

The Leahy-Smith America Invents Act

The Leahy-Smith America Invents Act became law on September 16, 2011. This law will keep America in its longstanding position at the pinnacle of innovation. It provides the United States Patent and Trademark Office (PTO) with the resources and tools it needs to work through the backlog of nearly 700,000 applications – which it has already begun to reduce -- as quickly as possible while ensuring only high quality patents are issued and are in the system. The law made the following significant changes to patent law:

- The law transitioned the U.S. to a **first-inventor-to-file system**, which simplifies the application system and harmonizes it with our trading partners, reduces costs, and improves the competitiveness of American inventors seeking protection globally, while expanding **prior user rights**, which benefits domestic manufacturers and job creation.
- The law made important changes to **improve patent quality**. Patents of high quality drive investment and jobs. Low quality patents, by contrast, are a drag on innovation. And, when there are too many patents of dubious validity in the system, it casts doubt on patent validity of true inventions. The law improved patent quality in two significant ways:

First, the law established the **opportunity for third parties to submit information** (e.g., prior art) related to a pending application for consideration by a patent examiner. Patent examination is ex parte, with no participation by those who may have the best knowledge of the prior art. By allowing prior art to be submitted and explained, patent examiners have a valuable additional tool to use to grant only high quality patents.

Second, the law created a **“first window” post-grant opposition proceeding**, open for nine months after the grant of a patent, which allows challengers to weed out patents that should not have issued. High quality patents provide more certainty to inventors, users of inventions, and investors. A proceeding may only be instituted if the petitioner demonstrates that it is more likely than not a claim of the patent is invalid.

- The law improved the previous system for **administratively challenging the validity of a patent** at the PTO throughout the life of the patent. Under the previous system, anyone could challenge a patent administratively through an inter partes reexamination proceeding at the PTO on the basis of patents or printed publications. While these challenges are easy to institute, they take more than three years on average to complete, even prior to appeals to the United States Court of Appeals for the Federal Circuit, which considers patent cases. The inefficiency of the system was bad for challengers who have meritorious challenges but could not get a final decision from the PTO, and was bad for patent owners who had their patents tied-up in review for years even if the challenge was not ultimately going to be successful. The law improved the system in four key ways:

First, the law created a more meaningful alternative to litigation by establishing an adversarial inter partes review, conducted by Administrative Patent Judges, which contains procedural changes that allow the PTO to complete most reviews within 12 months. The challenge is heard by a panel of three Administrative Patent Judges, and its decision is

appealable directly to the United States Court of Appeals for the Federal Circuit. *Second*, the proceeding includes a threshold for instituting a proceeding. The challenger must show a “reasonable likelihood” that it would prevail in invalidating a claim of the patent. *Third*, the proceeding includes new, procedural safeguards to prevent a challenger from using inter partes review to harass patent owners. *Fourth*, the law included a “reasonably could have raised” estoppel standard, preventing a challenger from raising in court only an argument that reasonably could have been raised during an inter partes review that the challenger instituted.

- The law provided **fee setting authority** for the PTO Director and created a PTO Reserve Fund to ensure that fees paid to the PTO for patent services are used only by the PTO for those services and are not diverted to other programs. These provisions ensure the PTO is properly funded and can reduce the backlog of patent applications. The law mandated a reduction of fees by 50% for small entities and 75% for micro-entities. This provision also provides statutory authority for the PTO’s new priority examination process, with a reduction in fees for the service for small businesses.
- The law created a **supplemental examination process** to incentivize patent owners to commercialize their inventions despite potential flaws in the application process.
- The law prevents patents from being issued on claims for **tax strategies**, which can add unwarranted and counterproductive fees on taxpayers simply attempting to pay their taxes.
- The law created a temporary program at the PTO to determine the validity of **business method patents** related to financial products or services. Patents on methods of doing business that are of dubious validity have plagued the financial sector.
- The law limits harassing **“false marking” suits**, which are a drag on the economy.
- The law increases the incentives for government laboratories to commercialize inventions.
- The law eliminated the subjective **“best mode”** test as basis for rendering a patent unenforceable.