

# THE 2011 PATENT REFORM ACT IMPLICATIONS FOR YOUR COMPANY



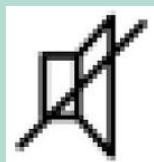
## SPEAKERS

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Please mute your phone. Thank you.

Orrick, Herrington & Sutcliffe LLP

# OVERVIEW



Since 2005, patent reform has been introduced in each session of Congress. On September 8, 2011, the Senate passed the House version of the bill, H.R. 1249. President Obama signed it into law on September 16, 2011.

As its various provisions take effect over the following 18 months, the America Invents Act (“AIA”) will significantly change some aspects of the patent system, while leaving other key issues such as inequitable conduct, willful infringement, damages, and venue for further judicial development.

# FIRST-INVENTOR-TO-FILE

**Effective Date: 18 months from enactment (March 16, 2013)**

- Shift from First-to-Invent to First-Inventor-to-File
- Expands the definition of prior art



# FIRST-INVENTOR-TO-FILE

## Prior Art Expanded

102(a) Novelty; Prior Art- 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; or

‘(2) the claimed invention was described in a patent issued ... , or in an application for patent published or deemed published under section 122(b), in which the patent or application ... names another inventor and was effectively filed before the effective filing date of the claimed invention.

# FIRST-INVENTOR-TO-FILE

## Prior Art Expanded

§103. Conditions for patentability; nonobvious subject matter — A patent for a claimed invention may not be obtained, notwithstanding that the claimed invention is not identically disclosed as set forth in section 102, if the differences between the claimed invention and the prior art are such that the claimed invention as a whole would have been obvious before the effective filing date of the claimed invention to a person having ordinary skill in the art to which the claimed invention pertains. Patentability shall not be negated by the manner in which the invention was made.

# FIRST-INVENTOR-TO-FILE

## Prior Art Expanded

- Includes public use and sale activities outside the U.S.
- Foreign patents prior art as of effective foreign filing date
- “otherwise available to public”





A Publicly  
Discloses  
his  
Invention X

< 1 year

A Files  
Claiming X



B Publicly  
Discloses  
his  
Invention X

B Files  
Claiming X



A Places his  
Invention In  
Public Use or  
On Sale

< 1 year

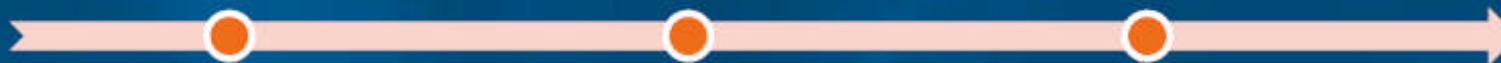
A Files



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A Files



< 1 year

# FIRST-INVENTOR-TO-FILE

## Grace Period to File

- Eliminates one-year grace period on printed publication, public use, sale or availability, except for the inventor's own disclosures
  - Inventor was first to disclose
  - Inventor's "disclosures" were within one year of filing
  - However, inventor's public use or sale may be prior art to inventor's own application, § 102(a)(1)
- Derivation Proceeding
  - Within one-year period beginning from date of first publication
  - Fewer subjective evidentiary issues than interference proceeding

# FIRST-INVENTOR-TO-FILE

## Implications of First-Inventor-to-File

- Decrease burden on inventors to keep detailed records
- Still keep lab books?
  - Proof of inventorship in collaborative work
  - Preserve “prior use” defense
- Race to Patent Office, speed up filings
- Well resourced NPEs may beat inventors in race to file



# FIRST-INVENTOR-TO-FILE

## Impact on startups

- Publicly disclose beta product, avoid public use or sale and file within one year of disclosure
- Wait to file without public disclosure, use or sale, but run the risk of losing patent to someone else and potential funding
  - Still preserves “prior use defense”
- Protect product as a trade secret

# EXPANSION OF PRIOR USE DEFENSE

## **Effective Date: Now, for any patent filed after enactment**

- Previously “prior use” was only a defense to “business method” patents
- New law expands prior use defense to also cover:
  - internal use of an invention
  - certain non-profit use
  - pre-marketing regulatory review of certain drugs and medical devices
  - exemption for university patents

# ELIMINATION OF “BEST MODE” DEFENSE

**Effective Date: Now, as to all proceedings commenced after enactment**

- Patent application must still describe the inventor’s best mode of practicing the invention
- Defendants may no longer assert that applicant failed to disclose the best mode as a defense to infringement

# REVISED JOINDER RULE

## **Effective Date: Now, as to all actions commenced on or after enactment**

- No longer sufficient to join multiple defendants in a single suit on mere allegation that each defendant individually infringes
- Defendants must be involved in making, using, or selling the same accused products or process, or be jointly and severally liable
- Harder to sue multiple unrelated parties in one venue



# REVISED JOINDER RULE

## Effect on Non-Practicing Entities (NPEs)

- Less likely to sue large number of defendants that are unrelated
- Small companies less likely to be targets because not worth pursuing
- Well-resourced NPEs likely to pursue precedent against a key defendant, followed by a series of suits against other players in the industry
- Could see greater number of law suits filed in Delaware
- Could see greater number of patents on industry standards

# POST-GRANT REVIEW

**Effective Date: March 16, 2013 for all patents filed under FITF rule,  
but September 16, 2012 for certain business method patents**

- Within nine months from issuance (or reissuance)
- Any grounds for invalidity may be raised (*i.e.* §§ 101, 102, 103 and 112, except best mode)
  - No limitation on applicable prior art
- Threshold inquiry: *“more likely than not that at least 1 of the claims challenged in the petition is unpatentable”*
- Automatic stay available for litigation initiated after PGR that does not require injunctive relief
- Challengers estopped in subsequent judicial proceedings
- No time limit on PGR for business method patents

# *INTER PARTES* REVIEW

## **Effective Date: September 16, 2012, for all patents**

- Available after nine-month window following issuance
- Raising standard from “*substantial new question of patentability*” to “*reasonable likelihood that the requestor would prevail with respect to at least 1 of the claims challenged in the request*”
- Inquiry still limited to obviousness and novelty
- Based only on prior art patents and publications
- Applicable to all patents, issued before, on or after September 16, 2012

# PRE-GRANT SUBMISSIONS

## **Effective Date: September 16, 2012**

- Any third party may submit prior art with a statement relevance
- Must file prior to: (i) Notice of Allowance, or later of (ii) six months from publication or (iii) date of first Office Action
- Increases opportunity for 3<sup>rd</sup> party involvement in examination

# SUPPLEMENTAL EXAMINATION

## **Effective Date: September 16, 2012**

- Patent owner may request supplemental examination to consider, reconsider or correct information believed to be relevant to the patent
- Will likely limit challenges based on inequitable conduct
- Cannot cure prior allegations of inequitable conduct

# LIMITS ON FALSE MARKING SUITS

## Effective Date: Now

- Restricts the private right of action for false marking to those who have suffered complete injury
- U.S. government may bring suit in public's interest
- Eliminates Qui Tam Suits
- Eliminates civil liability for marking a product with an expired patent number if patent covered the product
- Enables “virtual marking”: patent holder may substitute the patent number with a website address

# BANNED PATENTS

**Effective Date: Now, as to any patent application filed after or pending as of enactment**

- “Tax strategy” patents
- Patents directed to human organisms

# USPTO FEES

## Effective Date: Now

- 15% increase for most patent-related fees
- 50% reduction in many patent-related fees for qualifying small entities
- New “micro entities” category entitles 75% reduction in many patent-related fees
- Micro entity defined as either:
  - 1) individual inventors who are named inventors on no more than five total patent applications and who meet certain maximum income levels, or
  - 2) certain employees of institutions of higher learning.



# PRIORITIZED EXAMINATION

## Effective Date:

- For an additional \$4,800 (or \$2,400 for small entities), patent applicants may request prioritized examination
- Limited to patent applications having no more than four independent claims and no more than 30 total claims

## RETROACTIVE IMPLICATIONS OF AIA

AIA provisions generally apply retroactively to all patents granted after enactment and all pending applications.