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Patent Reform Becomes Law: The Leahy-Smith America Invents Act

After many years of debate and discussion, Congress has passed a sweeping overhaul of the United States patent laws. On September 8, the United States Senate passed, without amendment, the House of Representatives version of the 2011 patent reform bill (H.R. 1249), known as the Leahy-Smith America Invents Act, by a vote of 89-9. President Obama is expected to sign the bill in the very near future.



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The Leahy-Smith Act makes the first substantial modifications to the United States patent laws since 1952. Most significantly, the Leahy-Smith Act:

- ✦ Moves the United States from a "first-to-invent" to a "first-inventor-to-file" system, bringing U.S. law into conformity with international patent laws and changing the definition of "prior art" dramatically;
- ✦ Broadens the scope and definitions of prior art;
- ✦ Expands the "prior user" defense to patent litigation, protecting commercial prior users of inventions patented later by others; and
- ✦ Creates new procedures for challenging the validity of patents issued by the Patent and Trademark Office ("PTO"), thus providing a new defense tool for those companies facing the threat of patent infringement claims.

First-to-file

A significant aspect of the bill is the transformation of the U.S. patent system from a "first-to-invent" system to a "first-to-file" system. Under the current first-to-invent system, the first party to invent is generally entitled to receive a patent, even if another party filed a patent application before the first party to invent. Under the new first-to-file system, the first inventor to file a patent application, with limited exceptions, will be entitled to the patent, even if that inventor was not the first party to invent. The vast majority of other countries have a first-to-file patent system. Thus, the bill brings the U.S. into conformity with the rest of the world.

The first-to-file provisions of the bill include a notable exception for the inventor's own disclosure of the invention. The bill adopts a one-year grace period for the inventor's own disclosure, and any other disclosures that were derived from the inventor's original disclosure. All other prior art, however, will be measured from the filing date of the application.

The bill replaces Section 102 of the patent statute with a new provision that expands

the scope of prior art in two important respects. First, the new Section 102 provides that any on-sale bar or public use is prior art, even if it did not occur in the U.S., as was required under the prior version of Section 102. Second, the new Section 102 adds a broad but undefined category of prior art that it refers to as the invention being "otherwise available to the public". While the judicial construction of this language likely will be informed by prior law on prior art matters, it is very likely that it will take years for the courts to round out the contours of this new category of prior art.

The first-to-file provision makes it important that patent counsel and inventors work together expeditiously to complete and file patent applications, to avoid a scenario where delay in the preparation of the application allows another, later inventor to win the race to the PTO. It also would be beneficial for companies that are in the midst of development projects to file successive applications, either when significant milestones are reached, or when a number of smaller advances have been made.

This provision applies to newly filed applications 18 months after enactment.

Expanded Defenses to Infringement

The bill expands the "prior user" defense to patent infringement, which previously was available only in business method patent cases. The defense prohibits patent infringement claims against parties who can show that: a) they acted in good faith; b) they actually reduced the subject matter of a patented invention to practice at least one year before the patentee filed its patent application; and c) they commercially used that subject matter before the patentee filed its patent application. The bill amends this provision to include all issued patents, not just those related to business methods.

Post-Grant Review Proceedings

The bill creates a new administrative proceeding at the PTO called "post-grant review," where third parties are able to challenge the validity or scope of an issued patent. The new procedure grants broader review rights to challengers: While current reexamination procedures are limited to patent challenges based on novelty and obviousness, and must be based on prior patents or printed publications, a challenger using the new post-grant review proceeding can challenge the patent based on any ground of patentability. The challenger can also introduce any evidence of unpatentability, and is not limited solely to prior art patents and printed publications.

The bill limits the initiation of post-grant review proceedings to nine months after the issuance of a patent. After the nine month period, a third party wishing to challenge the patent must do so using the existing reexamination proceedings.

Pre-Issuance Submissions

The bill allows any third party to submit, for consideration and inclusion in the record of a patent application, any patent, published patent application, or other printed publication of potential relevance to the examination of the application, if such submission is made in writing within six months of publication of the application. The bill requires that any submission must set forth a concise description of the asserted relevance of each submitted document.

Best Mode Requirement

Patent applicants are required to disclose what they believe to be the “best mode” for making or using their invention. While the bill does not eliminate this best mode requirement, it instead removes the patentee’s failure to disclose the best mode from the defenses an alleged infringer is able to use to invalidate a patent. However, because the best mode requirement is not eliminated, it remains to be seen whether a willful or purposeful failure to include the best mode in a patent application will be considered inequitable conduct before the PTO.

Patent Marking

The bill includes a provision for “virtual” patent marking. The provision will allow a manufacturer to write the word “patent” or “pat.” on a product, along with a reference to an internet website that the public can access free of charge to learn more about the specific patent.

The bill also retroactively eliminates false marking lawsuits except for cases filed by the U.S. government or filed by a competitor who can prove competitive injury. The false marking statute previously contained a *qui tam* provision allowing “any person” to sue for false marking. A recent Federal Circuit decision, *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295 (Fed. Cir. 2009), ruled that *qui tam* plaintiffs may seek up to \$500 per falsely-marked item in civil penalties, thus resulting in an explosion of false marking lawsuits. The bill puts an end to such lawsuits, leaving only those where a true competitive injury can be proven due to the false marking, or those that are brought by the U.S. This provision applies retroactively to all cases pending at the date of enactment.

Advice of Counsel

The bill provides that the failure of a defendant in a patent infringement lawsuit to obtain advice of counsel cannot be used to prove that the defendant willfully infringed the patent. This provision codifies the holding in *In re Seagate Technology* that patent holders cannot rely on the failure to obtain advice of counsel as proof of willful infringement.

Transitional Program for Business-Method Patents

The bill creates a transitional program that implements a provisional post-grant proceeding for review of the validity of any business method patent. The bill specifies that the procedures for review of covered business method patents will be similar to the post-grant review procedures. At a minimum, however, the program will allow a party to request a post-grant review specific to business method patents, and will set up a separate entity within the PTO that focuses specifically on the review of business method patents. This program sunsets in eight years.

Supplemental Examination

The bill provides a procedure that allows a patentee to submit information that is potentially relevant to the validity of a patent, after the patent has issued. This provision will be particularly applicable in situations where prior art was not cited to the PTO during the initial examination that should have been cited, for example, due to inadvertence or mistake. The PTO is required to provide a certificate within three months, stating whether the additional information submitted raises a substantial question of patentability. If not, the enforceability of the patent cannot be challenged in subsequent litigation based on the fact that the information was not presented to

the PTO during the initial examination. If a substantial question is found, a reexamination is automatically ordered. This provision is not available where litigation with respect to the patent has already been instituted. Further, a patentee is not permitted to use the provision where actual fraud had been committed during the initial examination of the patent.

Joinder of Parties

The bill limits joinder of parties in patent infringement lawsuits. For suits filed on or after the date of enactment, a plaintiff will only be able to join related parties in a single suit – for example, multiple manufacturers, distributors, or resellers of an identical product. Cases against unrelated parties may still be consolidated for discovery. The requirement of separate suits will allow defendants a much greater ability to seek transfer to an appropriate venue. As such, it is a real benefit to parties who wish to avoid plaintiff-friendly districts, such as the Eastern District of Texas, and who want a better chance to be able to transfer a lawsuit to a more desirable location. This section does not affect cases filed prior to its enactment

If you have questions about the Leahy-Smith America Invents Act, or other laws which govern patents or other intellectual property, please contact your Dorsey attorney.

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