

## **Analysis of the New U.S. Patent Law**

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### **I. Introduction.**

On September 16, 2011, President Obama signed the "America Invents Act" (H.R. 1249) which enacts the new patent reform law. We will see a sea change in the patent practice, and companies and individual applicants should be aware of these changes, their effective dates, and impact on the patent practice.

### **II. Major Changes and Timeline.**

Major changes are taking effect in the following 3 groups over a 18-month period following the enactment:

#### **1. Group I: Between September 16, 2011 and November 16, 2011**

Effective on September 16, 2011:

- Restrictions on joining multiple defendants in a single suit
- Only the federal government and direct competitors may sue on false marking; non-government parties can no longer collect \$500 per item in damages; failure to remove expired patent numbers from marking is not a ground for action; "virtual marking" is provided
- Higher standard for initiating the inter partes reexamination proceeding
- Best mode can no longer be challenged in litigation
- Change in jurisdiction for certain civil proceedings
- Expanded commercial use defenses
- No patents will be issued "directed to or encompassing" a human organism
- Fee setting authority and establishment of micro-entities

Effective on September 26, 2011:

- An interim 15% surcharge on all the USPTO fees except international stage fees and some others
- Prioritized examination at a fee of \$4,800

Effective on November 15, 2011:

- An extra \$400 fee is imposed unless the application is filed electronically.

**2. Group II: Effective on September 16, 2012**

- Post-grant review by 3rd parties within 9 months of issuance on all grounds of unpatentability
- Inter partes review by 3rd parties after the 9 month period and limited to invalidity challenges based on prior patents and printed publication
- Supplemental examinations allows a patentee to cure possible inequitable conduct by presenting information previously withheld from the USPTO after issuance of a patent
- A company may file a patent application on behalf of an inventor who is under obligation to assign inventive rights to the company but refuses to execute an oath or declaration
- Third-party submissions of prior art for consideration by the examiner and for inclusion in the prosecution file of the patent application

**3. Group III: Effective on March 16, 2013**

- First inventor who files the application gets the grant of the patent
- Expanded Definition of Prior Art to include information publicly available and new types of information from outside the U.S.
- Applicant may challenge the ownership of an earlier application derived from his own work

**III. Impact on the Patent Practice.**

**1. Patent Prosecution**

**(i) Major change to the First inventor to file system**

On March 16, 2013, the U.S. patent system will change from the first-to-invent to the first-inventor-to-file system. This means that if two people make the same invention and there has been no public disclosure of the invention, and both describe and claim that invention in

separate patent applications, the inventor that filed his patent application first gets the patent. Thus, filing early will be more critical than ever before.

Companies should consider filing a provisional application for an invention as early as possible, possibly followed by additional provisional applications as the technology of an invention develops, with a non-provisional application being filed within one year of the first provisional application. The first-inventor-to-file provision will have no effect on the existing patents or applications filed before March 16, 2013. As a result, the practice of submitting 131 and 132 declarations for overcoming the examiner's rejection by antedating the prior art will be gone, and there will be no more interference proceeding to decide the priority of the inventorship. Instead, the U.S. patent system is shifting the focus on the post-grant review proceedings as discussed below.

**(ii) Prioritized examination**

Companies and applicants with urgent needs to have their applications issued as patents should consider using the newly created prioritize examination process. The process allows applicants to request accelerated examination by paying an additional fee of \$4800 (or \$2400 for small entities) on a first come, first serve basis.

The new process is intended to result in a notice of allowance or final rejection within 12 months of prioritized status being granted. Therefore, the first office action should issue within about 6 months from the application filing date—almost two years sooner than what is typical under the normal examination track. It is only available for original utility or plant patent applications filed on or after September 26, 2011.

However, for applications pending prior to that date, it is possible to file a continuation or divisional application and request prioritized examination of that application. Additionally, while prioritized examination is not available to a national stage entry of a PCT application, it is available for a continuation application claiming priority to a PCT application which designates the United States. The applicants for prioritized examination must file electronically, and the application must contain no more than 4 independent claims or 30 total claims.

During prosecution, an application will lose its prioritized examination status if: (1) an amendment results in more than four independent claims or thirty total claims; (2) a petition for an extension of time is filed; or (3) a notice of appeal or request for continued examination is

filed. Currently, the prioritized examination program is limited to 10,000 applications during at least the first year of implementation.

**(iii) Electronic filing incentive or disincentive for paper filing**

Beginning on November 15, 2011, applicants will be imposed an additional fee of \$400 if they do not file the application electronically. This provides an incentive to file electronically and discourage the paper filing of the application.

**(iv) Third party submission of prior art**

Companies and applicants that monitor the application status and patent portfolio of the competitors may consider using the new process of third party submission of prior art to make the examiner of the patent applications of the competitors be aware of certain prior art patents and printed publications during the examination process. The submission may help the examiner issue a better rejection, and subsequently force the competitor and patent applicant to narrow the scope of their claims and create prosecution history estoppel. The patents and printed publications that the third party submits become part of the prosecution history in the official file.

**(v) Application filed by assignee and signed oath/declaration**

After September 16, 2012, the application process is simplified for those with the inventor who refuses to sign the oath/declaration. Instead of the cumbersome process of filing a 1.47 petition and showing a reasonable effort to reach to the non-signing inventor, a company can file a patent application on behalf of the non-signing inventor where the inventor is under obligation to assign his rights to the company and refuses to sign the oath or declaration.

**2. Post-grant proceedings**

**(i) *Ex parte* reexamination and *inter partes* reexamination**

The standard for initiating the *ex parte* reexamination proceeding and the process largely remain the same. The standard for initiating an *inter partes* reexamination, however, has been elevated to "a reasonable likelihood that the requester would prevail with respect to at least 1 of the claims challenged in the request." The change is effective immediately.

An *inter partes* reexamination permits a third party to request the reexamination of an issued patent from an application filed after November 29, 1999. The request can be filed at any time during the enforceability of the patent and can only be based on patents and printed publications. The third party requester cannot be anonymous, and actively participates beyond

the initial request. Like the *ex parte* proceeding, there is no discovery and claims cannot be broadened. The procedure takes place in front of three examiners who are part of the Central Reexamination Unit (CRU), whose final rejections of the claims can be appealed by the third party or by the patent owner to the USPTO's Board of Appeal. The entire *inter partes* reexamination may take several years to be completed.

Unlike *ex parte* patent reexamination, estoppels are created by *inter partes* reexamination for any ground that was raised or reasonably could have been raised, but only after all appeals have been exhausted. Defendants who have been sued on patents often seek an *inter partes* reexamination in an effort to delay the litigation, or to escape infringement and reduce past damages by a narrowing amendments to the claims presented during reexamination.

The *Inter Partes* patent reexamination will be phased out on September 16, 2012 in favor of a new proceeding, *inter partes* review. The new proceeding brings new limitations on seeking USPTO review during parallel litigation, thus, current defendants should consider whether to request an *inter partes* reexamination prior to September 16, 2012, or to request an *inter partes* review after that date. Moreover, defendants that are sued on older patents (pre-November 29, 1999), which are not eligible for an *inter partes* reexamination, may be better served waiting for September 16, 2012 so that these patents may be attacked with an *inter partes* review.

#### **(ii) Post-grant review**

This new post-grant proceeding resembles an opposition before the EPO in certain ways. A third party will be able to request a post-grant review of an issued patent within 9-month from the issue date of the patent (and before any declaratory judgment of invalidity filed by the requester). Patents eligible for this proceeding must have an effective filing date (earliest priority date) of on or after March 16, 2013, thus, the proceeding will probably not be used until about 2015.

In contrast to an EPO opposition, the real-party-in-interest of the requesting party must be identified. The request can be based on all grounds of invalidity (except failure to disclose the best mode), including anticipation, obviousness, insufficient written description, non-enablement, indefiniteness, and patentability eligibility. Anticipation and obviousness can not only be challenged based on patents and publications, but also on public use, on sale, or other

forms of public disclosure. To initiate the request, the requester must establish that it is “more likely than not that at least one of the claims challenged is unpatentable,” or that a novel or unsettled legal question that is important to other patents or patent applications is raised.

The proceeding will take place in front of three administrative patent judges from the Patent Trial and Appeals Board (PTAB), which replaces the Board of Patent Appeals and Interferences (BPAI). The proceeding will allow for limited discovery, settlement, oral hearings, protective orders, and many litigation style mechanics. It will proceed as a litigation, by filing motions and culminating with the oral hearing, and the administrative judges’ decision to follow. Only a single opportunity to amend claims is provided. The duration is fixed to between 12 and 18 months of the grant of the request. Both parties can appeal the decision to the Federal Circuit. Similar to *inter parte* reexamination, estoppel exists for any ground that was raised or reasonably could have been raised during the proceeding.

**(iii) *Inter partes* review**

Beginning on September 16, 2012, *inter partes* reviews will replace *inter partes* reexaminations. The proceeding will be limited to 281 proceedings per year until 2016. This proceeding, which will take place in front of the PTAB, will be available for any patent issued, before, on, or after September 16, 2012.

An *inter parte* review differs from the post-grant review in that an *inter partes* review can only be requested beyond the 9-month from the issue date of the patent and the request must also be filed within one year after service of an infringement complaint or before the third party requester filed a court action alleging invalidity. Just like the *inter parte* reexamination, the new proceeding can only be based on patents and printed publications and has estoppel effects such that the accused infringer, who had previously requested an *inter partes* review, may not raise during litigation an invalidity defense based on patents and printed publications but can still challenge the novelty and non-obviousness of the invention based on evidence of public use or sale, insufficient disclosure, or patentability ineligibility.

**(iv) Derivation proceeding**

Beginning on March 16, 2013, this proceeding is established to allow an inventor with a later filed application to combat the unscrupulous filing of a first filed patent application that is derived from the work of the inventor without authorization.

**(v) Supplemental examination**

Taking effect on September 16, 2012, this new proceeding allows patent owners to cure inequitable conduct before the USPTO and to avoid unenforceability of a patent by submitting previously withheld information to the USPTO for consideration after the issuance of the patent. The standard to initiate the supplemental reexamination is "if a substantial new question of patentability" is found to exist. The prior art to be considered for this proceeding is not limited to patents and printed publications and includes undisclosed material information. Patent owners can use this procedure to cure false statements or misrepresentations, for examples, made in the specification, declarations or responses to Office Actions. After the previously withheld information is presented, and if the claims are allowed again, that information cannot be used in later court proceedings. However, supplemental examination proceedings cannot be commenced or continued once an infringement action has been brought.

**3. Patent Litigation**

**(i) Estoppel effects of the post-grant proceedings**

Because of the estoppel effects of the post-grant proceedings, whether to bring these proceedings at all and which one to bring is an important part of the litigation strategy for the accused infringing companies. *Inter partes* reexamination and *inter partes* review create estoppel as to the printed publications and patents, thus, the defendants, once requesting these proceedings, will not be able to raise the defense of patent invalidity based on patents and printed publications but may raise other grounds of invalidity. The estoppel effect for the post-grant review, on the other hand, is particularly strong: since the grounds for requesting the post-grant review are all grounds of invalidity that would otherwise be available in litigation, the estoppel could preclude an accused infringing company to raise any invalidity defense during the litigation. Therefore, once the third party decides to bring the post-grant review, it must do a complete work to present all reasonably available defenses before filing such a request.

**(ii) Ambiguous terms in the new law**

The USPTO has indicated that it will intentionally leave some terms introduced by the new law open in their rulemaking process and let the court to define the terms in the subsequent litigations. For example, the new law introduces a term "disclosure" in section 102(b), however,

what constitutes a disclosure is unclear from the provision. The approach by the USPTO leaves a lot of uncertainty for the patent litigants, as both parties will have to resort to all the tools of legal interpretation to construe the meaning of some important terms in the patent law.

**(iii) Defenses to patent infringement**

The new law recognizes the prior commercial use as a defense to patent infringement. The USPTO is conducting a study on the prior user right. Also, under the new law, lack of disclosure of the best mode is not longer a defense to patent infringement. The patent litigants should re-evaluate their options and form new strategy in view of these changes.

**IV. Conclusion.**

The provisions of the new patent law contain many issues and ambiguities. The USPTO is in the process of extensive rulemaking but has indicated the intention to leave certain area open and for the court to define. It will take years to achieve the certainty we all needs from the patent system. In the meantime, companies and individual applicants should be aware of the changes, major areas of uncertainty, and get prepared for the road ahead.

**The article is for informational purposes and shall not be construed as legal advice.**

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