

ClientAlert

Intellectual Property

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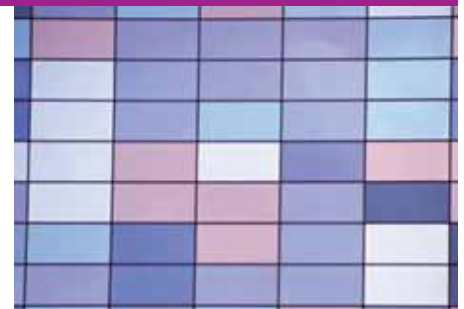
Senate Passes the America Invents Act

Landmark Patent Reform Bill Ready for President Obama's Signature

On September 8, 2011, the Senate passed the Leahy-Smith America Invents Act ("AIA"), without amendments to the version passed by the House. The passage of this landmark patent reform bill sets the stage for President Obama to sign into law the first major overhaul of the US patent system since 1952. The bill attempts to provide clarity to the statute, encourage inventors to file patent applications as early as possible in the US Patent & Trademark Office ("USPTO"), promote and increase manufacturing in the United States and, ultimately, benefit the US economy. Unless stated below, the new laws will take effect 18 months after enactment and will apply to any application or patent with an effective filing date after that time.

The bill contains a number of major changes to the current patent system, including:

- **Adopting a first-to-file system.** AIA changes the US patent system from a first-to-invent system to a first-to-file system, harmonizing the US system with the patent laws of other countries. Applicants/patentees are no longer permitted to antedate prior art references by proof of an earlier date of invention. In addition, patent interferences and prior invention defenses under former 35 U.S.C. § 102(g) are no longer available. AIA does create a new administrative "derivation proceeding" (regarding pending applications) and a civil action (regarding granted patents) where a party can challenge inventorship on the ground that the named inventor derived the invention from another person.
- **Broadening the scope of prior art.** AIA broadens the scope of potentially invalidating prior art in several areas.
 - Before AIA, section 102(b) of the statute provided that sales and public use activities qualified as prior art only where such activities occurred within the United States. After AIA, prior art under section 102 is no longer limited to "within this country" and includes sales activity and public use anywhere in the world.
 - In addition, AIA revises the definition of the "effective filing date" of US patents and applications to include claims for priority to applications filed outside the United States. This change will qualify a US patent or US-published patent application as prior art as of the date of its related foreign priority application, provided that the priority application contains disclosure of the subject matter at issue.
 - As a prior art exception, AIA preserves the one-year grace period for an inventor to file a patent application after the inventor's own earlier public disclosure of the invention. Where an inventor files a patent application within the one-year grace period, AIA states that the inventor's earlier public disclosure of the invention has the effect of removing any intervening third-party disclosures from qualifying as prior art under 35 U.S.C. § 102. Without such earlier disclosure by the inventor, the third-party disclosures will qualify



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as prior art under 35 U.S.C. § 102. This change is likely to have the effect of encouraging inventors to disclose their inventions publicly as early as possible.

- **Expanding the prior commercial use defense to patent infringement.** Under the prior version of 35 U.S.C. § 273, an accused infringer of “a method of doing business” could avoid liability by proving prior commercial use of an asserted business method claim at least one year before the patent’s effective filing date. Now, the scope of the prior commercial use defense is broadened to include any “subject matter” without restriction to business methods. Critics have suggested that such a defense rewards those who practice their technology in secret, contrary to the public disclosure incentives of the patent system. Supporters, however, view this defense as an incentive to increase manufacturing in the US as opposed to in foreign countries that already provide such a defense. This amendment applies to any patent issued on or after enactment of AIA.
- **Post-grant review and *inter partes* review of patents.** In an attempt to strengthen the validity of patents granted by the USPTO, AIA now provides for a post-grant review process, akin to European opposition practice. The post-grant review may be initiated by any third-party within nine months from the issue date of the patent and is not limited to issues of prior art (e.g., it could also concern the sufficiency of the patent specification under 35 U.S.C. § 112 supporting the claim language). AIA also replaces *inter partes* reexamination with “*inter partes* review,” which is still limited to prior art challenges (based on patents or printed publications). Though these changes will generally take effect one year from the enactment of AIA, the threshold standard for instituting review will change from “a substantial new question of patentability” to “a reasonable likelihood that the petitioner will prevail on at least one claim” immediately upon enactment. Additionally, post-grant review will apply to patents that have an effective filing date on or after that time, while *inter partes* review will apply to any patent issued before, on or after the date of enactment.
- **Allowing supplemental examination.** AIA allows a patent owner to request supplemental examination of a patent in order to consider, reconsider or correct information believed to be relevant to the patent. Such supplemental examination could provide a means for patentees, particularly small inventors, to correct missteps during patent prosecution (for example, to ward off claims of inequitable conduct). This amendment is effective one year after enactment of AIA and applies to any patent issued before, on or after that date.

- **Revising the provision for patent false-marking actions.** AIA changes the standing to sue for those filing patent false-marking lawsuits from essentially anyone to only those who have actually suffered competitive injury as a result of a violation of the marking provision. This provision is aimed at stemming the rash of false-marking suits brought by noncompetitors and nonmanufacturers who simply seek a cut of the statutory damage of US\$500 per each violation for false-marking. This amendment applies to any case that is pending on, or commenced on or after, enactment of AIA.
- **Failure to disclose the best mode of practicing an invention is no longer grounds for invalidity.** Under 35 U.S.C. § 112, patent applicants must disclose the best mode of using their invention in order to qualify for a patent. Although AIA does not change this requirement, the amendments to 35 U.S.C. § 282 have eliminated failure to disclose the best mode as a basis for holding a patent claim invalid or unenforceable. This amendment is effective immediately upon enactment of AIA, and applies to proceedings commenced on or after the date of enactment.
- **Adopting a transitional post-grant review program for covered business method patents.** AIA provides for the implementation of a transitional post-grant review proceeding of the validity of covered business method patents within one year of the enactment of the bill. Critics have dubbed this provision a “bank bailout” because it appears to be aimed at assisting the bank and financial institutions that are entrenched in expensive patent litigations involving business method patents. Supporters, however, point out that the transitional post-grant review proceedings would allow the USPTO to make an administrative determination as to whether the covered business method patents are legitimate, prior to expensive litigation. This amendment is effective one year after enactment of AIA and applies to any covered business method patent issued before, on or after that date.
- **Greater restrictions on joinder.** Plaintiffs often join multiple parties in one patent infringement lawsuit even if the parties’ accused products are completely unrelated. AIA addresses this problem by amending 35 U.S.C. § 299 of the statute to allow joinder or consolidation for trial only of entities accused of infringement on the basis of the same products or processes. This amendment is effective immediately upon enactment of AIA and applies to any civil action commenced on or after that date.

The bill, in its current form, will be presented to President Obama, who is expected to sign it into law shortly.

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