On September 16, 2011, President Obama signed the Leahy-Smith America Invents Act (H.R. 1249) (the “America Invents Act” or the “Act”), enacting the most significant update to U.S. patent law in over 50 years.

In its own words, Congress passed the legislation to reform the patent system to spur economic growth, to harmonize it with international patent law but also to “protect[] the rights of small businesses and inventors from predatory behavior that could result in the cutting off of innovation.”

The Act changes U.S. patent law, including putting in place a first-to-file system, expanding the prior commercial use defense, establishing a post-grant review by the U.S. Patent and Trademark Office (the “USPTO”), allowing third-party prior art submissions, creating supplemental reviews impacting inequitable conduct, eliminating the best mode defense, effectively eliminating most false-marking litigation and allowing review of certain business method patents post-Bilski.

First Inventor To File (Sec. 3)

The centerpiece of the America Invents Act is its departure from the traditional U.S. first-to-invent system to a first-to-file system in accord with most international patent regimes. The Act redefines the effective filing date of a claimed invention to the actual filing date of the patent (or application claiming priority), providing the first filer with superior rights to a patent over another inventor who files an application claiming the same subject matter – regardless of who first invented the claimed matter. Accordingly, the Act eliminates the § 102(g) defenses based on priority of invention. The Act also amends the former § 102(b), now included in § 102(a), such that either U.S. or foreign offers for sale prior to filing bar patentability.

Unlike in Europe, the Act’s first-to-file system does not penalize inventors for their own pre-filing disclosures prior to patent application filing. The Act allows that a disclosure, made up to one year before the filing date, by an inventor, co-inventor, or third party will not constitute prior art.

The Act replaces the current system of interference proceedings with derivation proceedings in 35 U.S.C. § 135, which determine whether the inventor in an earlier-named application derived claimed subject matter from an inventor of a later-filed application. This provision was included to prevent a party from obtaining a patent to an invention of another party, previously shared in confidence.

The first-to-file system will affect applications with priority filing date claims on or after March 16, 2013.

Defense To Infringement Based On Prior Commercial Use (Sec. 5)

The Act significantly expands the defense to infringement based on prior commercial use, which may be particularly applicable to software companies or those that rely on trade secrets to protect their inventions. Previously, the prior commercial use defense was available only for method claims. Under the Act’s amended § 273, the scope is widened to include: a process, machine, manufacture or composition of matter used in manufacturing or other commercial process that would otherwise infringe. Similar to the previous § 273, in order to make use of the defense, the accused infringer (or now, its affiliate) must have made a good-faith commercial use at least one year prior to the patent’s effective filing date.

The prior commercial use defense based on § 273 is available immediately, applying to any patent issued on or after September 16, 2011.

Post-Grant Review Proceedings (Sec. 6)

The Act establishes a new opposition system that allows an entity to petition the USPTO for a post-grant review to cancel one or more claims of a patent, as long as the petitioner has not previously challenged the patent’s validity in a civil action. The petition may be filed on any invalidity ground within a nine-month window from the patent grant or reissue.

The Metropolitan Corporate Counsel

America Invents Act Makes Historic Changes To U.S. Patent Law

John DiMatteo, William M. Ried and Amir R. Ghavi

WILLKIE FARR & GALLAGHER LLP

John DiMatteo is a Partner, William M. Ried is Of Counsel and Amir R. Ghavi is an Associate in Willkie Farr & Gallagher’s Intellectual Property Department in the New York City office.

Please email the authors at dimatteo@willkie.com, bried@willkie.com or aghavi@willkie.com with questions about this article.
Any post-grant review will be undertaken by a three-member panel from the newly created Patent Trial and Appeal Board (the “Board”), consisting of persons with “legal knowledge and scientific ability.” The review may be granted upon a showing that it is more likely than not that at least one of the challenged claims is unpatentable, or that the petition raises a novel or unsettled legal question important to other patents or applications. If a petitioner files a civil action after it files a post-grant review petition, the civil action is automatically stayed until the patent owner either moves the court to lift the stay or files a civil action or counterclaim alleging infringement against the petitioner.

The Act also replaces the inter partes reexamination with the new inter partes review system, to be conducted by the new Board. Under the inter partes review, patents can only be challenged on the basis of novelty and non-obviousness, and challengers may base their challenges on information relevant to the patent. If the petitioner corrects information through the supplemental reexamination procedure, the corrected information may no longer form the basis of an unenforceability finding by a district court. However, supplemental examination is not available if the correctable issue is first raised in either a paragraph IV notice letter under the Food, Drug, and Cosmetic Act or in an already-underway patent enforcement action.

The Act establishes supplemental examinations as of September 16, 2012.

**Tax Strategies Deemed Within Prior Art (Sec. 14)**

The Act in effect eliminates the ability to obtain any patent aimed at reducing, avoiding or deferring tax liability – except for software used in tax preparation or filing.

The inclusion of all tax strategies within the prior art takes effect immediately.

**Best Mode Requirement (Sec. 15)**

The Act excludes the best mode requirement as a basis of finding invalidity. Notably, however, best mode remains in 35 U.S.C. § 112 as a requirement and must still be disclosed for a patent to issue.

The removal of the best mode defense takes effect immediately but only affects those cases filed on or after the Act’s enactment.

**Marking (Sec. 16)**

The Act significantly changes the landscape of false-marking suits. Effective immediately and applicable to pending actions, the Act allows only the U.S. government to seek statutory damages for false marking. The Act also limits the scope of private litigants to only those who have suffered competitive injury, and those who qualify may only seek compensatory damages. Further, the Act deems virtual markings (i.e., allowing a publicly available website to associate the patented article with its patent number) to provide adequate public notice, and goes one step further by exempting virtual markings from liability if not corrected to remove the patent number upon expiration.

The marking amendments take effect immediately.

**Advice Of Counsel (Sec. 17)**

The Act clarifies existing patent laws by preventing a finding of willful infringement solely on the basis of an infringer’s failure to obtain advice or an opinion of counsel.

This provision takes effect September 16, 2012.

**Transitional Program For Covered Business Method Patents (Sec. 18)**

Certain business method patents will be subject to an eight-year transitional review program, in light of the Supreme Court’s decision in *Bilski v. Kappos*. This review will function similarly to the post-grant review process but may only be brought by parties who have been sued under, or charged with infringement of, the patent whose review they seek. The business method patents covered are those that claim methods or apparatus for performing data processing or other operations used in the practice, administration or management of a financial product or service, specifically excluding patents for “technological innovations.”

The Act mandates that the USPTO shall issue regulations regarding implementation of the transitional program for covered business method patents, to take effect on September 16, 2012.

**Jurisdiction And Procedural Matters (Sec. 19)**

The Act modifies procedural rules regarding joinder. The new rules allow multiple accused infringers to be joined in one action only if either the right to relief is asserted jointly and severally or it arises out of the same occurrence or series of occurrences, and questions of common fact to all defendants will arise in the action. Allegations solely that several defendants have each infringed the same patents are now insufficient for joinder.

This provision takes effect immediately.

**Limitation on Issuance of Patents (Sec. 33)**

The Act prohibits issuance of patents covering claims “directed to or encompassing a human organism.” While seemingly unlikely to prohibit patenting medicines or novel gene therapies, the Act’s language raises at least a question regarding the patentability of such inventions, which the USPTO will likely clarify through regulations.

The prohibition on issued patents directed to human organisms takes effect immediately and applies to pending applications but does not affect issued patents.