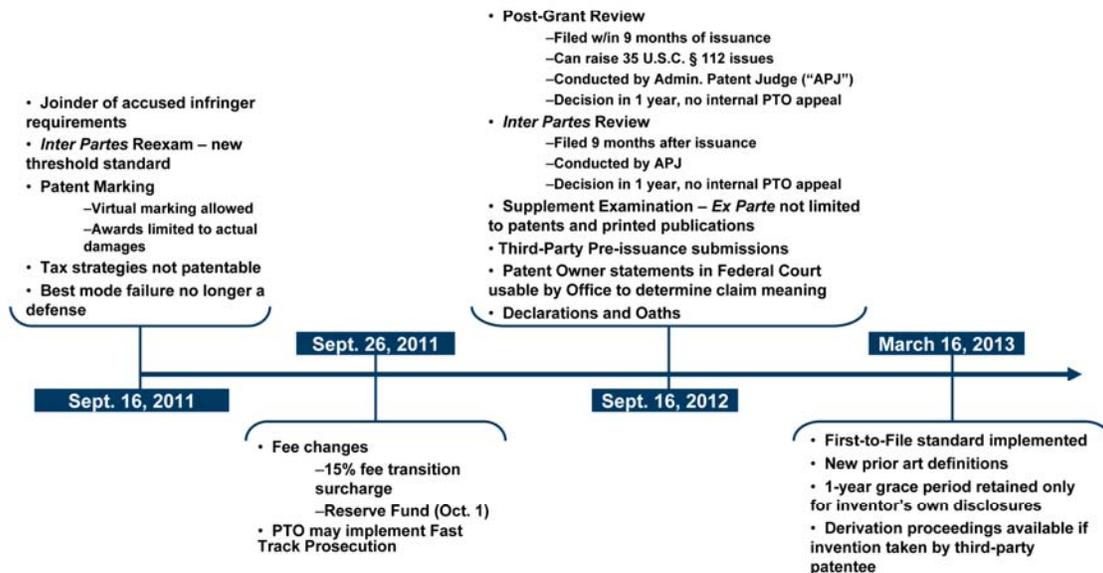


September 16, 2011

Practice Tips Under the Patent Reform Rules

The long anticipated *America Invents Act* (the “Act”) was signed into law today. However, given that certain provisions of the Act are now in effect while others do not come online until March 16, 2013, innovating companies and individuals should consider the impact and timing of those provisions on their overall patent strategy. Below is a link to some practice pointers and strategic tips you may want to consider when operating under the Act. As for the provisions that are immediately effective, you should be aware that: (i) joinder of defendants in an infringement action is limited to parties accused jointly, severally, or in the alternative with respect to or arising out of the same transaction or occurrence and have questions of fact common to all defendants; (ii) a reasonable likelihood that the requester will prevail is now required to institute *inter partes* reexamination; (iii) a competitive injury is now required for false marking suits, except by the government; and internet-based patent marking is now sufficient notice even retroactively; (iv) accountants everywhere can relax now that tax patent strategies are no longer patentable; and (v) the “best mode” of carrying out the invention is no longer a basis to invalidate a patent even though the statutory requirement still exists. The other virtually immediate impact is that Patent Office fees will have a 15 percent “transitional” surcharge as of September 26, ten days from now. The timeline below provides some important effective dates for certain significant provisions of the new law. [Click here](#) for a printable version of the below timeline.

Timeline – Patent Reform Provision Effective Dates



*Only selected provisions are included

Many other changes have been made concerning inventor declarations, the availability of documents as prior art, certain defenses to patent infringement, the establishment of fees and other aspects of patent law. A full copy of the legislation is available [here](#). In addition, the U.S. Patent and Trademark Office (“USPTO”) has provided a useful overview of certain provisions [here](#). The USPTO has already been working hard to prepare various proposed rules for public notice and comment, as the Act will require substantial new rulemaking within one year of enactment. While many question whether the Act will create 200,000 new jobs as publicized, it is unquestionable that it significantly overhauls U.S. patent laws and impacts how businesses and individuals should think about protecting technology today.

Innovating companies and individuals will want to consider and develop strategic plans going forward to best maintain and build protective barriers around their technology. A number of the most significant changes are set forth below, along with their effective dates and some potential strategic implications.

Joinder of Accused Infringers – Effective Now

Strategic Considerations

Where a plaintiff brings an infringement action against multiple defendants and they are joined solely on allegations that each have infringed the patents in suit, the accused defendants can now move for dismissal of the suit. Plaintiffs will want to consider the relationships among parties when identifying potentially infringing defendants. This change is likely to change the economics of patent infringement suits against parties who file suit against large numbers of defendants in the hope of achieving a quick settlement from a number of defendants to fund litigation against any remaining defendants.

Provisions of the Law and Some Practical Effects

- The new law eliminates the joinder of accused defendants based solely on allegations that each have infringed the patents in suit.
- The law permits accused parties to be joined in a single action only where 1) any right is asserted against the parties jointly, severally, or in the alternative with respect to or arising out of the same transactions or occurrences; and 2) questions of facts common to all defendants or counterclaim defendants will arise in the action.

Inter Partes Reexamination Standard - Effective Now

Strategic Considerations

Patent challengers will want to carefully consider their invalidating prior art and more carefully prepare their Reexamination (and eventually, *inter partes* review) Requests to meet the higher standard of “a reasonable likelihood that the requestor will prevail.” The burden of proof is still less than the clear and convincing evidence required to invalidate a patent in court. Since the standard no longer requires a “new” question of patentability, it may be possible to bring stronger challenges at the USPTO now based on previously-considered references if, for example, a mistake in understanding the art was made by the PTO during original examination.

Provision of the Law

- The *inter partes* reexamination standard changes immediately from a “substantial new question of patentability” to a “reasonable likelihood that the requestor will prevail,” effective upon the date of enactment.

Patent Marking - Effective Now

Strategic Considerations

Companies should consider tracking the inclusion and deletion of patent numbers used to provide marking notice on their websites to assist with evidentiary matters that arise later, whether or not they elect to continue marking products and/or product packaging. The Act is expected to put an end to false marking suits by individuals or companies formed solely to pursue damages from companies that, for example, forget to remove a patent number from a list of patents on a product despite the one patent having expired. Nevertheless, care in marking must still be taken since injured competitors may still bring suit for false marking.

Provisions of the Law and Some Practical Effects

- The Act now allows marking via notice by posting patent information on the Internet.
- Virtual marking provisions apply retroactively to all pending and to future litigation over proper marking.
- Only the United States government may sue for the penalty authorized by the false marking statute absent competitive injury.
- The provision limits civil suits regarding false marking to persons who suffer competitive injury. Damages adequate to compensate for the injury may be recovered.

U.S. Patent and Trademark Office Funding – Effective September 26, 2011

Strategic Considerations

It might be desirable to make new application filings and to pay maintenance fees in the next ten days if there are any upcoming deadlines, particularly for those most expensive 11.5 year maintenance fee payments.

Provisions of the Law and Some Practical Effects

- USPTO user fees increase 15 percent ten days after enactment. These are not protected from diversion under the Act and are not expressly useable by the USPTO until such time as Congress might vote to release the patent fees back to the USPTO for its use. It is well known that the USPTO is virtually the only (or perhaps the only) government agency that covers its entire cost through user fees.
- Effective October 1, 2011, fees collected in excess of the appropriated amount in any given fiscal year will be deposited in a so-called “Patent and Trademark Office Reserve Fund” and only made available for U.S. Patent Office operations “to the extent and in the amounts provided in [an] Appropriations Act.”
- While some congressional representatives argue that the funds will ultimately be appropriated for use by the USPTO, this is still an incredible disappointment to patent practitioners, inventors, and the companies who support them, particularly in the face of the 15 percent USPTO “transitional” fee surcharge. Time will tell

whether this fee surcharge is actually “transitional” or permanent. This is particularly true considering the era of difficult Congressional budgets that will continue to create annual pressure not to appropriate all the USPTO’s reserve funds for its use. This unpredictability will likely continue to hamper USPTO efforts to conduct and implement long-term plans to: (i) hire and improve IT infrastructure; and (ii) set fees at a fair level that will only cover PTO operational costs without effectively taxing innovators beyond that level. Ultimately, this “Reserve Fund” creates another accounting ledger, like Social Security, that will permit Congress to divert USPTO user fees to other purposes not related to driving innovation.

Inter Partes Review - Effective September 16, 2012

Strategic Considerations

Some third parties may work in groups so that one can bring a declaratory judgment action in court and another can later request an *inter partes* review with different, potentially better, prior art. Parties should be careful to maintain a certain distance to avoid an inference that they are effectively a party, which might estop them from bringing their own *inter partes* review. Also, consider submitting such requests early in each year after enactment where feasible, because the USPTO may limit the total number of *inter partes* review requests during the four years after implementation if the number of filings is so excessive that the USPTO cannot meet its scheduled decision deadlines.

Provisions of the Law and Some Practical Effects

- *Inter partes* reexamination transitions to *inter partes* review effective one year from the date of enactment. *Inter partes* reexamination requests filed before that date will proceed under the current rules.
- The *inter partes* review proceedings will be conducted by a Patent Trial and Appeal Board (“PTAB”) (replacing the Board of Patent Appeals and Interferences) formed by Administrative Patent Judges (“APJs”) with no opportunity for internal USPTO appeal. A final decision by the Board will be provided within one year after institution of an *inter partes* review, but the Board may be able to extend its deadline for such a ruling for good cause by six months.
- Intervening rights may arise regarding any claims amended or newly added during an *inter partes* review.
- *Inter partes* review will not be available if filed more than one year after service of a complaint for infringement, or if the requester previously filed a declaratory judgment action alleging invalidity.
- The USPTO will need to substantially increase the size of its reviewing body (the PTAB) and train new APJs to handle such proceedings, and it plans to do so given sufficient funding. This may help reduce the Board’s substantial and growing patent appeals backlog. Revenue from the expected immediate 15 percent fee surcharge for all fees that the USPTO collects is expected to help pay for these new Board hires, along with more examiners.

Post-Grant Review - Effective September 16, 2012

Strategic Considerations

A requester may become estopped from bringing later federal court challenges on issues that could have been raised in a post-grant review. Thus, requesters will want to receive legal advice and consider all options for

attacking a patent, including the availability of on-sale bar or other commercial activity and Section 112 challenges, before filing for a post-grant review. Requesters may also want to consider waiting nine months after patent issuance to file for an *inter partes* review (after that provision becomes effective) based on printed publications to preserve the possibility of raising on-sale bar and Section 112 issues in subsequent litigation.

Provisions of the Law and Some Practical Effects

- Post-grant review proceedings will be conducted by APJs with no opportunity for internal USPTO appeal. A final decision by the Board will be provided within one year after institution of a post-grant review, but the Board may be able to extend its deadline for such a ruling for good cause by six months. During the first four years, the USPTO may limit the total number of post-grant review requests.
- Requests must be filed within nine months of patent issuance. Requesters cannot file post-grant reviews if the requestor has already initiated a declaratory judgment action in court.
- Post-grant reviews are initiated upon a threshold showing that at least one of the claims is “more likely than not” unpatentable.
- Requesters can challenge patents on any grounds except best mode, including grounds such as on-sale or commercial activities, Section 112 written description or other requirements.
- Requesters are estopped from later challenging in Court on issues that were “raised or reasonably could have raised” before the USPTO.

Transitional Program for Covered Business Method Patents - Effective September 16, 2012

Strategic Considerations

This is one of the more ambiguous parts of the legislation, and appears to overlap and perhaps even extend beyond situations of ineligible patent subject matter for financial services and products as apparently intended by Congress. If a financial-related business method claim is arguably not within statutory patent subject matter under 35 U.S.C. § 101, as addressed, *e.g.*, in *In re Bilksi* by the U.S. Supreme Court, the patent should be reviewable under this transitional section and may be found invalid. Even if a patent claims patent eligible subject matter under recent case law, however, this section of the Act appears to permit review and invalidation of patents in the financial industry. Also, it is likely litigation will ensue over the term “technological inventions,” as patentees whose patent is challenged may argue that their financial-related patent is a “technological invention” not subject to review under this provision.

Provisions of the Law and Some Practical Effects

- Although the program becomes effective one year after enactment, it applies to patents issued at any time.
- It establishes an eight-year window for a transitional post-grant review proceeding for review of the validity of certain business method patents as noted below.
- A petitioner seeking review must have been sued or charged with infringement of the subject patent. The types of patents that may be reviewed under this provision include those claiming a method or a

corresponding apparatus for performing data processing operations utilizing the practice, administration or management of a financial product or service, but not patents for “technological inventions.”

First-Inventor-to-File – Effective March 16, 2013

Strategic Considerations

While many expect patent filing quality to decrease as applicants rush to avoid the fate of losing the race to the USPTO by a day, there is a need for a balanced approach here. Patent applicants will want to expedite their filings to a certain extent, however, not so quickly that filings are made before (i) there is a definite, concrete invention that can be properly described in writing to meet various statutory requirements such as written description and enablement; and (ii) sufficient review has been conducted by the inventors, who will typically still need to have one or more in-depth discussions with the patent drafter. Rushing too much may *appear* to win the patenting race, until a patent is held not infringed because no one ever informed the drafter about that key alternative that should be covered or invalid for failure to have developed the invention enough to comply with various statutory requirements.

Provisions of the Law and Some Practical Effects

- Transitions from a first-to-invent system to a first-inventor-to-file system for determining priority of inventions by wholly re-writing 35 U.S.C. § 102.
- The new law maintains the one-year grace period exception only for disclosures by the inventor or another who obtained the information (“derived” the invention) from the inventor.
- This provision eliminates the possibility of submitting a Declaration to provide proof of invention before a third-party publication, even if that publication occurs after the invention is reduced to practice but a day before the application is filed.
- A detailed publication by the inventor may preclude others from patenting as of the publication date, while protecting the ability to file for patent protection for up to a year—but only in the U.S. General publication of the invention before a patent application filing will still result in the loss of patent rights in virtually every country in the world.
- This provision will eliminate 35 U.S.C. §§ 102(c), (d), and (g), simplifying the patent statute, since prior invention will no longer be a consideration. Section (f) is also technically eliminated, but the provision is effectively still included in the derivation actions permitted under the new Section 102. This includes the elimination of patent interference practice which permits an earlier inventor who files later to ultimately gain patent rights over a first-filer who invented later.

Numerous other provisions have been changed, and collectively these will likely give rise to further strategic considerations upon further consideration, and upon further court decisions that help interpret various provisions. Moreover, as the USPTO conducts rulemaking regarding many of these statutory provisions, it will become clearer how some of these provisions may be used to protect and defend technology and IP rights so as to provide innovating companies and individuals with the best strategic methods and strategies to compete effectively.

If you have any questions regarding these matters, please contact one of our patent attorneys.

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