

Intellectual Property ADVISORY

September 14 , 2011

America Invents Act to Become Law, Representing Most Significant Patent Reform in 60 Years

On September 8, 2011, the U.S. Senate passed the America Invents Act (AIA) by an overwhelming margin of 89-9, the most significant patent reform legislation since the Patent Act of 1952. President Obama is scheduled to sign the AIA into law on September 16, 2011. Previously, on March 8, 2011, the Senate passed S. 23, a somewhat different version of the AIA, by a vote of 95-5, and in June, the U.S. House of Representatives passed its own "patent reform" bill, H.R. 1249 by a similarly wide margin, 304-117. Rather than proceed to committee to reconcile the differences in the two bills, on September 6, 2011, the U.S. Senate invoked cloture on a motion to proceed with the House's version. The following summarizes several of the more prominent provisions of H.R. 1249 and provides a brief discussion of their immediate and long term impact.

First-to-File. H.R. 1249 converts the present "first-person-to-invent" system to a system in which the first inventor to file a patent application on the invention would have priority. This system would define novelty based whether the claimed invention was disclosed in a prior art reference before the effective filing date of the application, thus eliminating the one-year "grace period" for prior art references currently available under 35 U.S.C. § 102(b). There is an exception, however, if the disclosure is made one year or less before the effective filing date and the disclosure originated from the inventor or a joint inventor. Given that the timeframe for implementation of this provision is eighteen months after the enactment of H.R. 1249, it is expected that the U.S. Patent and Trademark Office will see a flurry of patent applications prior to that date.

Patent Office Funding. This was one of the more controversial provisions, and presented one of the more debated differences between the House and Senate bills. Previously, a significant portion of fees paid to the Patent and Trademark Office (PTO) by patent applicants was diverted by Congress to other government programs. Under the Senate's version, the practice of fee diversion would have been eliminated. The House's version, and now H.R. 1249, creates a separate fund into which all fees collected in excess of the amount appropriated for the Patent Office will be deposited. Those funds are to be appropriated subsequently for use by the Patent Office only. The ability of the PTO to use these funds is intended to lead to an increase in hiring of patent examiners and thus a decrease in patent application pendency.

False Marking. H.R. 1249 alters false patent marking law such that only the federal government can bring a lawsuit for the false marking penalty provided by 35 U.S.C. § 292(a), and adds a provision under which only entities actually harmed by another's false marking may bring suit for recovery. Specifically, former subsection 292(b) (which provided that "any person may sue for the [false marking] penalty ...") would be stricken and replaced with the following: "Any person who has suffered a competitive injury as a result of a violation of this section may file a civil action in a district court of the United States for recovery of damages adequate to compensate for the injury." This is expected to greatly curb, or eliminate, the increasing number of false

marking cases filed in view of the 2009 decision of the Court of Appeals for the Federal Circuit in *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295 (Fed. Cir. 2009) (which determined that the maximum fine for violation of the false marking statute should be applied for each article sold with false marking). Unlike most other provisions of H.R. 1249, this provision is effective immediately upon enactment, and is applicable not only to future false marking cases, but to all currently pending false marking cases.

Preissuance Submission by Third Parties. H.R. 1249 permits third parties to submit any patent, published patent application or other printed publication of potential relevance to the examination of an application for patent if the submission follows certain criteria. While the third party would not be able to argue in front of the examiner, pre-issue submissions would present a useful opportunity for third parties to narrow or eliminate pending patent claims, rather than wait until the application fails on its own or issues as a patent. In comparison to the current procedure under Rule 1.99, which prohibits any explanation or other commentary regarding a submitted reference, the new procedure enhances a third party's ability to attack pending patent claims by requiring pre-issue submissions to be accompanied by description of the relevance of each submitted patent or publication. In addition, the period for submission is lengthened from two months after publication to the earlier of: (i) the issuance of a Notice of Allowance or (ii) six months after publication or the issuance of a first Office Action on the merits, whichever is later. This provision would not take effect until one year after the date of enactment of H.R. 1249.

Post-Grant Proceedings. H.R. 1249 shakes up the current post-grant proceedings framework. Ex Parte reexamination will continue with the same substantial new question threshold, but Inter Partes reexamination will be abolished one year after enactment of H.R. 1249. H.R. 1249 adds procedures for "post-grant review," "Inter Partes review," and "supplemental examination," which are discussed below:

- **Post Grant Review.** One year after enactment of H.R. 1249, post grant review may be requested within nine months of grant or reissue. The PTO will consider any ground of invalidity with the thresholds being: (1) more likely than not that at least one challenged claim is unpatentable, or (2) the petition raises a novel or unsettled legal question that is important to other patents or applications. The review process is to be completed within one year with an option of an extension of up to six months with good cause. Petitioners must take care when considering whether to file for a post grant review, as the petitioner is estopped from raising with courts, the International Trade Commission (ITC) or the PTO "any ground that petitioner raised or reasonably could have raised during the review."
- **Inter Partes Review.** Inter Partes review may be requested after nine months from grant or reissue or after Post-Grant Review is completed and prior art submissions are limited to patents and printed publications. The threshold inquiry for Inter Partes review is whether there is a reasonable likelihood that the petitioner would prevail on at least one claim. Completion timeframe, estoppel, and implementation considerations are all the same as for Post Grant Review.
- **Supplemental Examination.** H.R. 1249 permits parties to attempt to avoid or purge potential inequitable conduct claims by utilizing the Supplemental Examination procedure described in new 35 U.S.C. § 257, with two exceptions. First, Supplemental Examination is not available to purge allegations pled with particularity against the patentee before the request for Supplemental Examination. Second, the purging of inequitable conduct is not applicable to defenses raised in actions brought before the conclusion of the Supplemental Examination. In the event "material fraud" before the PTO is found during Supplemental Examination, however, the case is to be referred to the Attorney General.

Review of Business Method Patents. H.R. 1249 establishes, within one year of enactment, a transitional post-grant review proceeding for review of the validity of covered business method patents. The term “covered business method patent” is defined as “a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.” A person may file a petition if that person or his real party in interest has been sued for infringement of the business method patent or has been charged with infringement of the business method patent. If this review fails, the petitioner will not be able to assert in a civil action or before the ITC that a claim is invalid on any ground raised during a transitional proceeding that resulted in a final written decision.

Best Mode. H.R. 1249 eliminates an accused infringer’s ability to argue that a patent is invalid because the patentee did not identify the best mode for enablement in the specification. This provision is effective upon enactment and is purported to reduce litigation issues involving intent. Patent applications, however, must still disclose the best mode, although it seems the examiner has no practical method to determine the patentee’s compliance.

Advice of Counsel. Effective one year after enactment, H.R. 1249 codifies prior case law holding that a failure to obtain advice of counsel with respect to any allegedly infringed patent, or failure to present such evidence, may not be used to prove willful infringement of the patent or to prove that the infringer intended to induce infringement of the patent.

Joinder of Parties. For civil actions commenced on after the date of enactment of H.R. 1249, accused infringers may be joined in one action, or have their actions consolidated for trial, only if: (1) a right to relief is asserted with respect to the same transaction or occurrence relating to the same accused product or process, and (2) questions of fact common to all accused infringers will arise in the action. Accused infringers may not be joined in one action nor have their actions consolidated for trial based solely on allegation that they each have infringed the patent in suit. It is expected that this provision will make it more difficult for patent owners to include a broad range of competing companies in a single lawsuit.

Prior User Rights. H.R. 1249 expands the prior user defense, in 35 U.S.C. § 273, by eliminating the current restriction to methods, to cover commercial use of the subject matter of a patent in the U.S.

Tax Strategies. H.R. 1249 provides that any strategy for reducing, avoiding or deferring tax liability, whether known or unknown at the time of invention or application for patent, shall be deemed insufficient to differentiate a claimed invention from the prior art.

If you would like to receive future *Intellectual Property Advisories* electronically, please forward your contact information including e-mail address to ip.advisory@alston.com. Be sure to put “**subscribe**” in the subject line.

For further information, please contact any of the attorneys in Alston & Bird’s Intellectual Property Group listed below.

Blas P. Arroyo
blas.arroyo@alston.com
704.444.1012

Patrick J. Flinn
patrick.flinn@alston.com
404.881.7920

Joe Liebeschuetz, Ph.D.
joe.liebeschuetz@alston.com
650.838.2038

Frank G. Smith
frank.smith@alston.com
404.881.7240

William M. Atkinson
william.atkinson@alston.com
704.444.1026

Christopher J. Gegg
chris.egg@alston.com
704.444.1024

Todd S. McClelland
todd.mcclelland@alston.com
404.881.4789

Andrew T. Spence
andy.spence@alston.com
704.444.1411

William H. Baker
bill.baker@alston.com
212.210.9487

Joseph J. Gleason
joe.gleason@alston.com
404.881.4966

Michael D. McCoy
mike.mccoy@alston.com
704.444.1011

W. Murray Spruill, Ph.D.
murray.spruill@alston.com
919.862.2202

David H. Ben.Meir
david.ben.meir@alston.com
213.576.1076

Jonathan M. Gordon
jonathan.gordon@alston.com
213.576.1165

Richard M. McDermott
rick.mcdermott@alston.com
704.444.1045

George M. Taulbee
george.taulbee@alston.com
704.444.1023

Philippe Bennett
philippe.bennett@alston.com
212.210.9559

Guy R. Gosnell
guy.gosnell@alston.com
704.444.1029

George Douglas Medlock, Jr.
george.medlock@alston.com
404.881.7765

David S. Teske
david.teske@alston.com
404.881.7935

Kirk T. Bradley
kirk.bradley@alston.com
704.444.1030

Gregory T. Gronholm
greg.gronholm@alston.com
404.881.7968

Deepro R. Mukerjee
deepro.mukerjee@alston.com
212.210.9501

Kevin C. Trock
kevin.trock@alston.com
650.838.2004

Keith E. Broyles
keith.broyles@alston.com
404.881.7558

Robert E. Hanlon
robert.hanlon@alston.com
212.210.9410

Marsha E. Mullin
marsha.mullin@alston.com
213.576.1020

Jeffrey E. Young
jeff.young@alston.com
404.881.7857

Rachel M. Capoccia
rachel.capoccia@alston.com
213.576.1037

John D. Haynes
john.haynes@alston.com
404.881.7737

Michael J. Newton
mike.newton@alston.com
214.922.3423

Romy L. Celli
romy.celli@alston.com
650.838.2011

Steven D. Hemminger
steve.hemminger@alston.com
650.838.2029

Thomas J. Parker
thomas.parker@alston.com
212.210.9529

Michael S. Connor
mike.connor@alston.com
704.444.1022

Donald M. Hill, Jr.
donald.hill@alston.com
704.444.1006

Scott J. Pivnick
scott.pivnick@alston.com
202.239.3634

Jason W. Cook
jason.cook@alston.com
214.922.3407

Yitai Hu
yitai.hu@alston.com
650.838.2020

S. Benjamin Pleune
ben.pleune@alston.com
704.444.1098

Jason P. Cooper
jason.cooper@alston.com
404.881.4831

Louis A. Karasik
lou.karasik@alston.com
213.576.1148

Bruce J. Rose
bruce.rose@alston.com
704.444.1036

John W. Cox, Ph.D.
john.cox@alston.com
404.881.7333

S.H. Michael Kim
michael.kim@alston.com
650.838.2100

David M. Saravitz, Ph.D.
david.saravitz@alston.com
919.862.2217

Sean P. DeBruine
sean.debruine@alston.com
650.838.2121

Trent A. Kirk
trent.kirk@alston.com
704.444.1409

Walter Scott
walter.scott@alston.com
212.210.9518

Brian C. Ellsworth
brian.ellsworth@alston.com
704.444.1265

Robert L. Lee
bob.lee@alston.com
404.881.7635

Benjamin F. Sidbury
ben.sidbury@alston.com
704.444.1056

ATLANTA

One Atlantic Center
1201 West Peachtree Street
Atlanta, GA 30309-3424
404.881.7000

BRUSSELS

Level 20 Bastion Tower
Place du Champ de Mars
B-1050 Brussels, BE
+32 2 550 3700

CHARLOTTE

Bank of America Plaza
Suite 4000
101 South Tryon Street
Charlotte, NC 28280-4000
704.444.1000

DALLAS

Chase Tower
Suite 3601
2200 Ross Avenue
Dallas TX 75201
214.922.3400

LOS ANGELES

333 South Hope Street
16th Floor
Los Angeles, CA 90071-3004
213.576.1000

NEW YORK

90 Park Avenue
New York, NY 10016-1387
212.210.9400

RESEARCH TRIANGLE

4721 Emperor Boulevard
Suite 400
Durham, NC 27703-8580
919.862.2200

SILICON VALLEY

275 Middlefield Road
Suite 150
Menlo Park, CA 94025-4004
650.838.2000

VENTURA COUNTY

Suite 215
2801 Townsgate Road
Westlake Village, CA 91361
805.497.9474

WASHINGTON, D.C.

The Atlantic Building
950 F Street, NW
Washington, DC 20004-1404
202.239.3300

www.alston.com

© Alston & Bird LLP 2011