documents submitted. The prior art must be submitted before the later of the first office action, or six months after publication. These submissions do not require identification of the petitioner, thus one can challenge anonymously the applications of a competitor. Also, the Act does not require the petitioner to establish that the prior art meets the threshold requirement of a substantial new question of patentability as is required in *ex parte* reexamination. This procedure provides companies that regularly and closely monitor the patent publications of their direct competitors the advantage of taking steps to limit the scope of the competitors’ portfolio.

Post-grant review provides a means to challenge an issued patent. This review is analogous to opposition practice within the European Patent Office. A request for post-grant review must be filed within nine months of the grant of a patent. The validity challenge can be based on broader grounds than are available in reexamination, including enablement, written description or indefiniteness. The threshold to obtain post-grant review is a showing either (a) that it is more likely than not that at least one of the claims challenged in the petition is unpatentable or (b) that the petition raises a novel or unsettled legal question that is important to other patents or patent applications. In contrast to preissuance submissions, post-grant review requires the identification of the petitioner and all parties in interest. The petitioner must prove that the claims are invalid by a preponderance of the evidence, a lower standard than the clear and convincing evidence standard required to invalidate patent claims in litigation. A final written decision on a post-grant review will create an estoppel against the petitioner in a later civil action for invalidity on all grounds that were raised, or that reasonably could have been raised, in post-grant review. Thus, petitioners filing a post-grant review are unable to reserve their “best prior art” for later proceedings, a common tactic among litigants.

The Act replaces *inter partes* reexamination with *inter partes* review. Like *inter partes* reexamination, *inter partes* review is limited to challenges under 35 U.S.C. §§ 102 or 103 that rely on prior art patents or printed publications. *Inter partes* review cannot be instituted until the later of either nine months after issuance of a patent or at the conclusion of a post-grant review, if instituted. If the petitioner or a party in interest has been served with a complaint alleging infringement of the patent, the petition must be filed within a year after

service of the complaint. Like post-grant review, the petitioner and parties in interest must be identified and must prove that the claims are invalid by a preponderance of the evidence. Like post-grant review, an estoppel is created for any ground raised or that reasonably could have been raised. When determining whether to grant an *inter partes* review, the Board is required to impose a threshold to grant the petition – a reasonable likelihood that the petitioner would prevail – that is higher than the more-likely-than-not threshold required for post-grant review.

The Act also replaces interference proceedings with derivation proceedings. Derivation proceedings provide those who are the first to conceive and communicate their invention with a vehicle to contest a patent filing by another who derived the invention without authorization. A derivation proceeding must be filed within one year after first publication of a claim to the same subject matter. The decision to institute a derivation proceeding falls to the Director of the PTO and is non-appealable.

The Act expands patent procurement to a potentially adversarial system in which both applicants and competitors can influence the scope of patent rights granted to an applicant earlier in the process. These changes have the potential to increase costs for companies that use the process to their competitive advantage. Among the variables to consider when determining which mechanism to use are the time limits for submission, anonymity, threshold requirements, estoppel implications, speed, costs, as well as the decision maker. It is also important to consider that no one has any idea how quickly these proceedings will wend their way through the PTO. The Act in this respect is an unfunded mandate, increasing significantly the amount of services the PTO must provide to implement the Act, but without a corresponding increase in resources to achieve that mandate.

### **Prior Use, Disjoinder and Prior Art**

Two litigation-specific provisions likely will have a significant effect on patent litigation. The expansion of the prior use defense beyond business methods patents will certainly protect those accused of infringement who actually practiced the invention before the filing of the asserted patent.

The second provision deals with disjoinder, a way to sever a multiparty patent infringement action in a (likely unfavorable) jurisdiction. The Act requires a court to sever co-defendants to such a litigation where the only justification for joining them is that they allegedly infringe the same patent asserted against the other co-defendants (unless such co-defendants waive this right). This provision took effect immediately. It will no doubt make enforcement costlier and more difficult, thus giving companies with resources an advantage in defending these cases and dissuading others from undertaking similar enforcement programs.

A third provision, applicable in litigation and administrative setting, pertains to prior art. The new definition of prior art includes sales and public uses outside the United States. This bears careful consideration.

There are many other provisions of the Act that require careful study by the practitioner. We are available to answer any of your questions concerning the America Invents Act or any other question that you may have on patent law.

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Intellectual Property Group  
September 2011



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