



The America Invents Act harmonises US IP law with international practice, but invokes significant changes which will fundamentally impact US IP strategies

On 16 September 2011, US President Barack Obama signed the America Invents Act (AIA) into law and instituted the furthest reaching changes to US Intellectual Property Law in approximately 60 years. Despite ostensibly key provisions directed to global harmonisation, the new US legislation will affect IP strategies of global firms which have an eye toward the US market. The key provision of the AIA which reflects a shift to global harmonisation is, of course, the well publicised migration of US IP law to a first-inventor-to-file system. Previously, the US had been the sole system based on a first-to-invent system. However, beyond this well publicised and fundamental shift are a number of additional key provisions - provisions that will impact the building and enforcement of a strong IP portfolio in the US marketplace. The new legislation will present enhanced opportunity for strategic development and enforcement of IP rights in the US if fully understood and exploited. Key provisions which go beyond first-to-file harmonisation include, for example:

- (1) an 18 month delayed transition to the first-inventor-to-file system;
- (2) expanded prior use rights;
- (3) new US Patent and Trademark Office (USPTO) procedural tools for improving the strength of a patent owner's portfolio; and
- (4) new USPTO procedural tools for enhancing third party challenges to a US patent, such as expanded prior art effect of patent applications filed outside the US and a new post grant review procedure.

Background

The AIA has arrived with approximately 6 years of anticipation, and at a time where we find the US Federal Court system actively working toward improving the predictability of a US patent's legal scope and strength. Exemplary 2011 US federal court decisions which reflect this push toward predictability include the US Supreme Court decision in the *Microsoft v. i4i* case regarding the high standard for challenging patent validity in federal court. The en banc decision of the US Court of Appeals for the Federal Circuit (CAFC) in the *Therasense v. Becton Dickinson* case addressed a heightened standard for proving the unenforceability of a patent due to inequitable conduct. These high court decisions illustrate a trend toward enhanced deference to the USPTO and recognition of patent strength in the US market. As such, these decisions highlight the benefit of a strong US portfolio which has been strategically developed to preserve and/or grow revenue.

The US federal courts are also working towards controlling the monetary damage awards in the US with rulings such as the 2011 *Uniloc USA v Microsoft* decision of the CAFC wherein review of a \$388M damage award was ordered because the calculation mechanism was deemed to be "fundamentally flawed". The CAFC effectively held that damage calculations must be tied to the specific facts at hand, and that a market value of a product must be assessed relative to evidence that a patented component (i.e., a claimed component) served as a basis for customer demand. This decision highlights the importance of developing patent claim sets to maximise patent value and ensure maximum leverage in court and in the marketplace.

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The AIA provides mechanisms which will complement these decisions by providing tools for strengthening a US patent and/or for challenging a patent's scope within the USPTO. These tools, if properly exploited, can be used to optimise the value of a patent portfolio and afford enhanced risk management.

18 month delayed transition to a first inventor to file system

Although many provisions of the AIA became effective with the September 16th enactment, the key feature regarding a first-inventor-to-file system does not take effect until 16 March 2013. The practical result of this delayed enactment is that the US IP system will be a dual track system for the foreseeable future. Patent applications filed prior to 16 March 2013 will remain subject to the existing first-to-invent system and all of its ramifications. One noteworthy ramification is that applications filed prior to 16 March 2013 can rely on a proven date of invention conception to defeat prior art which predates the US filing date.

Enactment of the first-inventor-to file system will also trigger amended conditions for patentability under 35 USC Sections 102 and 103. For example, applications filed on or after 16 March 2013 will be deemed to have been effectively filed as of the earliest application that describes the subject matter. The earliest date can be the date of an earlier filed application to which a right of priority is claimed. This measure is significant, as it effectively eliminates the need to establish a "102(e)" filing date in the USPTO to establish a prior art date for applications filed on or after 16 March 2013.

A further ramification is that public use or sale activity, regardless of whether it occurred outside the US, will be effective prior art in the USPTO. This is a significant departure from the prior 35 USC Section 102, which only recognised such activity as prior art if the activity occurred in the US. Inventors will continue to benefit from a one year grace period, so that their own public use or sales activity will not impact the ability to secure a US patent if the patent application is pursued within the one year period.

Expanded prior use rights

The AIA will establish an expanded prior use defence to infringement under 35 USC Section 273. Generally speaking, the defence will be available to those who practice any patented invention commercially in the US at least one year before the earlier of the effective filing date of the patented invention or the date on which the claimed invention was disclosed to the public (provided such disclosure occurred within the one year grace period afforded the inventor). The AIA provides a significant expansion of prior use rights in the US, as such rights had previously only been available for business methods.

USPTO procedural tools for enhancing patent strength

A new set of tools will be available for patent owners to strengthen their US patent portfolio. These tools can be strategically used in concert with the existing Reissue procedure and/or the Ex Parte Reexamination procedure. Most notable are the new Supplemental Examination procedure and the Prioritized Examination procedure.

Supplemental Examination: A new procedural tool intended to allow patent owners to request a supplemental examination of a granted patent for purposes of considering additional prior art that was, for example, within the patent owner's possession during the original prosecution of a US patent application, but not formally submitted to the USPTO in an Information Disclosure Statement (IDS). Such prior art could, if not formally considered by the USPTO, be alleged in a later litigation to constitute a basis for inequitable conduct. Where inequitable conduct is found to exist, an entire patent can be held unenforceable even if all claims are deemed valid and infringed. The supplemental examination procedure, in tandem with the aforementioned Therasense decision, is directed to reducing the time and expense associated with litigating issues of inequitable conduct.

Prioritized Examination: A new procedural tool directed to allowing patent applicants an option of having applications directed to technologies deemed important to the national economy or competitiveness examined out of turn in an expedited fashion. Such a tool can be used, for example, where quick allowance of a patent is important to deter competitors from entering into a lucrative market of the patent owner.

USPTO procedural tools for challenging a US patent

New tools will also be available for third parties to challenge a US patent portfolio. These tools can be used in concert with existing Ex Parte Reexamination. Most notable are the new Post Grant Review procedure, a new Derivation procedure, and the new Inter Partes Review procedure. A new pre-grant Preissuance Submission will also be available to provide an expanded window for third parties to submit prior art to the USPTO in a pending application.

Post Grant Review: A new procedural tool by which a third party can challenge a granted patent in the USPTO on any statutory grounds, including grounds beyond prior art such as enablement and written description. Such a procedure must be initiated within a 9 month window following the grant of the patent.

Derivation Proceeding: A new procedural tool for establishing that an inventor named in an earlier filed patent application derived the claimed invention from an inventor in a later filed application, without authorisation. Such a procedure must be instituted within one year from the first publication of a claim to an invention that is the same or substantially the same as the earlier application's claim.

Inter Partes Review: A new inter partes reexamination proceeding will be available as a tool for third parties to challenge a granted US patent at any time from the close of the 9 month Post Grant Review window through the remainder of a patent's life.

Additional provisions

A number of other provisions have been instituted by the AIA. For example, there are AIA provisions to address such issues as facilitating marking of products, and joinder of multiple parties in a US litigation. Also, the implementing rules for many of the procedures mentioned herein have yet to be promulgated.

Suffice it to say that the many provisions addressed by the AIA highlight the broad scope of the AIA's impact upon US IP law, and all aspects of this legislation should be fully understood to best exploit the opportunities it will provide to build a strong US IP portfolio.

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