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Patent Reform Legislation Has Passed: What You Need to Know Now

On September 8, 2011, the U.S. Senate passed H.R. 1249, sending comprehensive patent reform legislation to be signed into law by President Obama. The bill, entitled "Leahy-Smith America Invents Act," makes many changes to U.S. patent law, including the adoption of a first inventor-to-file standard.

Other reforms include new definitions of prior art, new post grant and inter partes review proceedings, a supplemental examination procedure, a new provision on joinder in patent suits, a provision eliminating invalidity based on failure to disclose the best mode, a limitation on tax strategy and human organism patents, a special procedure for challenging business method patents, a limitation on false patent marking suits, and new fee provisions, among other changes.

While many of these provisions will not become effective until one year after the bill is signed into law, some take effect immediately upon or shortly after enactment. Here is a summary of those provisions that are effective upon signing or in the near future.

Joinder

The patent bill adds a section limiting the parties that may be joined in a single action to those defendants making, using, importing, offering for sale, or selling the same accused product or process. Notably, accused infringers may not be joined solely on the grounds that they each have infringed the patent or patents in suit. This change may greatly curtail suits brought against a vast number of unrelated defendants. Instead, it appears that plaintiffs will only be able to join related parties in a single suit. This amendment applies to any action commenced on or after the date of enactment.

Best mode

The patent bill eliminates the failure to disclose "the best mode contemplated by the inventor of carrying out his invention" from the listed infringement defenses. This provision is set to take effect on the date of enactment and will apply "to proceedings commenced on or after that date."

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Inter Partes Reexamination

Among many reforms here, only the standard for declaring a inter partes reexamination will go into effect immediately upon enactment. Requests for inter partes reexaminations will be no longer be granted upon a showing of a "substantial new question of patentability." Rather, requesters will have to show "a reasonable likelihood that the requester would prevail with respect to at least 1 of the claims challenged in the request." This new standard will apply for a transitional one year period commencing upon enactment. At the expiration of the one year period, the new inter partes review procedure becomes effective and replaces inter partes reexamination. The new inter partes review procedure will include this same standard.

U.S. Patent & Trademark Office (USPTO) Fees

The reform legislation includes a number of fee changes that will soon take effect. First, the bill adds a 15% surcharge that applies to all general statutory patent fees, effective 10 days after enactment. The surcharge on a particular fee would last until the date that the Director sets or adjusts that particular fee for the first time pursuant to the Director's authority to set fees to recover the aggregate estimate costs for the operations of the USPTO.

Second, each application for an original patent that is not filed electronically will be subject to an additional $400 fee. This provision takes effect 60 days after enactment.

Other new fee provisions include a 75% discount for the new classification of "micro entity." This category of discounted fees goes into effect as of the date of enactment, and the bill defines a qualifying micro entity applicant as one who (1) has not been named on more than four patent applications (other than foreign, provisional, or international applications), (2) did not have a gross income more than three times the median household income for the preceding year, (3) has not assigned the application to an entity whose income exceeded that amount, and (4) meets the small entity requirements set by regulation.

Also, effective 10 days after enactment is a $4,800 fee for filing an application subject to the "Prioritized Examination" procedure. This procedure had been previously postponed by the USPTO due to funding concerns.

Prior User Defense

The statutory prior user defense is expanded to cover a commercial use of the subject matter of a patent in the United States occurring at least one year before the effective filing date of the patent, either in connection with an internal commercial use or an arm's length commercial sale or transfer. This amendment applies to any patent that issues on or after the date of enactment.

False Marking

The false marking statute is amended to limit plaintiffs in civil actions under this statute to the United States or those who have suffered a competitive injury as a result of a false marking violation. The amendment also exempts from violation the marking of a product with the number of a patent that covered the product but has expired. These provisions apply to all cases pending on, or commenced on or after, the date of enactment.

Virtual Marking

The patent marking statute will be amended to include the following new marking alternative: "by fixing thereon the word 'patent' or the abbreviation 'pat.' together with an address of a posting on the Internet, accessible to the public without charge for accessing the address, that associates the patented article with the number of the patent." This amendment will apply to any case pending on, or commenced on or after, the date of the enactment.

Tax Strategies

The patent bill adds a section that states "any strategy for reducing, avoiding, or deferring tax liability, whether known or unknown at the time of invention or application for patent shall be deemed insufficient to differentiate a claimed invention from the prior art." The provision expressly excludes inventions "used solely for preparing a tax or information return or other tax filing." This amendment applies to any patent application pending on or filed on or after the date of enactment and any patent issued on or after the date of enactment.

Human Organisms

The patent bill adds a section that states "no patent may issue on a claim directed to or encompassing a human organism." This provision applies to any patent application pending on or filed on or after the enactment date.

Ex Parte Reexamination

The patent bill include an amendment that eliminates district court review of ex parte reexamination determinations. A patent owner may continue to seek appellate review by the Court of Appeals for the Federal Circuit. This amendment takes effect on the date of the enactment.

Patent Term Extension

The patent bill adds a sentence that enlarges the time period for applying for patent term extension in certain circumstances. This amendment will apply to any term extension application pending on, filed after, or "as to which a decision regarding the application is subject to judicial review on," the date of enactment.

Reserve Fund

The patent bill adds a provision establishing a Patent and Trademark Fee Reserve Fund for depositing fees collected in excess of the amount appropriated to the USPTO for that fiscal year. Annual appropriations acts will specify the extent to which the USPTO may use the amounts deposited. This amendment takes effect on October 1, 2011.

Please feel free to discuss any aspect of this Client Alert with your regular Milbank contacts or with any member of our Intellectual Property Practice Group listed below.

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