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Client Alert: Significant Patent Reform on the Horizon

Overview

On Tuesday, March 8, 2011, the United States Senate passed the America Invents Act by a resounding vote of 95 to 5. The House is widely expected to pass a similar version of the Act in the coming weeks, and President Obama has already indicated his endorsement. The America Invents Act is intended to reduce backlog at the U.S. Patent and Trademark Office, and represents the first substantive reform to U.S. patent law since 1952. Though the Act will likely undergo minor changes in the coming weeks, all indications are that it will include the following substantive reforms.

First-to-File

For the first time since its genesis in 1790, U.S. patent law will award patents to the first person to file for a patent rather than to the first person to arrive at an invention. All other major patent offices in the world already award patents on a first-to-file basis. Though equitable, the first-to-invent system leads to disputes that the Patent Office has been forced to resolve through complicated Interference proceedings. Under the new system, filers will still have to show possession of the invention, and will still have to establish novelty. They will not, however, face concerns that others may have arrived at the invention first and simply not have filed yet. There will no longer be Interference proceedings, and applicants will no longer be able to “swear behind” prior art cited against them by

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giving evidence that, despite their later filing date, they arrived at the invention first.

This is by far the Act's most significant change, and will likely increase the pressure for all entities to file for patent rights as soon as an invention is made. If the Act becomes law, patent filing entities should review their procedures to ensure prompt filings on all inventions and recent research and development. This change will also increase the risk in electing to forego patent rights in favor of maintaining an invention as a trade secret. Most likely this measure will not be retroactive, and will not affect applications on file prior to passage of the Act.

Third-Party Challenges

The Act attempts to make examination more robust through the involvement of third parties. Under current law, third parties may challenge issued patents by submitting a request for reexamination based on specific published prior art. These requests can be either *ex parte*, where the requestor's involvement ceases upon submitting the request, or *inter partes*, where the requestor is able to counter the patentee's arguments for affirmation and reissue. While these procedures will remain intact, the Act will provide additional avenues for third-party involvement. First, the Act designates a nine-month post-grant window during which parties may challenge an issued patent on grounds that cannot be considered in reexamination, such as indefiniteness, inventorship and individual testimony. Second, the Act allows third parties to submit prior art along with an explanation of the art's relevancy to the Patent Office during the examination of an application. Such prior art submissions are currently allowed only in limited circumstances, and not with an accompanying explanation of relevance.

False Marking



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The Act would limit standing for claims of false marking to competitors of the accused entity and the government. This provision has nothing to do with Patent Office reform, but rather is directed at quelling the recent exponential growth in *qui tam* false marking lawsuits. Because standing must be maintained throughout a lawsuit, this provision should effectively eliminate the bulk of the more than 500 such lawsuits presently underway.

Other Provisions

There are numerous other provisions in the Act, some of which may not be in the final version. The Act will likely create a ban on patents directed toward tax avoidance strategies. It will also create a third fee level for “micro-entities” that are new to the patent system and have a moderate to low income level. Less certain are provisions that would create regional patent offices subordinate to the main office in Alexandria, Va., eliminate or reduce the option to avoid publication of applications, and codify certain court decisions relating to the standard for willful infringement.

If you have questions about how the pending changes to U.S. patent law will affect your business, please contact Mike Turner, Thomas McDonough or your Neal Gerber Eisenberg attorney.

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