

## US Patent Reform 2011

### Summary

In mid-September 2011 the Leahy-Smith America Invents Act was enacted into law and as a result a raft of changes will be made to US patent law. These changes have come about in an attempt to (i) harmonise US patent law with the other major patent jurisdictions in relation to novelty and obviousness provisions; (ii) improve the quality of granted patents; (iii) accelerate examination, and (iv) address a number of specific issues and problems with the old law. Some changes were seen immediately and others will become effective in September 2012 and March 2013. This article provides an overview of the most significant changes.

### Harmonisation

These provisions come into force on 16 March 2013 and will apply to applications filed on or after that date.

Traditionally the US has stood alone amongst the major patent jurisdictions in having a "first-to-invent" philosophy, rather than a "first-to-file" philosophy at the heart of its patent system, and this meant that the US provisions for determining whether an invention is novel and inventive are much more complicated than those of other jurisdictions.

The new law will make the US a "first-inventor-to-file" system by replacing the US novelty and obviousness provisions with provisions that closely resemble equivalents in other jurisdictions. As a result, "offers for sale" and public use **anywhere** in the world will become prior art for US patents, i.e. an absolute novelty requirement will apply. The new law still provides for a grace period for inventors, but this will be restricted to disclosures by the inventor, or those made by third-parties who obtained the disclosed subject matter from the inventor either directly or indirectly.

In addition, the new law has provisions that will allow an applicant of a later-filed patent application to challenge an earlier-filed patent application directed to the same invention if the applicant bringing the claim can show that the earlier-filed application is based on a disclosure from an inventor named on the later-filed application. This provision ensures that the new US system is a "first-inventor-to-file" system, rather than a "first-to-file" system.

In related changes, the prior art effect of a US application with a priority claim to a foreign application will now arise from the date of filing of the priority application.

### Improving quality

These provisions come into force on 16 September 2012 and will apply retroactively to all applications/patents with the exception of post grant review which is generally limited to applications filed under the first-inventor-to-file system, i.e. on or after 16 March 2013.

As a means to improve the quality of the patents granted by the USPTO, the provisions for post-grant review and the provisions for third party observations on patents and patent applications have been overhauled. The new law will give patentees and third parties a greater role in the examination of patent applications and the maintenance of valid patents.



The new provisions on **pre-grant third party observations** have been expanded so that the third party can accompany the prior art he wishes to cite with a "concise description of the asserted relevance of each submitted document" thus making the observations significantly more powerful. However, the opportunity for filing such observations is still relatively curtailed in that observations can only be made prior to the notice of allowance and within six months of publication or the issuance of the first rejection.

**Post-grant third party observations** can also be made to the USPTO at any time under the new regime. Under these provisions third parties can file prior art and accompanying comments on its relevance against the claims of a patent. Similarly, statements a patent owner makes in connection with the scope of the claims of his patent during court or USPTO proceedings can be filed with the USPTO. Submissions of this kind will simply be placed on the public file for that patent but will serve as a helpful resource for other interested parties.

The new law also provides for three new forums in which the validity of a granted patent can be challenged by a third party or strengthened by the proprietor. Within nine months of grant a third party can request **post-grant review** of a patent and thereby cancellation of one or more claims on the grounds of novelty, obviousness, written description, enablement, statutory subject matter and double patenting and on the basis of any type of evidence. Accordingly, the grounds for review are more numerous, and the evidence that may be used more extensive, than under the current re-examination procedure and so the new system is more akin to the EPO's opposition procedure.

Unlike the EPO opposition procedure however, the USPTO will only initiate full review proceedings if it determines that the petition demonstrates that "it is more likely than not that at least one of the claims challenged in the petition is unpatentable" or if the petition "raises a novel or unsettled legal question that is important to other patents or patent applications". Any decision to refuse initiation of proceedings is final and not appealable.

A notable feature of these post-grant review provisions, however, is that the petitioner is estopped from raising the same issues, and issues that reasonably could have been raised, in subsequent court proceedings and future *inter partes reviews*.

After the period for requesting post-grant review, or the termination of any post-grant review of a patent, a third party may, under the new **inter partes review** procedure, at any time request cancellation of one or more claims of a patent on the grounds of novelty and obviousness on the basis of printed publications. Thus, although there are less time restrictions on inter partes review, the scope of the review is much more curtailed than post grant review. The USPTO will, however, only initiate the inter partes review if the petitioner can show that he is "reasonably likely to prevail with respect to at least one of the claims being challenged". This is a higher threshold than that applied traditionally in inter partes re-examination. The same estoppels as for post-grant review apply to inter partes review.

Lastly, under the **supplemental examination** provisions of the new Act, patentees are able to have the USPTO "consider, reconsider or correct information believed to be relevant to the validity of a patent" after the patent has been granted. If the request is filed before proceedings against the patent are initiated by a third party, or if the supplemental examination is completed before the patent is enforced, allegations of inequitable conduct cannot be made on the basis of the matters dealt with in the supplemental examination. Unlike the current re-examination system, the remit of this examination is not restricted to issues of novelty and inventive step and is not based solely on printed publications.



### Accelerating prosecution

This provision came into force on 26 September 2011.

To meet the needs of applicants that require patent protection very rapidly, the Act provides for the prioritised examination of certain US patent applications. This system pledges to complete examination of applications that are not PCT national phase applications within 12 months, so long as applicants pay an additional fee of \$4800 at the time of filing the application and the application has no more than 30 claims, of which no more than 4 are independent claims and none are multiply dependent. PCT applications that are in the international phase can be entered into the US system as "bypass" continuation applications in order to ensure qualification for this scheme.

### Other changes

Several other changes to US law were made to address a number of specific issues and problems with the old law. These are touched on briefly below.

**Subject matter that cannot be patented** (in force from 16 September 2011, applicable to applications pending or filed on or after that date)

All strategies of tax avoidance, reduction and deferment, known or unknown, are now considered to be a part of the prior art and thus claimed inventions that rely exclusively on such subject matter for novelty and inventive step will not be considered patentable. The Act does however explicitly state that this provision does not apply to that part of an invention that is a method, apparatus, technology, computer program, product and system used solely for (i) preparing a tax or information return, or other tax filing, including one that records, transmits, transfers or organises data related to such filings, or (ii) financial management, to the extent that it is severable from any tax strategy or does not limit the use of any tax strategy by any taxpayer or tax advisor. As such, inventions relating to such subject matter (e.g. tax return software) may be found patentable if the other conditions for patentability are met.

Claims "directed to or encompassing" a human organism are now deemed to be unpatentable. It is not expected that the patentability of isolated elements of a human organism, e.g. proteins, nucleic acids and stem cells, will be affected by this provision and thus current practice in this area is set to remain the same.

**Filing by Assignee** (into force on 16 September 2012, applicable to applications filed on or after that date)

To overcome procedural problems associated with absent or recalcitrant inventors, in certain circumstances, a party, to whom an inventor has assigned (or is under an obligation to assign) his invention, may file an application directed to that invention without requiring documents executed by the inventor.

**Best mode** (in force from 16 September 2011, applicable to proceedings commenced on or after that date)

It is no longer possible for a US patent which does not disclose the best mode for performing an invention to be held invalid or unenforceable. Nevertheless, it is still a requirement that US patent applications set out the best mode.



**Patent marking** (in force from 16 September 2011, applicable to all proceedings pending on or commenced on or after that date)

The problem of frivolous qui tam litigation based on false patent marking has been addressed by making it possible for such litigation to be brought only by the US government and parties that have suffered competitive injury because of false marking. The new provisions also excuse marking with an expired patent number and allow for marking by reference to a web address.

**Prior use defence** (in force from 16 September 2011, applicable to patents issued on or after that date)

The new law significantly expands on the prior commercial use defence against infringement by extending it to subject matter consisting of a process, or consisting of a machine, manufacture, or composition of matter used in a manufacturing or other commercial process. In general, this means that if a person, acting in good faith, commercially used such subject matter in the US in connection with an internal commercial use or an actual arm's length sale or other arm's length commercial transfer of a useful end result of such commercial use, and that use was at least one year before the earlier of the effective filing date of the claimed invention or the date in which the claimed invention was disclosed to the public in a manner that qualified as an exception from the prior art, then that person would have defence against a later patent infringement action brought on the basis of that use. Further criteria and limitations apply in certain circumstances. In particular, it should be noted that the defence only applies to patents issued on or after 16 September 2011 and to acts within the US.

**Fees for Micro-entities** (applicable to applications pending or filed on or after 16 September 2011)

A new fee scale has been introduced for "micro-entity" applicants. On this scale applicants are entitled to a 75% reduction in certain official fees. A micro-entity is considered to be an applicant that (i) qualifies as a small entity under existing provisions, (ii) is not named on more than four previously filed US non-provisional applications, (iii) did not, in the calendar year preceding the calendar year in which the fee is being paid, have a gross income exceeding three times the median household income for that year (approx US\$149,000 at the time of writing) and (iv) has not assigned, granted or conveyed, and is not under an obligation to do so, a licence or ownership interest in the application to an entity that does not meet qualification (iii). Micro-entity status is also given to applicants that are primarily employed by a US institution of higher education, or applicants that have assigned, granted or conveyed, or are under an obligation to do so, a licence or ownership interest in the application to a US institution of higher education.

The availability of this reduction is however dependent on USPTO rule-making and so is not available at the time of writing.

### Conclusion

The changes to US patent law are substantial in the context of the evolution of US patent law ideology, but perhaps the changes of most significance for our clients will be the new opportunities to challenge third party patent rights that will become available next year. For instance, for those clients that would seek to challenge another party's EP patent at the EPO, the analogous post grant review procedure in the US might also be an attractive option. For further advice on this or any aspect of these changes please do not hesitate to approach your usual attorney contact at Dehns, or the author of this article.



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