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CLIENT ALERT

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**THE EFFECT OF THE LEAHY-SMITH AMERICA INVENTS ACT
ON PATENT HOLDERS AND PATENT APPLICANTS**

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On September 16, 2011 President Obama signed the “Leahy-Smith America Invents Act” (“the Act”) into law. This bill is the most comprehensive reform of this country’s patent laws in the last 50 years. This alert will focus on those sections of the Act pertaining to the rights of patent applicants, patent holders, and parties in patent infringement litigation. Most provisions of the Act take effect on September 16, 2012. There are, however, notable exceptions, such as changes to the false marking statute which take effect immediately.

First Inventor to File

The most controversial change to the Act grants a patent to the first inventor to file an application with the U.S. Patent Office, and not the first inventor to discover an invention. There is an exception, however, if the first person to file derived their invention from a third party – the third party may then obtain relief. This section goes into effect March 16, 2013.

An invention is not patentable if the subject matter is disclosed before the patent application is filed. This section, however, excludes patents and public disclosures that occur less than one year before the effective filing date of an application where the subject matter was obtained directly or indirectly from the inventor or a joint inventor.

Applications Filed by Persons Other Than the Inventor

A person who is assigned an invention, or a person to whom an inventor is under an obligation to assign an invention, may file a patent application. In addition, a person who shows a sufficient proprietary interest in an invention may also file a patent application on a showing that filing the application is appropriate to preserve the rights of the parties.

Defense to Infringement Based on Prior Commercial Use

The prior commercial use defense has been expanded to cover a process, a machine, a manufacture, or a composition of matter used in manufacturing or other commercial process. Commercial use includes premarketing regulatory review and nonprofit laboratory use. This defense is limited to the person who performed or directed the performance of the commercial use and except for a transfer to the patent owner, may not be transferred. The changes to the defense to infringement based on prior commercial use are effective as to any patent issued on or after the September 16, 2011.

Post-grant Review Proceedings

Inter partes review, where a third party requestor may respond to a patent owner’s arguments during the reexamination proceeding, replaces Inter partes reexamination. A review will be granted if there is “a reasonable likelihood” that the challenge to the patent will be successful.

A new post-grant review proceeding enables a party to request cancellation of a patent claim based on invalidity for reasons other than prior patents and publications, such as non-statutory subject matter or inadequate written description.

Ex parte reexaminations, where a third party challenger is excluded from the proceeding after the initial filing, have been expanded to cover statements the patent owner filed in a proceeding before a federal

court or the U.S. Patent Office on the scope of a claim. If the statement or information is subject to a protective order, it shall be redacted.

Pre-issuance Submission by Third Parties

This section permits any third party to submit into the record of a patent application any patent, published application, or other printed publication with potential relevance to the examination of the application. The submission must be made in writing and submitted before the notice of allowance is given or mailed, or the later of six months after the application is first published or the date of the first office action. The submission must set forth a concise description of the asserted relevance for each submitted document.

Supplemental Examination

A patent owner may request a supplemental examination of a patent by the Patent Office to correct information in a patent. The supplemental examination will protect a patent from being held unenforceable based on the information considered during the supplemental examination.

Patents of Tax Strategies

No patents will be granted for a tax strategy to reduce, avoid, or defer tax liability. However, patents may be granted for methods, apparatuses, systems, or computer programs that are used solely for preparing a tax, tax return, or other tax filing, including programs that record, transmit, transfer or organize data related to a tax filing. This change went into effect on September 16, 2011.

Failure To Disclose Best Way To Make Or Use An Invention

The failure to disclose the best way to make or use an invention is no longer grounds for invalidating an issued patent. Provisional applications or earlier filed priority applications do not have to disclose the best way to make or use an invention. However, the U.S. Patent Office may still reject applications for failure to disclose the best way to make or use an invention. This change went into effect on September 16, 2011.

Virtual and False Marking

A patentee may virtually mark an article by inserting a web address instead of a patent number after the word "patent." The web address must provide access to a free copy of the patent covering the article.

Members of the general public may only sue for damages on a false marking claim if they are directly injured. An action for a civil penalty must be filed by the government. All false marking civil actions for an expired patent number on a product are eliminated. These changes apply to all cases pending on, or commenced on or after September 16, 2011.

Infringement Suits Against Multiple Defendants

The Act changes the joinder statute for patent infringement suits and makes it more complicated to sue an entire industry in a single suit. For example, a court can no longer consolidate cases and a plaintiff can no longer sue multiple defendants in a single lawsuit where the only justification is that all defendants have infringed the same patent. However, a party may waive these provisions (with respect to themselves). This change went into effect on September 16, 2011.

Advice of Counsel

The failure of an infringer to obtain the advice of counsel with respect to any allegedly infringed patent or to present such advice to a court or jury may not be used to prove that the accused infringer intended to willfully infringe the patent or intended to induce infringement of a patent. However, the Act does not change the benefits provided by obtaining advice of counsel. For example, advice of counsel is still a defense against willful infringement. If willful infringement is found, advice of counsel can mitigate an award of enhanced damages because one of the factors in determining whether to award enhanced damages is whether when the infringer investigated the scope of the infringed patent and formed a good faith belief that it was invalid or that it was not infringed.

Business Method Patents

A patent for the practice, administration, or management of a financial product or service, except patents for technological inventions, are subject to a transitional post-grant review proceeding to review their validity. A review can only be initiated by a party that has been sued for infringement of the patent for which review is sought. The Act specifically excludes the location of an automated teller machine (ATM) as a regular and established place of business for purposes of establishing venue.

Priority Examination for Important Technologies

The U.S. Patent Office, at the request of an applicant, may provide for prioritized examinations for applications for products, processes, or technologies that are important to the national economy or national competitiveness.

Human Organisms

No patents may issue with a claim directed to or encompassing a human organism.

Conclusion

Many sections of the Act will become effective in the next several months. We will provide more detailed alerts closer to the effective dates so that you can more thoroughly understand the changes and the impacts of the changes to the Act.

This alert is not exhaustive and provides only a summary of several sections of the Act that may be of interest to our clients and friends. If you are interested in receiving a technical analysis of a particular section, or sections, please do not hesitate to request a copy of our more detailed report.

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