



## Overview of the America Invents Act of 2011

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The Leahy-Smith America Invents Act ("AIA"), signed into law on September 16, 2011, is heralded as the most substantial reform of American patent laws since 1952. The provision that has received the majority of public notice, the switch in the United States patent law from a first-to-invent system to first-to-file system, is just one of a myriad of changes the AIA brings to the patent law landscape. The AIA contains some provisions which are effective immediately (on September 16, 2011) and some that are phased in over time. For example, the change from a first-to-invent system to a first-to-file system will not take effect until March 16, 2013, 18 months after the effective date of the AIA. Other changes, such as the fee revision provisions, are taking effect immediately or shortly after enactment. These changes will likely impact strategic decisions on issues regarding patent filing strategies, strategies for challenging issued patents, and enforcement or defense strategies in litigation. Accordingly, patent holders should evaluate their strategic plans in light of the many changes introduced by the AIA.

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### First-to-File Provisions:

- **The AIA, through changes to 35 USC 102, brings the U.S. closer to the first-to-file system, which is the standard for the majority of countries around the world.** In the current first-to-invent system, when two applications for a patent on the same invention are filed, the applicant who could prove it conceived and reduced the invention to practice first would be awarded the patent rights. Under the new system, the first true inventor to file will be awarded the patent rights. The U.S. first-to-file system will retain a limited one-year grace period for filing a patent application after a public disclosure of the subject matter of the patent application if the public disclosure is made by the inventor, by a third party that obtained the information from the inventor, or a disclosure made after the inventor has publicly disclosed his work. The first-to-file system will apply to applications with priority claims that fall 18 months after the date of enactment.
- **The revisions to 35 USC 102 also change the rules regarding the effective date of prior art references, effectively expanding what is considered prior art.** We recommend that patent applicants evaluate the effect of this new system and take steps to file any and all patent applications that may be impacted by this change prior to the date of enactment. As the March 16, 2013 implementation date approaches, patent filers should consider taking advantage of the current system, which is generally more patent-applicant friendly, by filing all patent applications prior to the implementation of the AIA provisions.
- **In addition, the AIA replaces the interference system in use today with a derivation proceeding.** The derivation proceeding will determine whether the inventor named in an earlier-filed application derived the claimed subject matter from the inventor of a later-filed application. Derivation proceedings will apply to applications with priority claims that fall 18 months after the date of enactment. For applications not subject to the new derivation proceedings, the current interference proceedings will continue to apply.

**Patent Prosecution Provisions:**

- **The AIA mandates a 15% increase in all patent fees effective September 26, 2011.** In addition, a \$400 fee for all non-electronic patent filings will also go into effect November 16, 2011.
- **The AIA also creates a new payor entity, the “micro entity,” which qualifies for a 75% reduction in most patent fees.** This provision takes effect once the USPTO sets the micro entity fees using its new fee-setting authority. To qualify as a micro entity, a patent applicant must: (i) qualify as a small entity; (ii) be named as inventor on no more than four previously-filed patent applications (not including provisional patents, patents in foreign countries, or those applications that are subject to assignment to an employer); (iii) have less than three times the median household income in the previous calendar year as defined by IRS regulations; and (iv) have not granted or be under an obligation to grant a license or other ownership interest in the application to an entity that has three times the median household income in the previous calendar year as defined by IRS regulations. Institutes of higher education, as defined in the AIA, also qualify for micro entity status. Patent holders and applicants should review their patent portfolios for cost-saving opportunities in light of this change.
- **Beginning on September 26, 2011, any patent applicant will be able to pay for prioritized examination.** By paying \$4,800.00 (reduced for small and micro entities), an applicant can put its application at the front of the examination line. Unlike the current law, the AIA does not require the submission of examination support documents to qualify. Simply paying the fee allows the applicant to jump to the front of the line without extra supporting work or the chance of having that work later construed against the patent. To qualify for the prioritized examination, the application must be limited to four independent claims and 30 total claims. Applicants paying for prioritized examination should receive a final disposition within 12 months after being granted prioritized status. Note that until the USPTO decides otherwise, the Act limits the number of priority examinations to 10,000 applications per fiscal year, which begins October 1. If you are considering making use of this program for one of your inventions, plan to act quickly.
- **Effective September 16, 2011, tax strategy patents are no longer allowed.** The new Act deems all strategies for reducing, avoiding, or deferring tax liability as prior art, thereby making such grounds unavailable for obtaining a patent. The AIA includes

a so-called “Turbo Tax” exception for computer programs that actually carry out the preparation and filing of a tax return.

- **The AIA eases the requirements for filing inventor’s oaths or declarations.** These rules should make it easier for patent assignees to pursue their applications in situations where the inventor cannot be located, refuses to sign and is under an obligation to assign, or is deceased or under a legal incapacity. Furthermore, the inventor’s oath or declaration also can be made in an assignment document.

**Patent Litigation Provisions:**

- **Immediately upon enactment, the AIA makes it much harder to sue patent owners for false marking.** Previously, if a company’s products were marked with expired patents or with a patent that did not cover the marked product, any person in the name of the U.S. Government (called a *qui tam* action) could bring a false marking suit against that company with a penalty of up to a \$500 for each instance. The number of these suits substantially increased following the 2009 Federal Circuit decision *Forest Group, Inc. v. Bon Tool Co.* which held that the penalty for false marking applied to each article falsely marked, rather than for a single decision to mark a product line. Effective immediately upon enactment of the AIA and applicable to all pending and newly-filed cases, *qui tam* actions for false marking suits are eliminated. Under the AIA only the U.S. Government can sue for statutory damages. The AIA allows a private party to bring a civil suit for false marking claims only if that person has suffered a “competitive injury” from false marking. In addition, upon enactment, marking a product with a patent that once covered that product but has since expired no longer violates the false marking statute. Taken together, these new rules will significantly reduce a patent holder’s exposure to suits based on false marking claims. As a result, companies currently facing these suits can immediately file motions to dismiss the false marking claims.
- **The AIA also enables patent owners to virtually mark their products.** Owners can affix the word “patent” or “pat.” on the product along with the web address of a publicly accessible website which lists the patent numbers associated with the product. This procedure will allow patent owners to rapidly and effectively update their product markings, thereby avoiding false marking suits without affecting their production line.
- **For patents issued after the AIA effective date, the new law expands prior user rights to cover**

**all patents.** The American Inventors Protection Act of 1999 created a “prior use” defense for infringers of patents for a “method of doing or conducting business” if the infringer had reduced the subject matter to practice more than one year before the effective filing date of the patent and had used the subject matter commercially before the effective filing date of the patent. The AIA now applies this defense to any patent issued after the Act is signed into law, though commercial use must now begin *one year* before the effective filing date. The defense still does not apply against institutions of higher education. As before, a successful prior use defense in court does not invalidate the patent or amount to a general license for all claims; it applies only to the subject matter of those commercial uses actually proved. While the AIA specifically defines premarketing regulatory review and use in nonprofit research laboratories as “commercial use,” it does *not* provide a general definition of “commercial use” for purposes of the prior use defense. Thus, the contours of commercial use are expected to be addressed by the courts in future cases.

- **The AIA removes the “best mode” defense in patent infringement suits brought after enactment.** Under the prior law, a defendant could invalidate the patent in a lawsuit by claiming inequitable conduct for failure to disclose the best mode for practicing the invention in the patent. The AIA eliminates this defense. However, the AIA does not remove the best mode requirement from 35 USC 112; so, patent applicants must still include the best mode when submitting an application. The AIA applies this change only to cases commenced on or after the date of enactment, *not* cases currently pending, so the best mode defense will still be applicable in lawsuits commenced prior to the enactment date.
- **The AIA also makes joinder of multiple defendants in patent cases more difficult.** Under the new joinder rules, parties may be joined in the same litigation only (i) if a right of relief which is asserted against the parties arises from or with respect to the same transactions or occurrence regarding infringement of the accused product or process AND (ii) if questions of fact which are common to all defendants arise in the litigation. This revision will prevent non-practicing entities from consolidating suits against multiple defendants, making it more expensive to maintain multiple suits. These provisions became effective September 16, 2011.
- **The AIA establishes a Supplemental Examination Procedure whereby a patent owner may request the USPTO to perform a supplemental**

**examination to consider, reconsider, or correct information believed to be relevant to a patent.** If the USPTO determines that a “substantial new question of patentability” is raised, the Director must order an ex parte reexamination. Regardless of whether the reexamination is granted, the information submitted cannot be used later as a basis for inequitable conduct in litigation. The effective date of the Supplemental Examination Procedure is September 16, 2012.

#### **Post-Grant Proceeding Provisions:**

- The AIA creates a new regime for post-grant challenges of patents by enacting two new chapters under 35 USC: chapter 31 for Inter Partes Review and chapter 32 for Post-Grant Review.
- **For Inter Partes Review, patents can be challenged by a non-patent owner only under 35 USC 102 or 103 on the basis of patents or printed publications.** Inter Partes Review will replace the current Inter Partes Reexamination procedure and will be available only after the window for Post-Grant Review has passed or after a given Post-Grant Review proceeding is completed. The provisions of 35 USC Chapter 31 take effect one year after enactment of the AIA, but will apply to patents granted before the AIA effective date. To obtain review under this regime, a challenger must show it has a “reasonable likelihood” in prevailing with regard to at least one claim in the patent. The AIA legislative history indicates that this new standard should be interpreted as a higher standard than the current “substantial new question” standard for Inter Partes Reexamination, although how much higher this new standard will be in actual practice remains to be seen.
- **For Post-Grant Review, a patent can be challenged by a non-patent owner within nine months after the issue date of the patent.** Under the Post-Grant Review procedure, the patent may be challenged on any ground; it is not limited to 35 USC 102 and 103. In addition, Post-Grant Review is an option if the challenger raises a “novel or unsettled legal question” that is important to the patent community. The provisions of this chapter take effect one year after the date of enactment for certain business method patents (that is, patents that claim a method or apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service) where a party has been sued for or charged with infringement. In all other situations, the Post-Grant Review will apply only to applications with priority claims that fall 18 months after the date of enactment. To obtain review under this regime, a challenger must show that it “more likely than not”

would prevail with regard to at least one claim in the patent.

- **Procedural provisions for both forms of review limit the challenger's ability to challenge patents in multiple locations at once and the method of appealing final decisions.** Both regimes limit a challenger's ability to file civil actions when a review is pending and prevent the filing of a review when a civil action is pending. Estoppel provisions will bar the petitioner from raising, in any subsequent USPTO proceeding, district court action, or ITC proceeding, any ground of invalidity that actually was raised or reasonably could have been raised during the review proceeding. Final decisions will be appealable to the Federal Circuit only.

As the patent reforms in the America Invents Act begin to take effect over the next several months, we will continue to provide updates on how the courts and administrative agencies shape these new rules through their interpretation. If you have any questions regarding the AIA, please contact the [patent attorneys](#) at Bradley Arant Boulton Cummings.

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