



THE 2011 PATENT REFORM ACT

The most significant changes to the U.S. patent law in more than 50 years have finally come to pass. The practice of U.S. patent law will never be the same. It took more than six years of Congressional debate for the U.S. Senate to pass the House version of the Leahy-Smith America Invents Act (“the Act”) on September 8, 2011, by a vote of 89–9. President Obama signed the bill into law on September 16, 2011. The Act represents a major overhaul of many provisions of U.S. patent law established by the Patent Act of 1952.

The Act fundamentally changes how patent applications will be prosecuted in the U.S. Patent and Trademark Office (“USPTO”) by changing from the current first-to-invent system to a first-to-file system, redefining what is prior art, and modifying various procedures in significant ways. As a result, patent applicants will now be primarily concerned with getting a patent application on file as early as possible. Prior considerations such as conception and reduction to practice will become less important in future practice. In addition, the Act adds new layers of post-grant proceedings and introduces provisions that have a direct impact on patent litigation.

SIGNIFICANT PROVISIONS OF LEAHY-SMITH AMERICA INVENTS ACT

While the Act introduces many changes to the patent system, the most significant involve the move from a first-to-invent to a first-to-file system, and the implementation of new post-grant proceedings.

Moving to a First-to-File System

One of the most significant changes in the Act is replacing the current first-to-invent system with a first-to-file system, which is the system followed worldwide. Under the current first-to-invent system, if two independent inventors file for a patent on the same invention, the inventor with the earlier invention date gets the patent. On the other hand, with a first-to-file system, the inventor with the earlier filing date gets the patent. Proponents of the first-to-file system say that it will simplify the process of acquiring patent rights, while opponents claim that a first-to-file system will harm small businesses and individual inventors, who will not necessarily have the resources to win a race to the patent office. Perhaps recognizing

the debate about this change, the Act provides for a study to determine the effect that the move to first-to-file would have on small businesses, with a report to be made to Congress no later than one year after enactment. Meanwhile, the provisions relating to the switch would not take effect until 18 months after enactment.

The move from first-to-invent to first-to-file comes with corresponding changes to 35 U.S.C. § 102, which defines “prior art” as an invention for purposes of determining novelty. Various provisions of the present § 102 define prior art on the basis of invention date (§§ 102(a), (e), and (g)). The Act amends § 102 to remove these provisions, so that prior art is defined in relation to the effective filing date of the application under examination, rather than the invention date. Thus, under the Act, it would no longer be possible to “swear behind” prior art by establishing an earlier invention date.

The Act also changes § 102 in other notable ways. The overall effect of these changes appears to increase what is available as prior art.

Removal of Geographic Limitations for Prior Art. Under current law, an invention is not patentable if it was in public use or on sale in the United States more than one year prior to the date of the application *in the United States* (§ 102(b)), or if it was known or used by others *in the United States* prior to the date of invention (§ 102(a)). The Act eliminates this geographic limitation on prior art, providing that an invention is not patentable if it was “patented, described in a printed publication, or in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention.” Thus, public use, sales, and knowledge by others available anywhere would be prior art.

Recognition of a Grace Period Only for an Inventor’s Own Prior Art. Under current law, an invention is not patentable if it “was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, *more than one year prior to the date of the application*” (§ 102(b)). The Act eliminates this one-year grace period except in limited circumstances. In particular, the grace period only applies to disclosures made by the inventor, a joint inventor, or “another who obtained

the subject matter disclosed directly or indirectly from the inventor or a joint inventor.”

In a new section that resembles the present § 102(e), but is adjusted for filing date instead of invention date, the Act provides that an invention is not patentable if it “was described in a patent ..., or in an application for [U.S.] patent published or deemed published ..., in which the patent or application, as the case may be, names another inventor and was effectively filed before the effective filing date of the claimed invention.” The Act does provide, however, that any subject matter disclosed in a patent or patent application that was obtained from the inventor or a joint inventor cannot be used against him under this section. Owing to the definition of “effective filing date” provided in the Act, this provision permits reliance on the filing date of a foreign-filed application as an effective filing date under this section. Unlike in the European Union, where prior art under a similar provision is available only for novelty challenges, “secret” prior art under this section will be available both for purposes of novelty and obviousness.

Post-Grant Proceedings and Other Third-Party Challenges

Post-Grant Proceedings. The post-grant proceedings currently available include reissue, ex parte reexamination, and inter partes reexamination. The Act keeps reissue and ex parte reexamination substantially the same, but significantly revises inter partes reexamination, which is renamed “inter partes review,” and introduces new “post-grant review,” “supplemental examination,” “transitional post-grant validity review of certain covered business method patents,” and “derivation proceedings.”

Inter Partes Review. The inter partes review provisions in the Act are similar to the current inter partes reexamination provisions provided in 35 U.S.C. §§ 311–318 in that a petitioner may request review only under § 102 or 103 (novelty and obviousness) and only on the basis of patents or printed publications. Similarly, inter partes review in the Act includes estoppel provisions as provided in inter partes reexamination and does not allow for broadening of the claims. But inter partes review includes a number of new features that will significantly change post-grant inter partes practice. For example, it:

- Limits the time period when a request can be filed to the later of nine months after the grant of a patent or after a post-grant review (discussed below) is terminated.
- Allows a preliminary response to be filed by the patent owner to explain why the inter partes review should not go forward, in contrast to the present system, which allows a patent owner response only after the patent office determines that there is a substantial new question of patentability.
- Gives the patent office a new, higher threshold to determine whether a review should go forward, based on whether there is a “reasonable likelihood that the petitioner would prevail with respect to at least one of the claims challenged in the petition,” as compared to the “substantial new question of patentability” threshold in current reexamination proceedings. The reasoning behind this change is that under the current threshold, requests for inter partes reexamination are too easily granted, as 95 percent of requests have been granted since the institution of the proceeding in 1999.
- Prohibits an inter partes review from being instituted or maintained if the petitioner has filed a civil action challenging the validity of the patent or if more than one year has passed since the petitioner was served with a complaint alleging infringement. This change makes it more difficult for patent challengers to get “two bites at the apple,” *i.e.*, two opportunities to invalidate a patent, one at the patent office and one in a parallel litigation.
- Gives the patent office the authority to stay, transfer, consolidate, or terminate a related interference, reissue, or ex parte reexamination. This provision will allow the patent office to focus on one submission at a time, not multiple post-grant filings involving the same patent.
- Allows limited discovery consisting of depositions of witnesses who have submitted affidavits or declarations, and what is otherwise necessary in the interests of justice. The “interests of justice” standard is the same standard used for discovery under the present interference proceedings.
- In an attempt to streamline the proceedings, gives to a new Patent Trial and Appeal Board (“PTAB”), not the patent office’s Central Reexamination Unit (“CRU”), the authority to conduct inter partes reviews, and provides for appeal directly to the United States Court of Appeals for the

Federal Circuit (“Federal Circuit”). Currently, inter partes reexaminations are heard by the CRU with appeals to the Board of Patent Appeals and Interferences (“BPAI”), and appeals from BPAI to the Federal Circuit.

- Allows the parties to settle and therefore terminate an inter partes review based on a joint request by the petitioner and patent owner. Currently, inter partes reexaminations cannot be settled by the parties.
- Requires the final determination in an inter partes review be issued not later than one year after the institution of the review, except that, for good cause shown, the period may be extended by not more than six months. For inter partes reexamination, it currently takes approximately 38 months from filing a request to obtain an inter partes reexamination certificate.

These provisions take effect upon the expiration of the one-year period beginning on the date of enactment of the Act and apply to any patent issued before, on, or after that effective date. The only exception is that the change in the standard for determining whether an inter partes reexamination should be granted from a “substantial new question of patentability” to a “reasonable likelihood that the petitioner would prevail with respect to at least one of the claims challenged in the petition” is effective upon enactment of the Act.

Post-Grant Review. Post-grant review provides another way for a third party to challenge a patent. Post-grant review is similar to inter partes review in many ways. For example, it provides a similar estoppel provision and allows a preliminary response by the patent owner to explain why post-grant review should not go forward. In addition, a post-grant review cannot be instituted if the petitioner has filed a civil action that challenges the validity of the patent. Post-grant reviews will also be handled by the PTAB with decisions appealable to the Federal Circuit and may be settled by the petitioner and patent owner. Post-grant reviews also are to be completed within one year after institution, with certain exceptions. Post-grant review and inter partes review differ, however, in several significant aspects:

- **Timing:** A petition for post-grant review must be filed within nine months of patent issuance, whereas a petition

for inter partes review cannot be filed until after the later of nine months from issuance or the termination of any post-grant review.

- **Available arguments:** A petitioner in a post-grant review can request that the patent be invalidated on the basis of any provision of the patent statute, whereas a petitioner in an inter partes review can rely only on prior art patents and printed publications. This brings post-grant review more in line with European opposition proceedings.
- **Threshold for institution:** A post-grant review may be instituted only if “information presented in the petition, if not rebutted, would demonstrate that it is more likely than not that at least one of the claims challenged in the petition is unpatentable.” This standard corresponds to the traditional “preponderance of the evidence standard.”
- **Discovery:** Discovery in a post-grant review proceeding is limited to evidence directly related to factual assertions advanced by either party in the proceeding. This appears to permit more discovery than inter partes review, where discovery consists only of depositions of witnesses who have submitted affidavits or declarations, and what is otherwise necessary in the interests of justice.
- **Staying of preliminary injunction:** If an action alleging infringement is filed within three months of the granting of a patent, a court cannot stay consideration of a patent owner’s motion for preliminary injunction against infringement solely on the basis of the filing of a post-grant review or the institution of such a proceeding.

These provisions take effect one year after enactment of the Act but apply only to patents issuing from applications filed pursuant to the first-to-file provisions, *i.e.*, for applications filed 18 months after enactment.

Supplemental Examination. In the years of debate leading up to this Act, there was significant discussion on how to handle inequitable conduct, an affirmative defense so commonly used in patent litigations that some judges on the Federal Circuit referred to it as a “plague on our system.” Earlier versions of the Act included provisions that required the USPTO, not the courts, to adjudicate issues relating to inequitable conduct. More recently, the Federal Circuit’s *Therasense* decision (*Therasense, Inc. v. Becton, Dickinson & Co.*, No. 2008-1511, 2011 W.L. 2028255 (Fed. Cir. May 25,

2011)) has made it more difficult to find inequitable conduct in existing cases.

The Act attempts to minimize the effects of inequitable conduct allegations in patent litigation by allowing a patent owner to obtain supplemental examination of a patent. For example, a patent owner may use supplemental examination to have the USPTO consider prior art not previously reviewed by the Examiner *before* initiating a patent infringement action. More specifically, the Act allows a patent owner to request supplemental examination to consider, reconsider, or correct information believed to be relevant to the patent. If the patent owner’s request raises “a substantial new question of patentability,” a reexamination similar to current *ex parte* reexamination is instituted. The effect of supplemental examination is that a patent will not be held unenforceable on the basis of conduct relating to information that had not been considered, was inadequately considered, or was incorrect in a prior examination of the patent if the information was considered, reconsidered, or corrected during a supplemental examination of the patent. In an effort to prevent this provision from being abused, the Act includes a fraud provision that allows the USPTO to cancel any claims if the USPTO becomes aware, during the course of a supplemental examination, that a material fraud on the USPTO may have been committed in connection with the patent that is the subject of the supplemental examination. This provision becomes effective one year after enactment and applies to any patent issued before, on, or after that effective date.

Transitional Post-Grant Validity Review of Covered Business Method Patents. The Act defines a “covered business method patent” 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 shall not include patents for technological inventions.” The Act provides for a post-grant review proceeding to determine the validity of these business method patents. Like post-grant review, the subject patent can be invalidated on the basis of any provision of the patent statute including Section 101/*Bilski* matters, not just patents and printed publications as required by current reexamination proceedings. The only eligible petitioners are individuals who have been

sued for or charged with infringement of a covered business method patent.

The Act does not include any time frame on when this post-grant request can be filed. In addition, the Act includes provisions that allow a petitioner to request a stay of any corresponding litigation and to file an interlocutory appeal to the Federal Circuit if the district court renders an adverse decision in response to the Petitioner's request for the stay. Moreover, the estoppel provisions in this section of the Act are less restrictive, as they prohibit a petitioner only from asserting in a corresponding civil action that the claim is invalid on any ground that the petitioner raised during the proceeding, not "raised or reasonably could have raised" as provided in the Act's post-grant and inter partes review estoppel provisions. This provision becomes effective one year after enactment and applies to any patent issued before, on, or after that effective date. This provision is considered "transitional" because it expires eight years after enactment of the Act.

Replacing Interference Proceedings with Derivation Proceedings. For issued patents, the Act replaces interferences with new "derivation" proceedings to determine if the inventor of an earlier-filed patent "derived" the invention from the inventor of a later-filed patent. A civil action can be filed only within one year of the issuance of the earlier-filed patent containing a claim to the allegedly derived invention and naming an individual alleged to have derived such invention as an inventor.

For pending patent applications, the Act also provides that an applicant may file a petition in the patent office to request the PTAB to institute a derivation proceeding on grounds that the inventor of an earlier-filed patent application derived the invention from an inventor named in the later-filed patent application. Any petition for such derivation proceedings must be filed within one year of publication of a claim to an invention that is the same or substantially the same as the earlier application's claim to the invention.

Prioritized Examination. The Act authorizes the USPTO to provide for priority examination of "applications for products, processes, or technologies that are important to the national

economy or national competitiveness." From a practical standpoint, this provision reinstates the former Track I expedited procedures that were shelved for funding reasons in April 2011. This provision goes into effect 10 days after enactment and requires an additional \$4,800 be paid on top of an application's filing fees to obtain prioritized examination. The Act sets a limit of 10,000 applications that can use this procedure in the first year.

Third-Party Submissions of Prior Art, Pre- and Post-Issuance. The Act permits any third party to submit any patent, published patent application, or other printed publication as part of the pre-issuance examination of an application if such submission is made within a specified timeframe, generally the earlier of the issuance of a notice of allowance or six months after publication of an application. The Act also allows any person at any time (pre- or post-issuance) to submit to the USPTO prior art consisting of patents or printed publications, or statements of the patent owner filed in a proceeding before a federal court or USPTO in which the owner takes a position on the scope of any claim. Such prior art or statements become part of the official file if the requisite conditions are met.

Other Changes

Expansion of Prior Commercial Use Defense. The Act amends 35 U.S.C. 273 to expand the defense based on prior commercial use. Previously limited to business methods, the amended prior commercial use defense may now also be asserted for subject matter consisting of a machine, manufacture, or composition of matter used in a manufacturing or other commercial process. The prior commercial use must have occurred in the United States, at least one year before the earlier of (1) effective filing date, or (2) public disclosure contemplated under Section 102(b). Section 273 does not explicitly define "commercial use" but includes provisions for premarketing regulatory review and prior use by nonprofit organizations. The Act also amends Section 273 to permit more parties to claim the defense. Thus, in addition to the entity actually performing the prior commercial use, a parent, subsidiary, or affiliate under common control may also assert the defense. In an apparent attempt to limit acquisitions of businesses solely to enable transfer of the prior

commercial use defense, the Act also limits the defense to the site where the existing commercial use occurred before the effective filing date of the asserted patent or before the acquisition occurred. The prior use defense cannot be applied to infringing activities after the date of abandonment of commercial use.

The Act also contains a university exception. The prior use defense may not be asserted against patents on inventions that were owned by, or under obligation of assignment to, universities and technology transfer organizations at the time the inventions were “made.” The Act further requires a court to award attorney’s fees if the defense is pleaded by a party found to infringe the patent if that party fails to demonstrate a reasonable basis for asserting the defense. Finally, the expanded defense will apply to patents *issued* on or after the date of the enactment of the Act.

Venue Limitations for Certain Cases. Several sections of Title 35 have been amended to specify that instead of the United States District Court for the District of Columbia, going forward, civil actions brought under these sections have to be filed in the United States District Court for the Eastern District of Virginia. The affected provisions are 35 U.S.C. § 32 (suspension or exclusion from practice); § 145 (civil action to obtain patent); § 146 (civil action in case of interference); § 154(b)(4)(A) (provisional rights, appeal of patent term adjustment determination); and § 293 (nonresident patentee; service and notice on patentees not residing in the U.S). The changes are effective on the day of enactment of the Act.

Limitations on Joinder of Parties. The Act adds a new section § 299 entitled “Joinder of Parties.” This section codifies limitations on the ability of patent infringement claimants to join multiple accused infringers in one action, or have multiple actions consolidated for trial.

Under new § 299, joinder is permitted only (1) if any right to relief is asserted against the parties with respect to or arising out of the same transaction, occurrence, or series of transactions or occurrences related to the making, using, or selling of “the same accused product or process;” and (2) if questions of fact common to all defendants or counterclaim defendants

will arise in the action. Most significantly, an allegation that all defendants infringe the same patent is no longer sufficient to justify suit against multiple unrelated defendants on its own. A party that is an accused infringer may waive the joinder requirement of § 299. Further, the section does not apply to actions for infringement under 35 U.S.C. § 271(e)(2). The new joinder section is effective for civil actions commenced on or after the date of enactment of the Act.

Restriction on Standing in False Marking Cases. In an attempt to curtail the increase in false marking cases brought by private entities, the Act provides that only the United States has standing to sue for the statutory penalty. In addition, the Act provides that any person who suffered a competitive injury as a result of a false marking violation may file a civil action for recovery of damages to compensate for the injury, but will no longer be able to seek the statutory penalty. Standing to seek the statutory penalty is reserved for the United States. This provision is effective upon enactment of the Act.

No Invalidity Based on Failure to Disclose the Best Mode. The Act amends § 282 to carve out the failure to disclose the best mode from the other § 112-based litigation defenses, precluding the use of the best mode violation as a basis for invalidating a patent. The Act does *not* eliminate the best mode requirement from § 112 for patent applications, but instead eliminates the enforcement mechanism that ensured that applicants complied with this requirement.

Failure to Obtain Advice of Counsel May Not Be Used to Prove Willfulness. The Act also amends § 298, providing that the failure of an infringer to obtain advice of counsel with respect to any allegedly infringed patent, or the failure of an infringer to present such evidence to the court or jury, “may not be used” to prove willfulness or induced infringement. Section 298 codifies the Federal Circuit decision in *Knorr-Bremse Sys. v. Dana Corp.*, 383 F.3d 1337 (Fed. Cir. 2004) (en banc), that eliminated the adverse inference arising from a failure to produce an opinion of counsel or the decision not to seek legal counsel. The Federal Circuit reaffirmed that there was no affirmative obligation to obtain an opinion of counsel in *In re Seagate Technology, LLC*, 497 F.3d 1360 (Fed. Cir. 2007) (en banc). *Seagate* also rejected the

affirmative duty of due care on accused infringers in favor of an objective recklessness standard.

EFFECTIVE DATES

The Act includes a general, one year after enactment, effective date provision. However, certain sections of the Act include effective dates that trump the general one-year provision. In an effort to clear up any confusion regarding the effective date provisions, we have provided below a description of those provisions that take effect on enactment, after 10 days, after 60 days, after one year, and after 18 months.

Effective Upon Enactment

- Gives the USPTO authority to set fees to cover aggregate estimated costs for processing, activities, services, and materials related to patents. The USPTO's web site includes an implementation page that identifies five different areas, including fees and budgetary matters, on which they are requesting comments. The web site (www.uspto.gov/patents/init_events/fee_setting_flowchart.pdf) includes a fee-setting flowchart that indicates that the USPTO will not adjust its fees until at least 18 months after enactment of the Act.
- Changes to requirements for standing to bring false marking cases and marking requirements. Applies to all cases that are pending on or filed after enactment. This means that standing will no longer exist in the majority of false marking suits, requiring their dismissal.
- Prohibits the issuance of a patent that includes a claim that encompasses a human organism; applicable to pending applications and any applications that are filed on or after the date of enactment.
- Deems patents or applications related to tax strategy on ways to reduce, avoid, or defer tax liability as insufficient to differentiate a claimed invention from the prior art; applies to any application pending on or filed after the Act's enactment and patents that issue after enactment.
- Changes the standard for determining whether to grant an inter partes reexamination request from "substantial new question of patentability" to "a reasonable likelihood that the requestor would prevail with respect to at least one of the challenged claims." Applies to any request for inter partes reexamination filed on or after enactment.

- Prohibits best mode from being used as a basis for invalidating a patent; applicable to litigations commenced on or after the enactment of the Act.
- Changes to Prior Use Defense are applicable to any patent issued on or after the date of enactment.
- Limitations on joinder of defendants in infringement actions are applicable to any actions commenced on or after the date of enactment.
- Clarifies the calculation of the 60-day period for applying patent term extension if FDA approval is transmitted after 4:30 p.m. on a business day; applicable to any pending or subsequent patent term extension applications, or any patent term extension application subject to judicial review on the date of enactment.

Effective After 10 Days

- Adds a 15 percent surcharge to all patent-related fees, including patent maintenance fees.
- Reinstates the Track I priority examination procedure.

Effective After 60 Days

- Imposes a \$400 surcharge for patent applications not filed electronically.

Effective After One Year

- Inter partes review procedures are applicable to any patent issued before, on, or after the one-year date.
- Post-grant review procedures take effect after one year, but apply only to patents issuing from applications filed pursuant to the first-to-file provisions, *i.e.*, for applications filed 18 months after enactment.
- Transitional post-grant review procedures for covered business method patents are applicable to any covered business method patent issued before, on, or after the one-year date.
- Filing by assignee is applicable to any application filed after the one-year date.
- Elimination of requirement for no "deceptive intent" is applicable to all proceedings commenced on or after that date, such as errors in inventorship, in reissue applications, and failure to obtain a foreign filing license.

- Pre-issuance third-party prior art submissions are applicable to any application filed before, on, or after the one-year date.
- Pending interference proceedings—The current provisions of 35 USC §§ 102(g), 135, and 291 will continue to apply to each claim of any application or patent that contained at any time (i) a claim having an effective filing date before 18 months after the date of enactment or (ii) claims benefit under 35 USC §§ 120, 121, or 365(c) to any application or patent that contained at any time such a claim. The USPTO will determine the procedures under which a pending interference could be dismissed without prejudice in favor of a post-grant review proceeding or proceed as if this Act had not been enacted.

Effective After 18 Months

- First-to-file is applicable to any application with an effective filing date on or after the 18-month date.
- Derivation proceedings are applicable to any application with an effective filing date on or after the 18-month date.

CONCLUSION

The USPTO has set up an “America Invents Act Implementation” webpage (available at www.uspto.gov/patents/init_events/aia_implementation.jsp) to accept comments on how to implement the various provisions of the Act. The web site includes helpful information about the Act and will be used to post comments received from the patent community about the USPTO’s implementation plan.

LAWYER CONTACTS

Jones Day will continue to monitor developments involving the implementation of the Act. We will provide updates accordingly. If you have any specific questions about the Act and how it affects your company, please contact the attorneys below. General email messages may be sent using our “Contact Us” form, which can be found at www.jonesday.com.

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