

ALBANY
 AMSTERDAM
 ATLANTA
 AUSTIN
 BOSTON
 CHICAGO
 DALLAS
 DELAWARE
 DENVER
 FORT LAUDERDALE
 HOUSTON
 LAS VEGAS
 LONDON*
 LOS ANGELES
 MIAMI
 NEW JERSEY
 NEW YORK
 ORANGE COUNTY
 ORLANDO
 PALM BEACH COUNTY
 PHILADELPHIA
 PHOENIX
 SACRAMENTO
 SAN FRANCISCO
 SHANGHAI
 SILICON VALLEY
 TALLAHASSEE
 TAMPA
 TYSONS CORNER
 WASHINGTON, D.C.
 WHITE PLAINS

*Strategic alliance
 with an independent
 law firm***

MILAN
 ROME

President Obama Signs America Invents Act – i.e., Patent Reform – into Law

On September 16, 2011, President Obama signed into law the 2011 America Invents Act (i.e., Patent Reform law). The 2011 America Invents Act is the most comprehensive patent reform since the 1952 Patent Act. Many of the proposed changes would harmonize U.S. patent laws with those of Europe, China and other nations.

The key highlights of the Patent Reform law include:

1. The switch from a first-to-invent system to a “first-inventor-to-file” system.
2. False Patent Marking cases would be limited to ONLY those filed by persons who have actually been harmed by the alleged misconduct and patentee may now mark products by marking “Pat.” followed by an internet address (URL) where appropriate patent numbers are listed.
3. A revamped post-grant procedure consisting of (a) post-grant review request that may be filed with the PTO within nine months of a patent’s issuance; and (b) *inter partes* reexamination request that may be filed with the PTO after this timeframe. Upon Enactment the standard for *Inter Partes* Reexamination will change 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.
4. Permitting third parties to submit prior art patents or publications, PTO or court statements by the patent applicant to the patent examiner during pendency of a patent application.
5. Transitional post-grant review proceeding for review of the validity of covered business method patents of a “financial product or service.”
6. Prior Commercial Use Defense – prior user rights would apply to any technology, with a showing of prior commercial activity.
7. Study of Patent Litigation by GAO regarding Non-Practicing Entities.
8. Other Notable Changes:
 - a) Assignees May Apply For Patents
 - b) Best Mode – failure cannot be used to invalidate
 - c) Willfulness and Inducement – failure to obtain or disclose “may not be used to prove that the accused infringer willfully infringed the patent”
 - d) Tax Strategy Method Patents (Section 14) – unpatentable
 - e) Prioritized Examination – for fee
 - f) The law does not ban fee diversion – fees to be deposited into an account called the U.S. Patent and Trademark Office Public Enterprise Fund.

Detailed Analysis

Below are the major highlights of the Patent Reform law.

1) The switch from a first-to-invent system to a “first-inventor-to-file” system.

Provision: First Inventor to File a Patent Application

- Awards patent to the first inventor to file application at PTO
- Creates a “race” to the PTO

Change from Existing Law:

- Currently a “first-to-invent” system, where patent was awarded to the applicant who was the first inventor even if the inventor was not the first person to file a patent application at the PTO.
- Replaces interference proceedings with a new “derivation proceeding” that would provide a forum to determine if a patent application that was first filed was misappropriated from another inventor.
- New 102(b) would only exclude prior art within one year of the filing date if it is a disclosure of the inventor or one who obtained the subject matter directly or indirectly from the inventor.

Effective date: The “first-to-file” change takes effect *18 months after enactment* of the Act and applies to any patent application: (1) with an earliest priority claim 18 months or more after enactment; or (2) claiming priority to any patent application filed 18 months or more after enactment.

Recommendations for best practice:

- Err on the side of filing many provisional applications
- Streamline and accelerate invention disclosure process
- Write more detailed patent applications to minimize chances for blocking improvement patents of third parties
- Beware of enablement and written description issues — in the rush to get a filing date, it may be difficult to quickly generate an adequate description of the invention and methods of making or using the invention
- Imperative to get the application on file as soon as possible
- Unpublished, secret filings would be used both for novelty and obviousness grounds

2) False Patent Marking cases would be limited to ONLY those filed by persons who have actually been harmed by the alleged misconduct.

Provision: False Patent Marking Limited To Those Actually Harmed

Change from Existing Law: 35 U.S.C. § 292

- While the current false marking statute allows any member of the public the opportunity to bring a false marking claim, the proposed Act limits such suits to the United States or a person who has suffered a “competitive injury.”
- Recovery of damages for such claims by competitors will be limited only to “damages adequate to compensate for the injury.”
- The Provision also states that marking a product with a patent that covered that product but has expired is not a violation of the false marking statute.

Effective Date: The false patent marking change is effective with respect to any case pending on, or commenced on or after, the enactment of the Act.

Recommendations for best practice:

- Patent owners will still need to take care that patent markings are only placed on products covered by those patents. However, patent owners will not need to monitor their portfolios and change markings on products when various patents expire, as expired patents will not qualify as the basis for false marking claims.

Proposed Impact:

- Lessen, but not eliminate, the threat of false marking lawsuits that have increased in recent years.
- Patent owners will not need to fear the wrath of false patent marking “trolls,” as the ability for members of the public to bring *qui tam* lawsuits on behalf of the government has been eliminated from the false marking statute.

- 3) The post-grant review proceeding that may be filed with the PTO within nine months of a patent’s issuance, and an *inter partes* proceeding before the PTO after this timeframe.

Provision: Post-Grant review

- Third party may file a petition with the PTO to institute post-grant review of a patent.
- Such petitions must be filed within 9 months of the patent’s issue or reissue date.

Change from Existing Law:

- Post-grant review is a new procedure that is most closely related to the present *inter partes* reexamination.
- Unlike reexamination, post-grant review allows the petitioner to request invalidation of a patent claim based on *any* basis for invalidity, including non-statutory subject matter (Section 101), lack of enablement or written description support (Section 112, ¶ 1) and claim indefiniteness (Section 112, ¶ 2), and through the use of non-patent references.

Effective Date: This provision will take effect 1 year after the date of the Act’s enactment and shall apply to the patents subject to the “first-to-file” rule as detailed above.

Recommendations for best practice:

- Implement a system of monitoring the patent applications of competitors, as post-grant review provides a strategically important but time-limited opportunity for third parties to invalidate their competitors’ patents.
- Patentees wishing to avoid post-grant review should file their patent applications before the effective date of this provision.

Provision: *Inter Partes* Reexamination

- Third party may file a petition with the PTO to institute an *inter partes* review of a patent.
- Such petitions can be filed after 9 months of the patent’s issue or reissue date, or after the date a post-grant review of the patent has concluded.
- Permits the granting of petitions if the information presented “would demonstrate that it is more likely than not that at least one of the claims challenged in the petition is unpatentable” or the petition raises “a novel or unsettled legal question that is important to other patents or patent applications.”

Changes from Existing Law:

- Standard for granting *inter partes* reexamination will change from a “substantial new question of patentability” to a “reasonable likelihood that the petitioner will prevail with regard to at least one claim,” which is a potentially higher burden on the petitioner.
- *Inter partes* reexaminations will be held before the Patent Trial and Appeal Board (formerly the Board of Patent Appeals and Interferences) – previously went to Special Reexamination Group.

- *Inter partes* reexaminations will not be available if the petitioner files a civil action challenging patent validity before the date of the petition or if the petition is filed more than one year after the petitioner is served with a patent infringement complaint.

Effective Date: The date of the Act's enactment, and applicable to all patents issued before, on, or after the effective date.

Recommendations for best practice:

- Entities should first consider post-grant opposition as an initial strategy.
- Due to the higher standard for granting such petitions and the limited scope of review allowed therein, the benefits of *inter partes* reexaminations should be carefully considered.

- 4) Permits third parties to submit prior art patents or publications, PTO or court statements by the patent applicant to the patent examiner during pendency of a patent application.

Provision: Submission of Prior Art During Examination

- Permits third parties to submit prior art patents or publications
- Permits third parties to submit PTO or court statements by the patent applicant to the patent examiner during pendency of a patent application.
- Permits third parties to submit a "concise description of the asserted relevance of each submitted document"
- Such statements may be made confidentially

Change from Existing Law:

- Currently, third parties (i.e., non-applicants) are *not* allowed to submit a description with the prior art or any other documents to the PTO during the prosecution of a patent application.

Effective date: One year after enactment of the Act, and applicable to *any* patent application, regardless of its filing date.

Recommendations for best practice:

- Implement a system of monitoring the patent applications of competitors to allow the entity to submit a concise description of each submitted document during patent prosecution and thus make the Examiner aware of relevant prior art.

- 5) Supplemental Examination by Patentee

Provision: Supplemental Examination Requested by Patent Owner

- Patent owner may provide potentially material prior art to the PTO *after* the patent is granted.
- If the PTO determines the information provided has no effect on patentability, no charge of inequitable conduct can be brought based on the information submitted.
- The information must be brought to the PTO and the supplemental examination must be completed prior to litigation.

Change from Existing Law: The current law does *not* insulate patentee from charges of inequitable conduct for prior art that is cited post-grant (e.g., with reexamination request) that the PTO determines has no effect on patentability.

Effective date: One year after enactment of the Act, and applicable to *any* patent issued before, on, or after that effective date.

Recommendations for best practice:

- Monitor “families” of related patent applications and patents to determine whether prior art, which is cited after the patent is granted, should later be submitted for a granted patent.
- During discussions with alleged infringers, determine the alleged relevant prior art early in the negotiation.

6) Transitional post-grant review proceeding for review of the validity of covered business method patents of a “financial product or service”

Provision: Transitional Program for Covered Business Method Patents (Section 18)

- Transitional post-grant review proceeding for review of the validity of covered business method patents. Language in the bill would allow patents to be challenged based on prior art.
- “Covered business method patent” means 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.
- Only individuals who have been either sued for infringement (or charged with infringement) of a business method patent may petition the PTO to commence such a proceeding.
- Court must weigh the following factors when determining to stay a civil action alleging infringement of a patent relating to a transitional proceeding for that patent based on:
 - whether a stay will simplify the issues in question and streamline the trial;
 - whether discovery is complete and whether a trial date has been set;
 - whether a stay would unduly prejudice the nonmoving party or present a clear tactical advantage for the moving party; and
 - whether a stay will reduce the burden of litigation on the parties and on the court.

Change from Existing Law:

- Would allow a re-examination of business method patents, even if the patents in question have previously been successfully examined, re-examined, or litigated.

Effective date: One year after enactment of the Act, and applicable to any covered business method patent issued before, on, or after that effective date, except that the regulations shall not apply to a patent while it is eligible for a post-grant review challenge. The transitional program will sunset eight years after enactment.

Recommendations for best practice:

- If an entity is sued for infringement (or charged with infringement) of a business method patent relating to a “financial product or service,” then the entity should consider filing a petition.

7) Prior Use Defense

Provision: Section 273, defense to infringement based on prior commercial use

- Section 273, defense to infringement based on prior commercial use: will drastically expand the Section 273 defense to all types of patents and provide for a “university” exception.
- Under the revised provision, prior user rights would *apply to any technology*, with commercial activity generally not allow the defense against patents owned by institutions of higher education.

Change from Existing Law:

- Currently, this defense applies only to “business methods” patents (as narrowly defined).

Effective date: Will apply to any patent issued on or after the date of the enactment.

Recommendations for best practice:

- Increases the options that an entity has when deciding whether to patent or maintain as a trade secret because, if an entity maintains as a trade secret, the entity has a reduced risk of a later patentee enjoining the entity's trade secret process.

Proposed Impact:

- Negative effects on patentee with respect to portfolio value, prosecution and litigation.
- Positive effects on accused infringer as an additional available defense.

8) Study of Patent Litigation by GAO regarding Non-Practicing Entities

Provision: Study of patent litigation

- "The Comptroller General of the United States shall conduct a study of the consequences of litigation by non-practicing entities... related to patent claims" for infringement.
- The study shall include: annual volume of 20 year period ending on the date of enactment; volume of cases "found to be without merit"; impact of such litigation; estimated costs; "economic impact of such litigation on the economy"; and "benefit to commerce."
- Report shall be issued within one year from enactment of Act.
- Report shall include "recommendations for any changes to the laws and regulations that will minimize any negative impact of patent litigation."

Change from Existing Law: No study currently exists

9) Other Notable Changes

a) Assignees May Apply For Patents. Allows assignees (e.g., corporations) to file patent applications and eliminates the current requirement that an individual inventor be listed as the applicant.

b) Best Mode. Eliminates "failure to disclose the best mode" as a basis for invalidity of an issued patent. Effective Date: Apply to cases commenced on or after such date that the bill becomes law.

c) Willfulness and Inducement. Establishes that a failure to obtain or disclose such advice "may not be used to prove that the accused infringer willfully infringed the patent" and that a failure cannot be used to prove an accused infringer "intended to induce infringement of the patent."

d) Tax Strategy Method Patents (Section 14). Declares tax strategies unpatentable as being within the prior art. This exclusion does not apply to any method, product, or system for tax preparation or filing or used solely for financial management.

e) Prioritized Examination. The law provides for a fee of \$4800 (50% reduction for small entity) for "prioritized examination" of a patent application. The limit is no more than 10,000 applications.

f) Fee Diversion. Fees collected by the PTO in excess of the PTO's allocation are to be deposited into the United States Patent and Trademark Office Public Enterprise Fund and made available to the PTO only to the extent and in the amount provided in "appropriation acts."

This *GT Alert* was prepared by [Barry Schindler](#). Questions about the America Invents Act can be directed to Mr. Schindler at 973.360.7944 (schindlerb@gtlaw.com), or to your [Greenberg Traurig](#) attorney.

Albany 518.689.1400	Las Vegas 702.792.3773	Phoenix 602.445.8000
Amsterdam + 31 20 301 7300	London* +44 (0)203 349 8700	Sacramento 916.442.1111
Atlanta 678.553.2100	Los Angeles 310.586.7700	San Francisco 415.655.1300
Austin 512.320.7200	Miami 305.579.0500	Shanghai +86 21 6391 6633
Boston 617.310.6000	New Jersey 973.360.7900	Silicon Valley 650.328.8500
Chicago 312.456.8400	New York 212.801.9200	Tallahassee 850.222.6891
Dallas 214.665.3600	Orange County 949.732.6500	Tampa 813.318.5700
Delaware 302.661.7000	Orlando 407.420.1000	Tysons Corner 703.749.1300
Denver 303.572.6500	Palm Beach County North 561.650.7900	Washington, D.C. 202.331.3100
Fort Lauderdale 954.765.0500	Palm Beach County South 561.955.7600	White Plains 914.286.2900
Houston 713.374.3500	Philadelphia 215.988.7800	

*This Greenberg Traurig Alert is issued for informational purposes only and is not intended to be construed or used as general legal advice. Please contact the author(s) or your Greenberg Traurig contact if you have questions regarding the currency of this information. The hiring of a lawyer is an important decision. Before you decide, ask for written information about the lawyer's legal qualifications and experience. Greenberg Traurig is a service mark and trade name of Greenberg Traurig, LLP and Greenberg Traurig, P.A. ©2011 Greenberg Traurig, LLP. All rights reserved. *Operates as Greenberg Traurig Maher LLP. **Greenberg Traurig is not responsible for any legal or other services rendered by attorneys employed by the strategic alliance firm.*