

## Congress Passes Patent Reform Legislation

The Leahy-Smith America Invents Act (H.R. 1249) was one of the first bills taken up by Congress upon return from its summer recess. While most of the legislation's provisions will not go into effect for at least one year, there are a number of important provisions that take effect immediately upon enactment or shortly thereafter. In addition, there are new mechanisms for challenging the priority or validity of a claimed invention that will apply only to those applications and patents that have an effective filing date falling upon or after the date of enactment. This bulletin summarizes these important changes in order to help you identify looming issues that may require more detailed discussion and advice.

- The much-publicized provisions putting the United States on a first-to-file system, instead of its current first-to-invent system, will not go into effect until 18 months after the date of enactment. However, in conjunction with the change to a first-to-file system, the new law creates **derivation proceedings**, which can be initiated within the USPTO by an inventor who believes that a published application or patent covers an invention that has been derived from their own work. Also, the new law creates **derivation actions**, which can be initiated within the federal courts by one patent owner against another. These new mechanisms will not apply to any earlier-filed application/patent that has an *effective* filing date that is prior to the date of enactment. Thus, claims to priority from previous filings may play an important role in determining whether an application or patent is challengeable under the current interference practice or the new derivation mechanism, even after conversion to the first-to-file system.
- Within 10 days of enactment, a **15 percent surcharge** will go into effect for all general statutory patent fees. This surcharge will only remain in effect until the director exercises a newly granted authority to set or adjust fees, and will apply to both pending applications and previously issued patents.
- Patents will no longer be subject to invalidation based on the **best mode defense**. Patent applicants will still be required to disclose the best mode known to them at the time of filing their patent application, but the failure to comply with this requirement will not result in invalidation of the patent. This provision will apply to any civil action commenced upon or after the date of enactment.
- A second litigation-affecting provision will amend the **patent marking** provision to allow so-called "virtual marking," where a product may be marked with an Internet address where the relevant patents have been listed. The legislation will also restrict false marking cases, eliminating the *qui tam* false marking litigation that has multiplied in recent years in favor of actions brought solely by the U.S. government, but adding a civil action for actual damages



that may be brought by those who have suffered competitive injury as a result of a violation. These provisions will apply to any case pending on or commenced after the date of enactment.

- A third litigation-affecting provision will limit the circumstances for **joinder of multiple defendants** in an infringement action to those in which the infringement arises out of the same set of operative facts. Generally speaking, infringers making different products but infringing the same patent(s) will no longer be proper co-defendants in a single case. This provision will apply to any civil action commenced on or after the date of enactment.
- Upon the date of enactment, so called “**micro entities**,” independent inventors who have not been named as an applicant on more than four patent applications, who have a gross income not more than three times the previous year’s median U.S. household income, and who have not assigned the application to an entity having a higher income, may claim a 75 percent discount on patent fees.
- Within 10 days of enactment, a fast-track “**prioritized examination**” will become available. This procedure had been previously announced and established through the rule-making process, but was suspended before the anticipated start date due to this year’s budget cutbacks. The fee for prioritized examination will be \$4,800 in addition to the usual statutory filing fees. This procedure will enable applicants to receive a final determination of patentability within one year of their application filing date, but will not affect the priority or timing of any appeal process.
- Upon the date of enactment, the standard for granting a petition for *inter partes* **reexamination** will change from the current standard, requiring only that the requestor set forth a substantial new question of patentability, to a stricter standard, requiring that the requestor show a reasonable likelihood of prevailing with respect to the invalidity of at least one claim. The standard for granting a petition for *ex parte* reexamination will remain a substantial new question of patentability. This provision will not apply to any request for *inter partes* reexamination filed prior to the date of enactment, and is the first step in a transition to a revised *inter partes* reexamination process that goes into effect one year after the date of enactment.
- Upon the date of enactment, **tax strategies and human organisms** will effectively be rendered unpatentable. These provisions will apply to both pending and subsequently filed applications, but not to previously issued patents. The approaches governing these subject matters under the legislation are somewhat different, with the former approach excluding any claim directed to or encompassing a human organism, but the latter approach permitting claims directed to taxation-related inventions (subject matter used solely for preparing tax filings or solely for financial management) to the extent that these are distinct from and do not prohibit the use of any tax strategy.



## FOR MORE INFORMATION

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