



## *Intellectual Property Alert*

# **Significant Changes in United States Patent Law Now in Place**

*Comparison to Current Law*

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On September 16, 2011, President Obama signed into law the Leahy Smith America Invents Act, which ushers in the most sweeping changes to United States patent law in over 50 years. This Act, more commonly known as the AIA, presents many challenges to individuals and businesses seeking to protect their intellectual property rights. Portions of the AIA were effective immediately, while others will go into effect in September 2012 and March 2013. This article seeks to summarize the most relevant changes presented by the AIA, as well as identify areas of uncertainty arising from both the new law and the delayed implementation of some of its provisions.

Each section of this article presents both the current statutory provisions and the AIA changes to the law. In reviewing the analysis, inventors (which include owners of patentable technology) should be considering the new approaches discussed, relating to timing and evaluation of protection of their intellectual assets.

### ***I. Changes in Patentability Standards and Timing***

*– These provisions are effective beginning March 16, 2013*

#### **Background**

Invention priority, i.e., the specific time recognized as the creation of the invention, is utilized in two significant ways: (i) as part of a patentability analysis and (ii) awarding a patent in the event that there are competing claims to a common invention.

In determining patentability, an inventive concept is compared to the “prior art,” which is the universe of existing, relevant technical knowledge. The relevant prior art for each invention is defined, from a time perspective, by the date of invention priority. Inventions are patentable if they are novel and nonobvious when compared to the relevant prior art.

#### **A. First to File**

**The most significant change resulting from the AIA is that it converts United States from a “first to invent” to a “first to file” system. The time of invention will be measured solely by the filing of a patent application with a designated patent office.**

#### *Prior United States Law.*

Invention priority is measured from the date of conception of the inventive concept. An inventor who documented such a date of conception and diligently converted the concept to a working embodiment, or filed a patent application covering the concept, was entitled to reach back to the conception date as a critical priority date for comparison to the prior art and competing ownership claims by third parties.

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*The AIA.*

In an effort to harmonize United States law with the majority of foreign countries' definition of priority, the United States now has adopted a new standard, which states that priority of invention is measured solely from the filing of a patent application, with respect to both patentability and competing claims of ownership.

*Analysis.*

The impact of this change is that inventive entities must be much more diligent in evaluating developing technologies for patentability and filing appropriate applications. Determinations that technologies are proprietary and worthy of patent must be made much earlier in the product development life cycle, potentially long before customer demand or feedback may be evaluated or obtained, as will be more fully discussed below with respect to restricted pre-filing commercial activities.

**B. New Limits on Pre-Filing Commercial Activities**

**All pre-filing sales activity, including sales and offers for sale, will now bar patentability.**

*Background.*

Commercial activity, such as sales and offers for sale of a product or service embodying an inventive concept, places that concept within the prior art.

*Prior United States Law.*

Sales and offers for sale during a one year grace period prior to filing of a patent application were specifically excluded from the prior art.

*The AIA.*

Dispenses with this grace period with respect to sales and offers for sale, again harmonizing United States law with other countries. No such commercial activity is permitted prior to filing of a patent application, and will constitute an absolute bar to patentability.

*Analysis.*

The impact of this change is only significant if no foreign filing of the patent applications is contemplated. Even under prior United States law, any party desiring foreign coverage was already in the practice of filing an application prior to any such sales activity. However, for those interested only in United States patent coverage, this change will require, as suggested above, much earlier consideration of patentability and filing of appropriate patent applications prior to any contemplated sales activity. Discussions with customers, potential customers and market research must be careful to eliminate any suggestion of price and commercial sales terms. The use of nondisclosure agreements will not be effective to cure any improper sales or offers for sale.

**C. Certain Disclosures by the Inventor Entity Will Be Excluded From the Prior Art**

**Public disclosures of an inventive concept will not be considered prior art, and therefore a bar to patentability, if made by the inventor within one year prior to filing.**

*Prior United States Law.*

A disclosure to the public of an inventive concept during the period one year prior to filing of a patent application was excluded from the prior art, similar to sales activity described above. The disclosure could take the form of a public use or a description in a printed publication.

### *The AIA.*

The new statute preserves this one year grace period protection, with some expansion of the exception. Disclosures of the inventive concept by the inventor, or any third party receiving the information from the inventor, within one year prior to the filing of a patent application, will be considered an exception and not be considered prior art.

### *Analysis.*

This change preserves the ability of the inventor to disclose the invention to others outside of the inventive entity (for one year) and still preserve relevant patent rights. It is to be noted, however, that, similar to prior United States practice, such disclosure will still negate foreign filing rights. This provision is limited to the inventor and those receiving the disclosure directly from the inventor. This raises the strategic possibility of intentional “defensive publications” to block third party patent claims to the invention concepts. This disclosure, by the inventor, would be considered prior art for any third party filing an application on similar subject matter as of the date of publication, but not for the inventor. Such a disclosure could be made as early as one year prior to the filing of a patent application, for inventors not concerned about foreign patent rights. For others, the disclosure could be made after the filing of a patent application. Additionally, the term “disclosure” is undefined in the statute. It is likely that some subsequent clarification will be required by the Congress or the courts to refine the scope of this term.

## ***II. Challenges to Patents and Applications as a Derivation***

*– Effective March 16, 2013*

**The owner of a patent or application may challenge an earlier patent or application as being improperly derived from its inventive concept.**

### *Prior United States Law.*

An interference is a procedure to resolve competing claims to the same invention. An evaluation would be made as to the priority of each inventor’s claim and the patent would be awarded to the earliest claim of priority. Claims that one party derived the invention improperly from the other, i.e., did not independently invent, would also be considered as part of the evidence and analysis.

### *The AIA.*

The new statute dispenses with priority based upon conception and relies solely on the date of filing of the relevant applications to evaluate competing claims. No independent evidentiary evaluation is therefore necessary to make this determination. It preserves, however, the ability of patent owners and applicants to charge that an *earlier filed* competing patent or application constitutes an unfair derivation of their inventive concept.

The statute sets time limits for such actions. Claims between competing patents are resolved in a civil action and the complaint must be filed within one year of the issuance of the challenger’s patent. Claims between an application and a patent or other application will be resolved by the United States Patent and Trademark Office and a Petition must be filed within one year of the publication of the challenger’s application.

With respect to proceedings before the United States Patent and Trademark Office, the parties may settle the matter privately, but the settlement agreement must be approved by the Office and may not be contrary to the evidence presented to date.

### ***III. Prior Commercial Use Defense to Claims of Infringement***

*– Effective with respect to Patents issuing after September 16, 2011*

**Prior commercial use of an inventive concept, upon a showing of clear and convincing evidence, will be a complete defense to a charge of patent infringement.**

#### *Background.*

In many situations, a patent is asserted against a defendant that has been engaging in certain commercial activity for a period of time prior to the issuance of the patent in suit. In many instances, the accused commercial activity extends prior to the filing of the patent application which matured into the patent in suit.

#### *Prior United States Law.*

Evidence of pre-existing commercial activity may be used for the purpose of invalidating the patent in suit, i.e., showing that the patent's claimed invention was not new or was obvious. The activity itself is not necessarily considered conclusive evidence that infringement did not occur or that the patent in suit is invalid.

#### *The AIA.*

The new statute establishes a new specific defense to patent infringement, which permits a defendant to show, by clear and convincing evidence, that the accused commercial activity was in place more than one year prior to the relevant filing date of the patent in suit or any defensive publications made by the inventor (see above for discussion of defensive publications). Such a showing will negate infringement, even if insufficient to invalidate the patent in suit.

One additional requirement is that the use of the accused pre-existing commercial activity must be continuous, i.e., that the defendant has not abandoned the activity at any time in the past. The term "abandoned" is not defined by the statute and is likely to require some interpretation in the future.

#### *Analysis*

This defense is transferrable and/or assignable under the very limited conditions of: an assignment or transfer, for other reasons, of the entire enterprise or line of business to which the defense relates. Furthermore, the defense, so acquired by a purchaser of the entire enterprise and/or line of business, may only raise the defense as to the uses and sites which predated the assignment or transfer. This means that a purchaser may not "buy" the defense to extend to other plants or commercial activities which were not part of the acquisition.

In practice, there are a number of issues raised by this assignability/transferrability provision. Some clarification is likely to be necessary with regard to the interpretation, meaning and limits of the terms "for other reasons," "the entire enterprise" and "line of business." In the event of an asset purchase which is less than the entire company of the seller, e.g., a business or product line, it remains to be seen whether the defense is freely assignable at the discretion of the parties or some other minimum sales requirements are necessary.

## ***IV. Reviews and Challenges to Patents and Patent Applications***

### **Inter Partes Review and Post Grant Review**

*– Effective September 16, 2012*

**Adversarial proceedings are available for third parties to challenge a patent on the basis that the patent was improperly granted.**

#### *Prior United States Law.*

A third party may request and participate in a reexamination of a patent as part of an adversarial process known as *inter partes* reexamination. A third party will be discretionarily granted if a “substantial new question of patentability” is raised.

#### *The AIA.*

The new statute provides two separate procedures for challenges to a granted patent. An *inter partes review* is available for challenges based solely upon novelty and obviousness. A *post grant review* is available for challenges based upon any other failure of the patent to comply with the patentability requirements of the statute. Either may be filed 9 months after the grant of a patent, or any time thereafter.

The standards for a grant of such review are, for *inter partes review*, if there is a “reasonable likelihood of success” presented by the request and for *post grant review*, the “patent is more likely than not invalid” in accordance with the statutory requirements.

Neither of the review proceedings may be filed if a challenge by the requester to the validity of the patent is already pending in a civil action. Additionally, any subsequently filed civil action containing a claim of invalidity of the patent by the requester will be stayed pending the outcome of the review. The patent owner may, subject to certain timing limitations, defeat the stay by bringing a claim of infringement in that same or separate civil action against the requester.

A review may be settled privately by the parties prior to any final decision being issued, with no limitation on the raising of the same validity challenges at a later time.

#### *AIA Special Provision for Business Method Patent Review– Effective on or before September 16, 2012.*

A special procedure will be implemented by September 16, 2012, for an 8 year period, which provides for particular post grant review, directed solely to patents claiming methods or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, a party accused of infringement of such a patent may file for post grant review at any time during the life of the program and/or the patent, whichever is earlier. This provision further permits the accused party to request a stay of any pending civil action during the review. Additionally, the ability of the requesting party to raise the same or other challenges to validity in future actions is slightly broader than under normal post grant review. Upon issuance of a final decision, the requester is only barred from asserting, in the future, any invalidity basis which was *actually* raised as part of the review.

#### *Analysis.*

These review standards are intended to be more easily satisfied than the older “substantial new question of patentability.” On the other hand, these review proceedings severely limit the ability of the requesting party to raise the same or other challenges to validity in future actions. Upon issuance of a final decision, the requester is barred from raising, in the future, any basis for invalidity which was *or could have been* raised as part of the review. The impact of this provision requires that any such request be accompanied

by a thorough investigation of the patent and relevant prior art, and bringing all reasonable claims to the review.

## ***V. Miscellaneous Provisions***

### **A. Supplemental Examination – *Effective September 16, 2012***

At any time after issuance, a patent owner may request reexamination of the patent in order to clarify positions taken or art cited in the primary examination; or to submit additional new references or information. The request will be granted if a substantial new question of patentability is raised. From a strategic standpoint, this process is available to “clean up” any lingering issues or newly discovered prior art without prejudice to the patent and limits the ability of third parties to challenge the patent as unenforceable. The process is not available to address any challenges currently pending in a civil action.

### **B. Third Party Citations of Prior Art Against a Pending Patent Application – *Effective September 16, 2012***

The AIA broadens the time period for the filing of prior art references by a third party in a pending application from two months from publication to 6 months or prior to the first rejection, whichever comes first.

### **C. Joinder of Parties – *Effective immediately***

Parties may be joined in a patent infringement action only to the extent that the claims against each arise out of the same transaction or occurrence with common questions of operative fact arising from each claim. Under prior law, any party accused of infringing the same patent could be joined to a lawsuit.

### **D. Uncooperative and Unavailable Inventors – *Effective September 16, 2012***

The AIA provides a streamlined procedure for assignees to file an application with a substitute statement (in lieu of an oath) in the event that the inventor is: (i) dead; (ii) incapacitated; (iii) missing; or (iv) under an obligation to assign but refuses. A factual showing is required, but no Director discretionary review is necessary.

### **E. Best Mode Disclosure Requirement – *Effective Immediately***

The patent statute, both as currently existing and under the AIA, requires that the best mode contemplated by the inventor for carrying out his invention be disclosed in the application. The Courts have identified a failure to meet this requirement as being an appropriate ground for invalidation of the patent. The AIA specifically eliminates the failure to disclose the best mode as a ground for invalidation of the patent, yet retains the underlying requirement. It remains to be seen how this dichotomy will affect the drafting of patent applications.

### **F. Patent Marking – *Effective Immediately***

Standards for marking the relevant patent number(s) on a product or in connection with a service have been relaxed. The AIA provides an alternative for compliance with the statute, providing that the patent owner may instead identify a web address instead of the patent number(s), where the relevant patents may be listed. Additionally, no penalties may be assessed for the identification of an expired patent which formerly covered the product or service.

## ***Comment: Impact of the AIA and Dual Legal Standards***

The AIA brings sweeping changes to an already complex system for the filing, examination, grant and enforcement of United States patents. In particular, changes in the standards for patentability will require inventors and assignees to carefully monitor developments and pre-filing commercial activity. Aggressive procedures are available for post grant challenges to competitors' patents, which will enhance the need for careful prosecution of applications as well as candid communication between clients and patent counsel.

Even more challenging will be the coexistence of these two statutory schemes for the next twenty years. With some minor exceptions, all patents and applications predating the implementation of each section of the new statute will continue to be evaluated for patentability and challenged (in certain circumstances) under the older statutory scheme.

Additionally, prior to the initiation of each new statutory process, an opportunity will arise for one-time strategic decisions relating to filing patent applications, claims or other challenges under one or the other of the statutory schemes. A thorough understanding of the advantages and disadvantages of each will be required to determine the most effective course of action.

Barry Friedman concentrates his practice in the area of intellectual property law and counsels clients regarding the acquisition and protection of a wide range of technological assets, including patents, trademarks and copyrights. Please contact Barry at (412) 918-1110 or [bfriedman@metzlewis.com](mailto:bfriedman@metzlewis.com) if you have any questions regarding upcoming changes in the United States Patent Law.

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