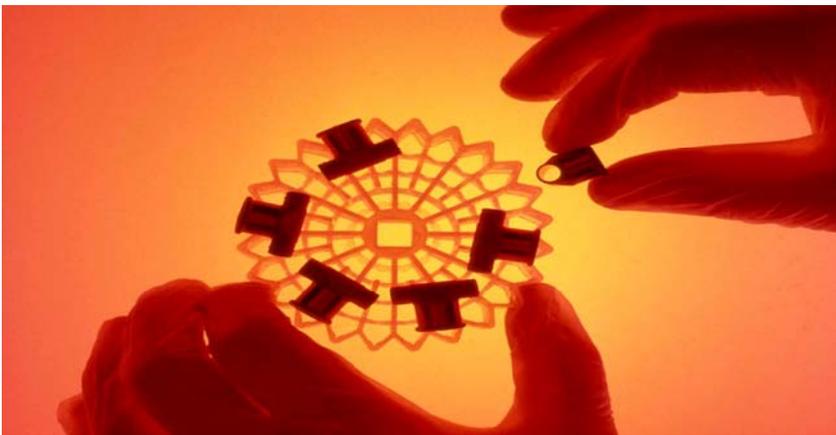


Clifford Chance Patent Law Series

US Patent System Reformed by America Invents Act



Patent Reform Becomes Reality

On 16 September 2011, President Obama signed the [America Invents Act \(AIA\)](#) into law after years of Congressional consideration and debate. Introducing the most comprehensive changes to the U.S. patent system in many decades, the AIA notably aligns U.S. patent law more closely with the laws of other industrialized nations. It is intended to improve the quality of U.S. patents and reduce the current backlog of applications, and will significantly impact patent strategies taken by companies, administrators, inventors and litigants. Some of the AIA's many changes will become effective immediately, while others will only come into effect gradually. Highlights of the AIA's many changes are described below.

Conversion to a "First-to-File" System (35 U.S.C. § 102(a))

The most significant change effected by the AIA is the conversion of the existing "first-to-invent" system to a "first-to-file" system. Unlike most jurisdictions, U.S. patent law historically awarded patent priority to the first inventor who makes an invention. Although not the first person to file an application, an inventor could overcome an earlier filed application by proving a prior invention date according to 35 U.S.C. § 102(g). With conversion to a first-to-file system, priority will lie with the first inventor to file a patent application. The change was made to simplify disputes over inventorship priority, to lower the administrative burden on the U.S. Patent and Trademark Office (USPTO) and to align U.S. patent law with the laws of other industrialized nations.

An important difference accompanying the conversion is the expansion of available activities which may be asserted to defeat an inventor's claims of novelty. The AIA now provides that claims are subject to attack on the basis of evidence that the invention was previously "in public use, on sale, or otherwise available to the public" anywhere in the world, unlike the existing regime which limited similar novelty-defeating disclosures to those made in the United States.

Effective 16 March 2013, and applies to applications with priority claims dated on or after that date.

Key Issues

Conversion to "first to file" patent system

Broad modifications to post-issuance review procedures

Transitional procedures for challenging business method patents

Changes to litigation proceedings

Modified infringement defenses

Links

- [The Act is available here](#)
- [USPTO implementation timeline is available here](#)

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One year grace period (35 U.S.C. § 102(b)(1))

The U.S. retains an important difference from other first-to-file systems, providing applicants a one year grace period for making certain public disclosures prior to filing without defeating the novelty requirement. Under prior U.S. law applicants enjoyed a one year grace period against novelty-defeating public disclosures, sales and public use regardless of who was responsible for the activity. The AIA exception, however, is less robust. The scope of protection now afforded applicants is limited to only disclosures made by the inventor or joint inventor, or another person who derives the information from the inventor or a joint inventor. Based on these changes, businesses should review their procedures for documenting and reporting inventions, and for managing pre-filing disclosures.

Derivation proceedings (35 U.S.C. § 135)

Under the existing first-to-invent system, disputes over priority of inventorship are decided in interference proceedings, where a second party to file is given the opportunity to prove that he or she had made the invention before the other party filed for a patent. Thus a later party may establish priority as the actual inventor. The AIA will end interference proceedings as currently conducted.

As an alternative recourse for inventors who are not the first applicants to file, the AIA provides for "derivation" proceedings to give later-filing inventors the opportunity to prove that their invention was derived or stolen by the earlier filing party. The later inventor must file a petition within one year of the first publication of the relevant claim, and is required to support the petition with "substantial evidence." If the later inventor is successful,

then the earlier claims will be refused or cancelled. The AIA similarly provides recourse through a civil action in 35 U.S.C. § 291 for issued patents, provided the action is filed within the first year after issuance of the allegedly derived patent. In view of the time limits placed on derivation proceedings, parties concerned about the possibility of derivation should consider procedures to monitor published and issued claims.

Effective 16 March 2013, and applies to applications with priority claims dated on or after that date. Interference proceedings will remain available for earlier filed applications.

Post-Grant Patent Review Procedures Before the USPTO

The AIA provides new and revised tools to challenge issued patent claims. U.S. patent law previously provided that third parties were limited to either ex parte reexamination or inter partes reexamination to address "at least one substantial new question of patentability" to reopen examination by the USPTO. Ex parte reexamination remains substantially intact.

Modified post-issuance review procedures

The AIA significantly alters inter partes reexamination proceedings by including (i) **post-grant review** analogous to European oppositions (new 35 U.S.C. §§ 321-329), (ii) modified **inter partes review** (35 U.S.C. §§ 311-319), and (iii) a **supplemental examination** procedure available to patent owners (new 35 U.S.C. § 257). Key differences between the procedures are described in the accompanying chart.

	Post-Grant Review	Inter Partes Review	Supplemental Examination
Timing	First 9 months after issuance	Later than 9 months after issuance (or at the termination of any post-grant review)	Anytime after issuance
Petitioner	Third party	Third party	Patent owner
Basis for review	Any ground for invalidity	Only prior art patents and printed publications	Any information relevant to the patent
Standard	(i) "it is more likely than not that at least one of the claims challenged in the petition is unpatentable," or (ii) the "petition raises a novel or unsettled legal question that is important to other patents or patent applications"	"a reasonable likelihood that the petitioner would prevail with respect to at least one of the claims challenged"	May submit information "believed to be relevant" USPTO is required to order reexamination if the information raises a "substantial new question of patentability"
Estoppel effects	Petitioner is precluded from raising in subsequent USPTO, ITC or civil court proceedings any grounds for invalidity that were actually raised or reasonably could have been raised	Petitioner is precluded from raising in subsequent USPTO, ITC or civil court proceedings any grounds for invalidity that were actually raised or reasonably could have been raised	Information considered in the procedure may not be used to hold the patent unenforceable in subsequent litigations, giving the patent owner an opportunity to cure potential allegations of inequitable conduct
Applicability	<i>Effective 16 September 2012</i>	Revised standard (above) <i>effective 16 September 2011</i> New procedures <i>effective 16 September 2012</i> , applying to all patents including those issued before the effective date	<i>Effective 16 September 2012</i> , applying to all patents including those issued before the effective date

Modified post-issuance review procedures (cont.)

Third parties do not have unlimited ability to challenge a patent both through litigation in the civil courts and through the post-grant or inter partes review processes. For example, neither review proceeding may be instituted after the petitioner (or real party in interest) has filed a civil action challenging the validity of a patent. Moreover, if a petitioner, after requesting either review procedure, subsequently files a declaratory judgment action in civil court, the civil action will be automatically stayed until the patent owner either moves to lift the stay or with alleges infringement by petitioner. The burden of proof for both proceedings is a preponderance of the evidence, and they are appealable only to the U.S. Court of Appeals for the Federal Circuit.

Transitional review for business method patents

In addition to the review procedures described above, new administrative procedures are also anticipated for business method patents, which have been widely criticized as particularly weak in many cases. The AIA requires the Director of the USPTO to issue regulations similar to the new post-grant proceedings (but without a nine-month time limit), to become effective after one year, for transitional review proceedings to specifically address business method patents.

The procedure will be only be available for an eight year period, and will only be available to parties who have already been sued for infringement of the specific business method patent. This new approach is intended to provide a more efficient and cost effective tool for defendants to challenge business method claims.

Effective 16 September 2012.

Pre-Issuance Submissions (new 35 U.S.C. § 122(e))

The AIA expands the ability of third parties to submit prior art (patents, applications and other printed publications "of potential relevance") during prosecution of pending applications. Third parties may now submit prior art before the earlier of (i) a notice of allowance, or (ii) the later of six months following publication or the first office action on the merits. The AIA also requires a concise explanation of the asserted relevance of each piece of prior art submitted. The wider window of opportunity for third parties to submit potentially novelty-defeating evidence is expected to increase the scrutiny of patent claims and lead to stronger patents.

Effective 16 September 2012.

Limitations to Litigation Proceedings

False patent marking (35 U.S.C. § 292)

Private parties are severely restricted going forward in their ability to bring false marking suits. Under current law, false patent marking cases include *qui tam* actions where private individuals assisting in prosecution are eligible to receive all or part of any penalty imposed. Now, only the U.S. government can sue for statutory damages. Private litigants must prove a "competitive injury" from false marking to successfully maintain a civil action for compensatory damages. The new provisions are intended to reduce the recent surge in false marking litigation and will eliminate *qui tam* actions.

Effective 16 September 2011.

Joinder of multiple unrelated defendants (new 35 U.S.C. § 299)

Joinder of multiple unrelated defendants accused of infringement is now limited. It will only be permitted where (i) plaintiff seeks redress for the same activities relating to the same accused process or product, and (ii) facts common to all defendants will arise in the litigation. This restriction is intended to curb the practice by non-practicing patent owners of including a large number of unrelated defendants in the same suit.

Effective 16 September 2011.

Defenses to Allegations of Infringement

Prior user rights (35 U.S.C. § 273)

Current law provides a limited prior use defense for defendants accused of infringing business method patent claims. The AIA broadly expands availability of the defense to allegations of infringement of any claims directed to any process, or to any other "machine, manufacture or composition of matter used in a manufacturing or other commercial process." The defense only applies when the prior use predates the patent filing date by more than one year. The new prior use defense is personal to the actual prior user and is limited in transferability. Prior use is also unavailable as a defense to allegations of infringement of certain patent claims invented at a university.

Effective 16 September 2011.

Best mode (35 U.S.C. § 282)

Patent applicants are currently required by 35 U.S.C. § 112 to disclose the best mode of an invention in addition to satisfying other disclosure requirements (i.e. enablement and written description) as part of the quid pro quo for receiving patent rights. The AIA retains the requirement to disclose the best mode, but failure to disclose the best mode of an invention will no longer provide a basis for invalidating patent claims.

Effective 16 September 2011.

Looking Forward

The AIA imposes extensive changes on U.S. patent law that will change the ways patents are prosecuted, licensed and litigated. Although many changes will be felt immediately, its full effect will not be felt for several years. It is hoped that the AIA will achieve its intended purposes of promoting international uniformity and streamlining patent procurement while improving legal certainty and patent quality to create stronger patent rights for applicants and owners.

This client briefing does not necessarily deal with every important topic or cover every aspect of the topics with which it deals. It is not designed to provide legal or other advice.

Further information on Clifford Chance Partnerschaftsgesellschaft, in particular with regard to the details to be provided pursuant to section 2,3 DL-InfoV, can be obtained at:

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