

President Obama Signs into Law Most Comprehensive Patent Reform Act in 175 Years

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On Friday, September 16, 2011, President Obama signed into law the Leahy-Smith America Invents Act (the “Act”), which the U.S. Patent and Trademark Office (USPTO) termed “the most comprehensive overhaul to our nation’s patent system since 1836.”

The Act (H.R. 1249), co-sponsored by Senator Patrick Leahy (D-VT) and Rep. Lamar Smith (R-TX), was passed by the U.S. House of Representatives on June 23, 2011 by a vote of 304 to 117 (with 10 not voting), and it

passed the Senate on September 8, 2011 by a vote of 89 to 9 (with 2 not voting). The Act received bi-partisan support in both chambers of Congress.

A full copy of the final Act as passed by Congress and signed by the President is provided by the [U.S. Government Printing Office](#).

The Act makes many changes intended to streamline the U.S. patent process, which were advocated to Congress by the USPTO. Most significantly, it will change America’s patent protection system from a “first to invent” system to a “first to file” system. This will bring the U.S. into line with the patent systems of most of the rest of the world.

Under a “first to invent” system, like the U.S. historically has had, an inventor could challenge an issued patent in court years after its issuance and prevail if the inventor could prove that he or she actually invented the subject matter of the patent before the patent owner.

Under the “first to file” system ushered in by the new patent reform law, the first inventor to file a patent application covering an original invention is the presumed owner. New procedures are put in place to allow an administrative challenge and review of a newly issued patent before a newly created Patent Trial and Appeal Board (PTAB) for an extended period of up to a year after issuance of the patent in certain cases, however, the ability to challenge an issued patent in court is restrained.

Time Table for Implementation

The change to a first-inventor-to-file system made by the new law will become effective on March 16, 2013, 18 months after the Act was signed by the President. Most of the new post-grant review procedures will become effective September 16, 2012, one year after the law was signed by the President. Other important changes made by the law will become effective sooner.

The [USPTO on its website](#) provides information on the implementation of the Act, including a [link to the final Act](#) as signed into law, a [Timeline for implementation](#) of the various provisions of the Act, and a [new Fee Schedule](#) for filing and prosecution of patents that will be implemented starting on September 26, 2011 under the Act.

Some of the Significant Changes Made by the Act

Following is a general list and description of areas in which the Act makes changes to our current patent system:

- 1. Change from First To Invent to First To File System** – See the discussion above, regarding this most significant change made by the Act. The Act will grant priority to the first inventor to file a patent application, subject to certain broader post-grant administrative review provisions, as referenced above and below.
- 2. New Post-Grant Review Procedures** — The Act eliminates previous provisions that allowed so-called “interference” proceedings or “Inter Partes Reexamination” during the patent review process, but substitutes expanded allowance of pre-issuance petitions for third parties to challenge a patent application during prosecution and post-grant administrative review procedures in front of the newly created Patent Trial and Appeal Board (PTAB), as referenced above. Among the new administrative proceedings implemented during an expanded period immediately after grant of a patent will be the so-called “Derivation Proceedings,” “Supplemental Examination,” “Post-Grant Review,” and post-grant “Inter Partes Review” procedures.

With these and other changes (e.g. in scope of “Prior Art”, as described below), the Act generally expands the scope of review during the patent application process intending to assure that patents are in fact granted to the first to invent, adds an administrative process immediately post-grant for others to challenge a patent, but limits the ability of others to challenge a patent in court thereafter.

- 3. Changes in “Prior Art” Provisions** — The Act includes provisions that may in general broaden the scope of patent-defeating “prior art”. Section 102(a)(1) of the Act provides that:

“A person shall be entitled to a patent unless—(1) the claimed invention was patented, described in a printed publication, or in public use, on sale, **or otherwise available to the public** before the effective filing date of the claimed invention;”

The bolded phrase has been added to the prior law. U.S. patents granted as well as published patent applications of other persons “effectively filed before the effective filing date of the claimed invention” are included in the prior art.

However, the applicant may be granted an exception (or grace period) from having the application defeated by prior art, based upon any “disclosures” of the invention published by the applicant himself or itself within 1 year before the “effective filing date” of the U.S. application (as well as based upon information derived from such disclosures). A further extended grace period is available in certain cases claiming foreign priorities and provisional applications.

4. **“Prior User” Defense to Patent Infringement Claims Broadened** — The “prior user” defense to patent infringement claims provided in 35 U.S.C. § 273 would be broadened to cover commercial use of the subject matter of a patent in the United States, without the restriction to business methods patent that existed under prior law. (Section 5).
5. **Patent Applications by Assignees Permitted** — Assignees of inventions will now be able to file a patent application for the invention, without naming the actual inventor as applicant. Under prior law, the actual inventor was required to be named as applicant in a patent application, even if he had assigned all of his rights to another person or entity.
6. **Autonomy to USPTO to Set Self-Sustaining Fees** — The USPTO is granted fee-setting authority, subject to administrative review procedures. The USPTO had argued for this, in order to make the agency self-sustaining and support changes needed to streamline U.S. patent procedures. Fees collected by the USPTO are to be solely for the use of the USPTO, with a caveat that certain excess funds may be placed in a “reserve fund.”
7. **Prioritized Examination Fee** — A Priority Examination Fee of \$4,800 is established, to allow applicants to pay a higher fee for an expedited process.
8. **Reduced Fees for Small Inventors** — Currently those who qualify as “Small Entities” can qualify for a 50% reduction in fees. This will be continued, and in addition a new category of “Micro Entities” is added to help individual inventors with limited means. It will enable certain small applicants who qualify as “Micro Entities” to obtain a 75% reduction in patent fees. A summary of this provision is provided in a recent article published by [CNET Business Tech News](#).
9. **Litigation-Related Changes** — The Act will implement a number of changes affecting patent litigation, including jurisdictional and venue changes, changes related to defenses available in patent litigation, as well as a limitation on the ability of plaintiffs to join multiple parties as defendants in one patent infringement action based solely upon a broad claim that they all infringed a patent holder’s rights.

The Act will allow joinder of parties as defendants in one action only if the claims against all of the named defendants relate to the same transaction or occurrence or the same accused product or process, and are based upon questions of fact common to all of the defendants. This later provision was meant to address perceived abuses in which some passive patent holders, apparently as a business model, were filing blanket lawsuits against dozens of companies in dissimilar industries.

In addition, the Act will clarify that failure to obtain or present evidence of an opinion of counsel “may not be used to prove that the accused infringer willfully infringed the patent.”

10. Special Provisions – Certain Technologies — The Act (Sec. 25) establishes priority examination for certain technologies deemed important to the national economy or national competitiveness. Section 18 establishes a transitional program with an 8-year post-grant review period for certain business method patents. Section 33 of the Act bars patent claims directed at or encompassing a human organism.

11. Pro Bono Program to Assist Independent Inventors and Small Business — Section 32 of the Act establishes a pro bono ombudsman program to help certain small businesses and independent inventors with limited resources. See also paragraph 8 above as to reduced patent fees made applicable to “Small Entities” and “Micro Entities.”

The above is not a comprehensive list or description of the Act. [The Act itself](#) and a qualified patent attorney should be consulted for an understanding of the Act’s provisions.

Reactions

As previously covered by the [Wall Street Journal](#), some critics of the Act worry that it will favor big companies over individual inventors. Others, including the USPTO, tout the Act, saying that it “will foster innovation and spur job creation in the United States.”

In a message posted on the USPTO’s website, Director David Kappos, states:

“The new law will afford more certainty for patent applicants and owners, and provide the USPTO the resources needed to operate efficiently and issue high-quality patents. Implementation of the new law will occur over a period of months, and our USPTO team will seek input and provide updates all along the way. I strongly encourage you to use this site to regularly track progress pertaining to the agency’s implementation efforts.

The Act, which had strong bi-partisan support in Congress, was strongly supported by President Obama. In a White House blog post about the signing of the Act, the White House said, “This historic legislation will help American entrepreneurs and businesses get their inventions to the marketplace sooner so they can turn their ideas into new products and new jobs.”

“[The *America Invents Act*] will help companies and inventors avoid costly delays and unnecessary litigation, and let them focus instead on innovation and job creation. Many key industries in which the United States leads, such as biotechnology, medical devices, telecommunications, the Internet, and advanced manufacturing, depend on a strong and healthy intellectual property system,” the White House said.

Highlighting some of the provisions in the Act and related initiatives, The White House explained:

“[R]educing the backlog [in the patent application process] will help get more ideas turned into companies and jobs. The USPTO will now be in a position to implement an innovative program to

speed up the processing of the patents that are likely to create good jobs right away. Under the prioritized examination process, the USPTO will offer start-ups and growing companies an opportunity to have important patents reviewed in one-third the time with a new fast-track option that has a guaranteed 12-month turnaround.

The program builds on the Green Technology Pilot program that accelerates patent applications involving reduced greenhouse gas emissions and energy conservation — at no cost to the inventor.

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The National Institutes of Health will launch a new center that will help companies reduce the time and cost required to develop life-saving drugs, and is making it easier for startups to commercialize the biomedical inventions made by NIH and FDA researchers. In addition, the Administration will develop a “bioeconomy blueprint” to create jobs and address key national challenges in health, energy, and agriculture.”

According to a [press release issued on September 16, 2011 by the White House](#), “The America Invents Act will help businesses, inventors, and entrepreneurs in five immediate ways:

- **“A fast track option for Patent Processing within 12 Months:** Instead of an average wait time of almost three years, the Patent and Trademark Office will be able to offer startups growing companies an opportunity to have important patents reviewed in one-third the time – with a new fast track option that has a guaranteed 12-month turnaround. Patent ownership is a critical factor venture capital companies consider when investing in entrepreneurs hoping to grow their business.
- **Reducing the current patent backlog:** Under the Obama Administration, the patent backlog has already been reduced from over 750,000 patent applications to 680,000, despite a 4% increase in filings. The additional resources provided in the law will allow the Patent and Trademark Office to continue to combat the backlog of nearly 700,000 patent applications and will significantly reduce wait times.
- **Reducing litigation:** The Patent and Trademark Office will offer entrepreneurs new ways to avoid litigation regarding patent validity, at costs significantly less expensive than going to court.
- **Increasing patent quality:** The Patent and Trademark Office has re-engineered its quality management processes to increase the quality of the examinations and has issued guidelines that clarify and tighten its standards for the issuance of patents. The legislation gives the USPTO additional tools and resources to further improve patent quality, and allows patent challenges to be resolved in-house through expedited post-grant processes.
- **Increasing the ability of American Inventors to protect their IP abroad:** The new law will harmonize the American patent process with the rest of the world to make it more efficient and predictable, and make it easier for entrepreneurs to simultaneously market products in the U.S. and for exporting abroad. The Patent and Trademark Office has also expanded work-sharing with other patent offices around the world to increase efficiency and speed patent processing for applicants seeking protection in multiple jurisdictions.”

More Information

For more information on the America Invents Act and its implementation, see the website of the [U.S. Patent & Trademark Office \(USPTO\)](#).



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She is fluent in English, Spanish, and Norwegian, and conversant in Swedish and Danish. She is admitted and licensed to practice law in four U.S. States – New York, Florida, Texas, and Minnesota. **Ms. Barnhart may be reached by e-mail at CBarnhart@BarnhartLawPLC.com or by telephone at +1-954-545-4994.**