

## Expert Analysis

### Practice Implications of the Leahy-Smith America Invents Act

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The patent world changed significantly Sept. 16, 2011, when President Obama signed into law the Leahy-Smith America Invents Act, thereby implementing the most comprehensive reform to U.S. patent law since 1952.

Written with an interest in moving toward global harmony with other patent systems and based on a recognition of the economic importance of patents, the AIA introduces a variety of changes ranging from replacing the longstanding first-to-invent system in the United States to establishing additional post-grant procedures for challenging the validity of patents.

What follows is a brief explanation of some of the changes instituted by the AIA and an overview of the practical implications of these changes.

#### FIRST INVENTOR TO FILE

One of the most significant changes made by the AIA is the shifting of the U.S. patent system from a system that grants a patent to the inventor who is first to invent the claimed invention, known as the "first to invent" system, to a system that grants a patent to the inventor who is first to file a patent application at the U.S. Patent and Trademark Office, known as the "first inventor to file" system.

The first-inventor-to-file system is different from other known first-to-file systems in that it includes a unique one-year international grace period for disclosures by the inventor, or another who obtained the subject matter from the inventor, if made within one year of the effective filing date of the claimed invention and prior to a disclosure by a third party of the same subject matter. Therefore, under the first-inventor-to-file system, the absolute grace period previously afforded an inventor under the first-to-invent system no longer applies if a third party discloses the subject matter of the invention before the inventor within the one-year grace period.

The grace period afforded the inventor via the new first-inventor-to-file system makes it extremely important for clients to communicate to their attorney any disclosure by the inventor, or another who obtained the subject matter from the inventor, so that the attorney can inform the PTO of this information in order to perfect the

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Further, receiving any grace-period disclosure dates from the client as soon as possible is especially important because the new grace period will be measured from the earliest priority date in a World Trade Organization member country rather than the earliest actual U.S. filing date.

Practitioners should also counsel their clients that the AIA changes the definition of the prior art to be considered when taking into account the novelty and non-obviousness of the claimed invention. The new definition provides that an inventor shall be entitled to a patent unless the claimed invention was "patented, described in a printed publication, or in public use, on sale or otherwise available to the public anywhere in the world before the effective filing date of the claimed invention."<sup>1</sup>

It is equally important that clients describe and provide evidence of the "quality" of the content of their grace-period disclosure so that their attorney can assess whether the grace-period disclosure is one that adequately protects against any future disclosure from a third party that may later qualify as prior art to the claimed invention.

On the other hand, practitioners should also scrutinize third-party disclosures made prior to the inventor's disclosure to determine the similarities as there is currently no way of knowing how courts will compare one disclosure to another disclosure in assessing issues of derivation and antedating of the third-party disclosure content in relation to the claimed invention.

Although a grace-period disclosure by the inventor can provide a one-year grace period that will shield the inventor from any subsequent disclosures by third parties in the United States, the applicant's grace-period disclosure can cause patentability issues elsewhere in the world if the inventor plans on filing in countries outside of the United States that are absolute-novelty countries. In absolute-novelty countries, a public disclosure by the inventor prior to filing will act as prior art to the claimed invention.

Due to the changes discussed above, the need to quickly file at the PTO has never been greater and clients must weigh the benefits of obtaining a one-year grace period versus the patent-rights-forfeiture effect of the absolute-novelty requirements if a patent is sought in other countries.

Once filed, however, foreign applicants can take solace in the AIA's elimination of the Hilmer doctrine.<sup>2</sup> This will allow foreign applicants to obtain a prior effect of their published U.S. patent applications, their published Patent Cooperation Treaty applications that designate the United States, and their granted patents, as of the foreign priority date of their U.S. patent applications without having to file a U.S. provisional application or a PCT application in English.

On the other hand, the elimination of the Hilmer doctrine will make foreign-origin U.S. applications available as prior art one year earlier than under old U.S. patent law. This will make it more difficult to obtain U.S. patents, because more prior art will be available for both 35 U.S.C. §§ 102 and 103 purposes.

## ASSIGNEE FILING

The AIA also provides changes to the requirements for filing an inventor's declaration and assignment. Currently, an assignment and inventor's declaration must be submitted separately when filing an application. However, issues often arise when an inventor's declaration or assignment needs to be signed and the inventor cannot be located or refuses to sign the declaration, as it can be difficult under 37 C.F.R. § 1.47 to convince the PTO to allow the assignee to sign on behalf of the missing or nonsigning inventor.

The AIA provides that the required statements of an inventor's declaration can be made in a combined declaration and assignment. Therefore, practitioners should urge clients to have the inventor sign the assignment and the declaration in a single form as early as possible after the U.S. or PCT application is drafted. This will reduce inadvertent paperwork errors and the number of missing-inventor issues, while also expediting prosecution and lowering the cost for clients. Moreover, under the new law the inventor's declaration need not be filed until the application is allowed.

## BEST MODE

The AIA also implements a variety of changes relating to the best-mode requirement in the United States. Under the AIA, the failure to disclose the best mode contemplated by the inventor of carrying out the invention will no longer be a basis for which any claim of a patent may be canceled in post-grant review proceedings or held invalid or otherwise unenforceable in litigation.

However, while the new law may appear to provide some relief to litigants, practitioners should be wary that foreign priority could still be challenged during litigation if the priority document does not disclose the best mode of carrying out the invention.

With respect to patent prosecution, the enacted law modifies provisions for claiming domestic priority such that the disclosure in an earlier-filed U.S. application must be made in the manner provided by 35 U.S.C. § 112, first paragraph, "other than the requirement to disclose the best mode."<sup>3</sup> However, a Sept. 20, 2011, internal memo to the Patent Examining Corps vaguely stated, "Examiners should consult with their supervisors if it appears that an earlier-filed application does not disclose the best mode ... and the filing date of the earlier-filed application is actually necessary."<sup>4</sup>

As the application of these changes to best mode is at best unclear, practitioners should inform clients that the best mode should still be described in all applications, and particularly in foreign applications. This will prevent prosecution issues from arising as well as a third party from challenging the validity of a patent based on intervening prior art having an effective date between the foreign priority date and the U.S. filing date.

## PRE-ISSUANCE SUBMISSION BY THIRD PARTIES

Under current 37 C.F.R. § 1.99, third parties are allowed to submit patents or printed publications to the PTO within two months from the date of publication of an application or prior to the mailing of a notice of allowance, whichever is earlier.

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However, this procedure is rarely used as 35 U.S.C. § 122(c) precluded the third party from explaining the relevancy of the prior art with respect to a pending application.

The AIA broadens the scope of prior-art submissions to include patents, published patent applications or other printed publications of potential relevance to the examination, and also allows for the third party to set forth a concise description of the asserted relevance of each submitted document. The AIA also modifies the submission timing to allow submissions within six months of post-publication (unless the application is already allowed), thus providing a longer window of opportunity to submit references.

While the attention afforded this area of law by the AIA may make it appear a more attractive option, practitioners should remain wary of submitting references under this scheme for a variety of reasons.

First, applicants are free to address the submitted references or can wait and see if the examiner will rely on them. If the examiner relies on the submitted references, the applicant can respond in writing or via a personal interview, thereby allowing the applicant to fully amend the claims or add broader claims based on the submitted references.

Further, as the party submitting references has no opportunity to intervene in the discussion between the examiner and applicant during examination, the pre-issuance submission scheme can result in a patent that has a strong presumption of validity relative to the submitted references.

It therefore appears that the only potentially viable use of this refined procedure arises out of the disclosure of information to the examiner in a way that demonstrates that a pending application fails to disclose the best mode for carrying out the invention, as this type of argument cannot be made in any other type of PTO or litigation proceeding. However, the availability of such information to third parties may prove to be rare.

While submitting references under this scheme does not create a formal estoppel, it appears that pre-issuance submissions will still be rarely used due to the likelihood of hurting a third party's chances in a possible future litigation of invalidating patent claims. A better way for a third party to be involved in challenging an inventor by submitting references is to initiate a post-grant proceeding after the patent is issued by the PTO.

#### **POST-GRANT REVIEW AND INTER PARTES REVIEW**

The AIA provides for the creation of a new post-grant proceeding beginning Sept. 16, 2012, titled "post-grant review," or PGR, which will provide an additional avenue of challenging the validity of a patent in addition to ex parte and inter partes re-examination. The AIA also provides that a new, albeit similar, proceeding titled "inter partes review," or IPR, will replace the current inter partes re-examination proceeding beginning Sept. 16, 2012.

While both the PGR and IPR proceedings will allow parties to challenge the validity of a patent, they also have an estoppel effect such that anything that was raised or reasonably could have been raised during the proceeding cannot be raised in a future litigation by the challenger if the challenger loses in the IPR or PGR.

Of course, other defendants will not be estopped, unless they themselves requested an IPR or PGR. As IPR proceedings allow a requester to challenge the validity of a patent as only being anticipated or obvious over patents and printed publications, the estoppel effect is not too encompassing and therefore not as worrisome for future proceedings.

However, PGR proceedings allow a requester to challenge the validity of a patent using all grounds of invalidity except for best mode. Therefore, a requester needs to be extremely careful and prepare a well-laid-out case, including the hiring of technical experts, as the estoppel arising out of the PGR proceeding could effectively eliminate any chance of an invalidity defense on issues that were raised or that reasonably could have been raised during the PGR.

Further, practitioners should inform clients that there is potential rebuttal evidence that can be raised during these proceedings and that they should weigh the likelihood of success of the rebuttal evidence defeating the invalidity challenge creating the estoppel effect arising from the PGR and IPR.

Another important change with respect to the post-grant proceedings that practitioners should take note of is that PGR and IPR estoppel attaches upon a final written determination of the newly formed PTO Patent Trial and Appeal Board, rather than at the exhaustion of all appeals as was previously the case in inter partes re-examination. This is a significant difference as estoppel is attainable within 12 to 18 months, rather than the roughly six-year time frame an appeal takes to navigate the PTO and get a final decision from the U.S. Court of Appeals for the Federal Circuit.

In spite of these estoppel concerns, parties facing patent litigation are expected to rely on the new PGR and IPR provisions. A PGR and IPR may be strategically preferred over an expensive litigation, which can be stayed pending the PGR and IPR. The chances of success for invalidating an asserted patent may be greater in front of the administrative judges of the Patent Trial and Appeal Board handling the PGR and IPR, as compared to a jury in a district selected by the patent holder. The Patent Trial and Appeal Board judges are experts in patent law and have technical backgrounds, and are thus perfectly positioned to make a fair assessment of the validity of a patent relatively quickly and without requiring the millions of dollars typically spent on litigation.

These estoppel concerns may be mooted by the action of the patent owner, however, as the AIA provides that patent owners in a PGR or IPR can file a preliminary response challenging the validity of a third party's request for PGR or IPR. In such case no estoppel would arise. Patent owners will be able to bolster their chances that the Patent Trial and Appeal Board will not initiate a post-grant proceeding at a third party's request by presenting reasons why the proceeding fails to meet PTO requirements. Of course, in such circumstances the third party would have to petition for the denial of the order or forego the post-grant challenge.

### **SUPPLEMENTAL EXAMINATION**

Supplemental examination is a new proceeding created by the AIA that allows the patent owner to avoid unenforceability of a patent by consideration, reconsideration or correcting known information material to the patent via re-examination. Un-

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der this new proceeding, patent owners have the ability to cure false statements or misrepresentations that occur during the original prosecution of the patent. This proceeding also provides an added statutory protection in that the patent can no longer be held unenforceable if it has survived a supplemental examination proceeding, as opposed to the standard recently set forth in *Therasense v. Becton*<sup>5</sup> for determining the enforceability of the patent.

Practitioners should be warned, however, that while the statutory protection provided via supplemental examination does prevent a patent from being held unenforceable based on inequitable conduct relative to the information submitted in requesting the supplemental examination, it does not prevent anyone involved in the prosecution of the patent from being charged with inequitable conduct and being investigated for possible disciplinary action.

Another benefit arising out of supplemental examinations is the ability to let one's application go to issue despite receiving material information after payment of the issue fee. In other words, if known material information is received after payment of the issue fee, an applicant can allow the patent to be issued without submitting the material information in an information disclosure statement and having to pay for a request for continued examination. The material information can then be used to establish a substantial new question of patentability required under supplemental examination to initiate a re-examination that will ultimately cure the failure to submit the material information before patent issuance.

Further, the recently instituted PTO docketing rules move cases in which a request for continued examination was filed to the end of the line in their docketing system. Consequently, although the price structure of supplemental examination is unknown, supplemental examination could prove to be quicker than withdrawing from issue and paying for a request for continued examination.

## CONCLUSION

The examples discussed above represent only a few of the changes resulting from the AIA that will greatly affect the practice of U.S. patent law.

Many aspects of the AIA will remain in question until the PTO issues regulations and guidelines to implement the variety of the legislative initiatives introduced by the AIA. In addition, the Federal Circuit will be busy interpreting the controverted language of such a comprehensive reform. Therefore, patent practitioners should be more vigilant than ever when giving clients advice in the years to come.

## NOTES

<sup>1</sup> H.R. 1249 § 3(a)(1) (2011) (emphasis added).

<sup>2</sup> See *In re Hilmer*, 424 F.2d 1108 (C.C.P.A. 1970) (Rich, C.J., delivering the opinion of the court).

<sup>3</sup> H.R. 1249 §15(b) (2011).

<sup>4</sup> Memorandum from Robert W. Bahr, PTO Senior Patent Counsel, to Patent Examining Corps (Sept. 20, 2011) (on file with authors), available at [http://www.uspto.gov/aia\\_implementation/best-mode-memo.pdf](http://www.uspto.gov/aia_implementation/best-mode-memo.pdf).

<sup>5</sup> *Therasense Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276 (Fed. Cir. 2011) (en banc).



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