

UPDATE

THE LAW OF INTELLECTUAL PROPERTY (3d ed. 2011)

Nard
Madison
McKenna
Barnes

The “American Invents Act”

On September 16, 2011, President Obama signed into law the *American Invents Act* (“AIA”). The AIA restructures the American patent code in a manner not seen since 1952. Below is an overview of some of the more significant changes:

1. First-to-File: Perhaps the most significant change brought about by the AIA is the conversion of the American system from a first-to-invent to a first-to-file system. Under the amended section 102, the priority date is no longer the date of invention, but rather the “effective filing date.” Accordingly, Section 102(g) has been eliminated, and therefore, so too have the familiar terms such as “interference,” “conception,” diligence,” “reduction to practice,” “concealment,” and “suppression.”

Under the new section 102, the first inventor to submit an application to the patent office has priority of invention; it does not matter if the person who filed first was also the first person to invent. This change harmonizes the American patent system with the rest of the industrialized world, and is reflected in the new section 102 (reproduced below).

The first-to-file provision becomes effective on March 16, 2013.

2. Prior User Rights: To ameliorate perceived inequities arising from a first-to-file regime, the AIA creates a *prior user right*. This right allows entities who invented prior to the first filer to avoid a charge of infringement if the prior inventor commercially used the claimed invention in the United States at least one year prior to either (a) the effective filing date of the claimed invention; or (b) the date on which the claimed invention was disclosed to the public *by the inventor*.

The prior user provision becomes effective on January 16, 2012.

3. Novelty and Grace Period: Under the new section 102, a patent shall issue unless “the claimed invention was patented, described in a printed publication, or in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention.”

Two initial points should be made about the new novelty definition. First, the new statute eliminates the geographic distinction between knowledge and use, on the one hand, and patents and printed publications, on the other hand. In this regard, the new section 102 is exactly like the European Patent Convention. Second, the phrase “otherwise available to the public” is new to American patent law, and it will be interesting to watch as the courts grapple with it. (The European Patent Convention uses similar language. Under Article 54, “state of the art is defined as “everything made available to the public by means of a written or oral description, by use of in any other way.”)

There are also important exceptions to the new definition of novelty. If the aforementioned disclosures (e.g., publication) were made less than one year prior to the effective filing date they will not be considered prior art *if* the disclosure was made *by the inventor or joint inventor or “another who obtained the subject matter disclosed directly or indirectly from the inventor or joint inventor.”* In addition, disclosures made by someone other than the inventor or joint inventor will not bar a patent if “the subject matter disclosed had, before such disclosure, been publicly disclosed by the inventor or a joint inventor or another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor.”

Moreover, the new section 102 states that a patent shall issue unless “the claimed invention was described in a patent issued under section 151, or in an application for patent published or deemed published under section 122(b), in which the patent or application, as the case may be, names another inventor and was effectively filed before the effective filing date of the claimed invention.

The changes to section 102 become effective on March 16, 2013.

Comment on New Section 102 and the First-to-File System

As noted above, a disclosure made by the inventor (or joint inventor or another who obtained the subject matter disclosed directly or indirectly from the inventor or joint inventor) prior to one year of filing will *not* act as prior art. Moreover, third-party disclosures made prior to one year of filing will not serve as prior art if the subject matter disclosed had already been disclosed by the inventor (or joint inventor or “another who obtained the subject matter disclosed directly or indirectly from the inventor or joint inventor). The disclosure exceptions raise three important issues.

First, companies with a global patenting strategy must be aware of the absolute novelty provisions present in numerous jurisdictions. For example, under section 54 of the European Patent Convention, “[a]n invention shall be considered to be new if it does not form part of the state of the art.” And, as noted above, “state of the art” is defined as comprising “everything made available to the public by means of a written or oral description, by use, or in any other way, before the date of filing of the European patent application.” Therefore, an inventor who discloses before filing

in the United States may still be able to obtain an American patent, but may jeopardize his patent rights outside of the U.S.

The second issue pertains to how courts will compare an inventor disclosure with a disclosure made by a third-party. What if the inventor disclosed via a printed publication, and a third-party engaged in public use? How are courts to compare such divergent disclosures? For an inventor to engage in a preclusive disclosure, does the inventor's disclosure have to be qualitatively the same as the third-party's disclosure? Professor Jeff Lefstin of Hastings Law School provides the following examples to highlight the difficult interpretive task:

Consider, for example, an inventor who publicly discloses a fuel consisting of 80% gasoline and 20% ethanol. Does that disclosure preclude a third-party disclosure of a 75%-25% mixture? A generic third-party disclosure of mixtures of ethanol with petroleum products? What if the inventor disclosed a mixture of gasoline and ethanol in generic terms rather than a particular composition?

See <http://www.patentlyo.com/patent/2011/09/guest-post-preclusive-inventor-disclosure-under-leahy-smith-1.html>.

The last issue relates to the strategic use of disclosure. Interestingly, an inventor who engages in *early* disclosure may be in a better position to secure patent rights, as long as the inventor files a patent application within one year of his disclosure. By disclosing first, an inventor both blocks a competitor from obtaining a patent (by creating prior art under section 102(a)(1)) *and*, under section 102(b)(1)(B), precludes a competitor from disclosing information that can serve as prior art against the inventor under section 102(b)(1)(B). What this means is that the new section 102 looks more like a *first-to-disclose* system that is built into a first-to-file regime.

Consider the following three scenarios:

Scenario 1:

Inventor A publishes an article disclosing INVENTION. Inventor B subsequently files for a patent on INVENTION. Thereafter, Inventor A files for a patent on INVENTION within one year from Inventor A's publication date (and therefore is within the grace period). Inventor A will be awarded the patent even though Inventor B filed first, because Inventor A's publication is prior art against Inventor B's patent application. **See New Section 102(a)(1) and (b)(1)(A).**

Scenario 2:

Inventor A publishes an article disclosing INVENTION. Inventor B subsequently publishes an article disclosing INVENTION. Thereafter, Inventor A files for a patent

on INVENTION within one year from Inventor A's publication date (and therefore is within the grace period). Inventor A will be awarded the patent. Even though Inventor B disclosed INVENTION before Inventor A filed, Inventor A's initial disclosure of INVENTION has preclusive effect on Inventor B's ability to create prior art relating to INVENTION. **See New Section 102(b)(1)(B).**

Scenario 3:

Inventor A publishes an article disclosing INVENTION. Inventor B subsequently files for a patent on INVENTION. Thereafter, Inventor A files for a patent on INVENTION 14 months from Inventor A's publication date. Both Inventor A and Inventor B will be denied the patent because the former filed after the grace period expired and the latter filed after Inventor A's publication date. **See New Section 102(a)(1) and (b)(1)(A).**

4. Derivation Proceeding: An inventor who files an application after another inventor files claiming the same invention may challenge the earlier-filed inventor if the second filer can prove the earlier filed "derived" the invention from the second filer. Only an applicant for patent may file a petition for a derivation proceeding. And the petition must be filed within one year of first publication of a claim to an invention that is either the same or substantially the same as the earlier inventor's application.

The derivation provision becomes effective on March 16, 2013.

5. Opposition and Inter Partes Review The AIA creates a post-grant opposition proceeding that may be initiated by a third-party within nine months of grant. The AIA also creates an Inter Partes Review proceeding that may be initiated after the expiry of the period for post-grant review.

The post-grant review provision becomes effective on September 16, 2012.

6. Best Mode: The best mode must still be disclosed during the prosecution of the patent application, but failure to comply with the best mode requirement is no longer available to a party challenging the validity of a patent during litigation.

The best mode provision becomes effective on September 16, 2011.

Section 102 (As Amended by the AIA)

(a) Novelty; Prior Art – A person shall be entitled to a patent unless—

1. the claimed invention was patented, described in a printed publication, or in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention; or
2. the claimed invention was described in a patent issued under section 151, or in an application for patent published or deemed published under section 122(b), in which the patent or application, as the case may be, names another inventor and was effectively filed before the effective filing date of the claimed invention.

(b) Exceptions—

1. DISCLOSURES MADE 1 YEAR OR LESS BEFORE THE EFFECTIVE FILING DATE OF THE CLAIMED INVENTION – A disclosure made 1 year or less before the effective filing date of a claimed invention shall not be prior art to the claimed invention under subsection (a)(1) if—

- A. the disclosure was made by the inventor or joint inventor or by another who obtained the subject matter disclosed directly or indirectly from the inventor or joint inventor;
- B. the subject matter disclosed had, before such disclosure, been publicly disclosed by the inventor or a joint inventor or another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor.

2. DISCLOSURES APPEARING IN APPLICATIONS AND PATENTS – A disclosure shall not be prior art to a claimed invention under subsection (a)(2) if—

- A. the subject matter disclosed was obtained directly or indirectly from the inventor or a joint inventor;
- B. the subject matter disclosed had, before such subject matter was effectively filed under subsection (a)(2), been publicly disclosed by the inventor or a joint inventor or another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor; or
- C. the subject matter disclosed and the claimed invention, not later than the effective filing of the claimed invention, were owned by the same person or subject to an obligation of assignment to the same person.

(c) [OPEN]

(d) Patents and Published Applications Effective as Prior Art— For purposes of determining whether a patent or application for patent is prior art to a claimed invention under subsection (a)(2), such patent or application shall be considered to have been effectively filed, with respect to any subject matter described in the patent application—

1. if paragraph (2) does not apply, as of the actual filing date of the patent or the application for patent; or
2. if the patent or application for patent is entitled to claim a right of priority under section 119, 365(a), or 365(b), or to claim the benefit of an earlier filing date under section 120, 121, or 365(c), based upon 1 or more prior filed applications for patent, as of the filing date of the earliest such application that describes the subject matter.