RECOGNIZING A NEED FOR REFORM:
THE LEAHY-SMITH AMERICA INVENTS
ACT OF 2011

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I. INTRODUCTION

For more than six years, Congress attempted patent reform.1 The backlog of pending patent applications at the United States Patent and Trademark Office ("USPTO") doubled in less than ten years.2 Even with a staff of 6,255 patent examiners in 2010, the USPTO remained incapable of effectively managing the number of applications it received.3 The system’s susceptibility to delay and uncertainty, as well as its inconsistent quality, has deferred private investments in innovation and undermined potential economic growth and job creation.4 Additionally, the prevalence of low quality patents and the extremely high cost of patent litigation have imposed a significant tax on innovation.5

The USPTO takes an average of 25.7 months before it even acts on a pending application.6 The average total pendency for a patent application is 35.3 months, with only 233,127 patents issued in 2010.7 In that same year, there were as many as 289,419 patent applications abandoned,8 most likely attributed to the high cost of pursuing a patent or the fear that their invention would become worthless during the wait.9 An additional 285,841 patent applications were rejected by the USPTO in 2010,10 suggesting that many of the applications lacked the "patent quality"11 necessary for approval.12 These numbers suggest “that some legislative action was necessary to improve the manner, or at least the speed, of consideration of patent applications by the

1. A patent for an invention is the grant of a property right to the inventor, issued by the United States Patent and Trademark Office. Generally, the term of a new patent is 20 years from the date on which the application for the patent was filed in the United States. General Information Concerning Patents, USPTO.GOV, http://www.uspto.gov/patents/resources/general_info_concerning_patents.jsp (last visited Feb. 21, 2012).
3. See id. at 53 (discussing the USPTO’s personnel and budgetary resources).
4. See U.S. Dept. of Commerce, Patent Reform: Unleashing Innovation, Promoting Economic Growth & Producing High-Paying Jobs 4 (2010), available at http://www.esa.doc.gov/sites/default/files/reports/documents/patentreform_0.pdf (“While timely, high-quality patents can provide a strong spur to innovation, the current patent system fails to provide consistent timeliness and quality. To the contrary, the current U.S. system is highly prone to delay and uncertainty as well as inconsistent quality.”).
5. Id. at 5.
6. USPTO Performance and Accountability Report, supra note 2, at 61.
7. Id. at 61, 125.
8. Id. at 125.
10. USPTO Performance and Accountability Report, supra note 2, at 128.
11. “Patent quality” can be defined as actions which increase the likelihood that claims granted by the USPTO are legally valid plus actions which reduce the likelihood that valid claims are not improperly rejected by the USPTO divided by timeliness (actions which increase process efficiency and reduce overall application pendency). U.S. Patent & Trademark Office, Patent Public Advisory Comm., Preliminary Report 7 (2010), available at http://www.uspto.gov/about/advisory/ppac/patent_quality_tf_report.pdf.
From 2005–2010, Congress introduced numerous bills instituting patent reform, but nothing resulted. Then, over the course of nine months, the 112th United States Congress passed a bill representing the most significant change to American patent law in over half a century. President Barack Obama signed the Leahy-Smith America Invents Act on September 16, 2011, which marked the beginning of a new era for patent law in the United States. The legislation was the result of a concerted bicameral and bipartisan effort. It is still uncertain whether the America Invents Act will remedy many of the shortcomings of our prior patent system. However, Congress has made it apparent that they are intent on creating jobs, improving patent quality, reducing the backlog of pending applications, and devising new alternatives to excessive patent litigation. Shortly after the America Invents Act was signed into law, the Committee of the Judiciary for the House of Representatives proclaimed:

Our outdated patent system has been a barrier to innovation, unnecessarily delaying American inventors from marketing new products and creating jobs for American workers. It takes over three years to get a patent approved in the U.S. . . . We need a system that ensures patent certainty, approves good patents quickly and weeds out bad patents effectively.

This Recent Development highlights some of the substantive changes that were made by the America Invents Act. Part II provides a brief history of the statutes that created and then shaped the environment for patent prosecution and litigation in the United States. Part III surveys the legislative history of the America Invents Act, from its origins in the Senate up to its signing by President Obama. Part IV outlines and analyzes five areas of major reform under the America Invents Act, including the adoption of a “first-inventor-to-file” system, new review processes, and changes in USPTO procedures, fees, and litigation. Part V concludes with some of the anticipated effects of such a historic piece of legislation.

13. Id.
17. See id. (“Both Houses of Congress overwhelmingly supported the proposal, which was sponsored by House Judiciary Committee Chairman Lamar Smith (R-Texas) . . . Senator Patrick Leahy (D-Vermont) partnered with Chairman Smith on the legislation.”).
19. America Invents Act of 2011, supra note 16.
II. BRIEF HISTORY OF U.S. PATENT LAW

In American history, patent law can be traced back to the years immediately following the ratification of the United States Constitution. With each new piece of legislation, Congress strived to improve the administration of patents and alleviate the concerns of inventors.

A. Patent Law in the 1790s

The first federal statute establishing a patent system in the United States was the Patent Act of 1790. An approved patent granted the applicant the “sole and exclusive right and liberty of making, constructing, using and vending to others to be used” their invention for a term not to exceed fourteen years. All approval decisions were left to the Patent Board. It was their duty to determine whether an invention or discovery was “sufficiently useful and important.” The Patent Board—comprising of the Secretary of State, Secretary of War, and Attorney General—struggled to find the time necessary to manage the patent system, and this was only hindered by the strict standards they were required to apply.

Unhappy with the onerous patent examination procedures, inventors and even members of the Patent Board immediately began to demand reform. Three years later, the Patent Act of 1793 was enacted, removing the examination process completely and leaving it to the courts to determine whether a patent was valid. The new law required only that a person petition the Secretary of State and “allege that he or they have invented any new and useful art.” With all discretion removed from the patent approval process, an invention no longer even needed to be “sufficiently useful and important” to receive a patent. For forty years, this lax system remained in place, but Congress finally gave way to the mounting desire for more rigid examination and regulation.

22. See id. (requiring that a two-thirds majority (of the Secretary of State, Secretary of War, and Attorney General) find in favor of granting a patent for it to receive approval). See also DOBYNS, supra note 20, at 23.
24. See DOBYNS, supra note 20, at 23.
25. Id. at 35.
27. Id. § 1.
28. See Patent Act of 1790, ch. 7, § 1, 1 Stat. 109-112 (1790) (requiring, formerly, that an invention or discovery be “sufficiently useful and important” to obtain a patent).
29. See DOBYNS, supra note 20, at 97 (“[M]atters had reached such a stage that, while 800 patents a year were being granted, there were currently more than 100 suits pending in court regarding the rights of
B. Patent Act of 1836

In response to the growing number of complaints, a major review of the law was undertaken in 1836. The new law required inventors to “particularly specify and point out the part, improvement, or combination, which he claims as his own invention or discovery.” The Patent Act of 1836 revolutionized the patent law system within the United States, and in turn, became an example for other industrialized nations around the world.

Most notably, it created the first Patent Office as a separate organization within the Department of State. The new Patent Office included a Patent Commissioner, a Patent Examiner (the first of its kind in the world), several clerks, and “a library of scientific works and periodical publications, both foreign and American, calculated to facilitate the discharge of the duties hereby required of the chief officers therein.” The Patent Act of 1836 also had the effect of improving the speed in which patents were approved by only requiring the signatures of the Secretary of State and the newly designated Patent Commissioner.


At the beginning of the twentieth century, a commission was formed with the lofty task of organizing federal law under a single statutory scheme. On July 19, 1952, the Patent Act was codified under Title 35 of the United States Code. By arranging the entire system into three plainly defined parts, the Patent Act of 1952 was able to clarify and simplify existing U.S. patent law by removing redundancies and obsolete sections.

In addition to the reorganization that occurred, the new legislation included a requirement that an invention not only be new and useful, but also be “non-obvious” before it was granted a patent. Also, for the first time, the Patent Act defined the term “infringement” within the statute, alleviating much navigation...
of the confusion that had developed over the years.\textsuperscript{40} Since 1952, the Patent Act has been amended numerous times. Case law has further shaped its meaning. These changes, however, pale in comparison to the reforms put in place by the America Invents Act of 2011.

### III. LEGISLATIVE HISTORY OF THE AMERICA INVENTS ACT

On January 25, 2011, Senator Patrick Leahy, with the support of seven co-sponsors,\textsuperscript{41} introduced the America Invents Act.\textsuperscript{42} After receiving a strong showing of confidence from the Senate,\textsuperscript{43} the America Invents Act went before the House of Representatives. The bill eventually passed, but only after the House incorporated several significant revisions.\textsuperscript{44} One of the amendments addressed the customary practice of diverting excess patent fees collected by the USPTO to other areas of government. Both chambers of Congress believed fee diversion was a problem that needed to be solved; however, their resolutions were not the same.

Initially, the Senate proposed a “revolving fund” that would have given the USPTO direct access to the excess fees it collected.\textsuperscript{45} The House, concerned about leaving the USPTO outside the annual appropriations process,\textsuperscript{46} amended the bill to create a “reserve fund” for any fees generated by the USPTO in excess of their annual appropriation.\textsuperscript{47} The USPTO now required specific authority from Congress before it used money in the reserve.\textsuperscript{48} While the “reserve fund” is viewed as a modest improvement from simply depositing money into the United States Treasury, it is unlikely that this

\textsuperscript{40} See id. § 271 (defining infringement as “whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States . . . during the term of the patent therefore . . . ;” or “whoever actively induces infringement of a patent . . . ;” or “whoever offers to sell or sells . . . a component of a patented machine, manufacture, combination, or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent . . . ”).

\textsuperscript{41} Senator Leahy’s (D-VT) seven co-sponsors included Senators Christopher Coons (D-DE), Chuck Grassley (R-IA), Orrin G. Hatch (R-UT), Amy Klobuchar (D-MN), Jon Kyl (R-AZ), Joseph I. Lieberman (I-CT), and Jeff Sessions (R-AL). S. 23: Cosponsors. LIBR. OF CONGRESS: THOMAS, http://thomas.loc.gov/cgi-bin/bdquery/z?d112:SN00023:@@@P (last visited Feb. 21, 2012).


\textsuperscript{45} Understanding Patent Fee Diversion and how it is affected by current Senate and House Patent Reform Bills. INTELL. PROP. OWNERS ASS’N (Sep. 6, 2011), http://www.ipo.org/AM/Template.cfm?Section=Home&ContentID=30761&Template=CM/ContentDisplay.cfm (“The ‘Revolving Fund’ in the Senate’s patent reform bill, S. 23, would have made patent and trademark fees available to the USPTO automatically by essentially taking the USPTO off budget. This would have avoided future battles against further patent fee diversion.”).


\textsuperscript{47} Leahy-Smith America Invents Act, Pub. L. No. 112-29, sec. 22(a), 125 Stat. 284, 336 (2011) (to be codified as 35 U.S.C. § 42(c)(2)).

\textsuperscript{48} Id.
will prevent the diversion of excess fees collected by the USPTO. 49 When the revised bill returned to the Senate, Senator Leahy had to plead with his colleagues to oppose Senator Coburn’s Amendment. 50 Senator Coburn’s Amendment would have reintroduced the Senate’s funding provision and derailed the entire piece of legislation. 51 Fortunately, the Senate opposed the Coburn Amendment by the narrowest of margins 52 and the following day, the America Invents Act passed the Senate without amendment. 53

On September 16, 2011, President Barack Obama signed the Leahy-Smith America Invents Act into law during a ceremony in Alexandria, Virginia. 54 Provisions under the America Invents Act take effect at varying times. The table below illustrates when the rulemaking and other actions become effective.

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<tr>
<th>RULEMAKINGS AND OTHER ACTIONS</th>
<th>60 Day and Under Effective Dates</th>
<th>12 Month Effective Date</th>
<th>18 Month Effective Dates</th>
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<td>Inventor’s oath/declaration</td>
<td>Enactment of the first-to-file system</td>
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<tr>
<td>Fee Setting Authority*</td>
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<tr>
<td>Virtual and false marking*</td>
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<td>Prohibition of “best mode” defense*</td>
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<td>15% transition surcharge**</td>
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<td>Prioritized examination**</td>
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<td>Reserve fund***</td>
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* Effective date of enactment (September 16, 2011)
** Effective ten days after enactment (September 26, 2011)
*** Effective beginning of new fiscal year (October 1, 2011)

49. Understanding Patent Fee Diversion, supra note 44 (“The language of H.R. 1249 defers to future appropriations bills to instruct the USPTO on how to access fees in the new USPTO account. Therefore, despite some claims to the contrary, the creation of this new account, alone, will not stop diversion.”).
50. 157 Cong. Rec. S5353 (daily ed. Sept. 7, 2011) (statement of Sen. Patrick Leahy) (“So while I oppose fee diversion, I also oppose the Coburn amendment, and I will tell you why. After 6 years of work getting this bill here, this may kill the bill . . . .”).
52. See Bill Summary & Status, 112th Congress (2011-2012), S.AMDT.599, Libr. of Congress: Thomas, http://thomas.loc.gov/cgi-bin/bdquery/z?d112:SP00599: (last visited Feb. 21, 2012). The purpose of the Coburn Amendment was “to amend the provision relating to funding the Patent and Trademark Office by establishing a United States Patent and Trademark Office Public Enterprise Fund.” Id. A motion to table the amendment passed by a vote of 50–48. Id.
55. The USPTO and the Challenge Ahead, supra note 18, at 6–7.
IV. SUBSTANTIVE CHANGES TO U.S. PATENT LAW

A. Moving from “First-To-Invent” to “First-Inventor-To-File”

The United States Constitution grants Congress the power to “promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.” 56 The term “inventors” as it is written in the Constitution, has historically been understood to be the first or original person to invent. The first federal statute governing patent law in the United States, the Patent Act of 1790, required that a person be the “first and true inventor” or their patent would be repealed. 57 The Patent Act of 1793 built upon this notion by demanding that every inventor applying for a patent, swear or affirm that they were the first and true inventor. 58 Since this time, the United States has always applied a “first-to-invent” rule when granting patents. 59

The “first-to-invent” rule, which determines priority of ownership based upon the date in which the invention was conceived, has been criticized recently for its cost, unpredictability, and uncertainty. 60 Not surprisingly, almost all other countries with which the United States engages in international trade and business have adopted a system of “first-inventor-to-file.” 61 In an effort to address this striking difference, Congress reasoned:

Converting the United States patent system from “first-[to]-invent” to a system of “first-[to]-inventor-[to]-file” will improve the United States patent system and promote harmonization of the United States patent system with the patent systems commonly used in nearly all other countries throughout the world with whom the United States conducts trade and thereby promote greater international uniformity and certainty in the procedures used for securing the exclusive rights of inventors to their discoveries. 62

On March 16, 2013, a system of “first-inventor-to-file” will go into effect, aligning United States patent law globally. 63 This will alleviate some of

56. U.S. Const. art. I, § 8, cl. 8 (emphasis added).
57. Patent Act of 1790, ch. 7, § 5, 1 Stat. 109-112, (1790) (“[i]f it shall appear that the patentee was not the first and true inventor or discoverer, judgment shall be rendered by such court for the repeal of such patent or patents . . . .”).
58. Patent Act of 1793, ch. 11, § 3, 1 Stat. 318-323 (1793) (“That every inventor, before he can receive a patent, shall swear or affirm, that he does verily believe, that he is the true inventor or discoverer of the art, machine, or improvement, for which he solicits a patent . . . .”).
59. See, e.g., Woodcock v. Parker, 30 F. Cas. 491, 492 (C.C.D. Mass. 1813) (“The first inventor is entitled to the benefit of his invention, if he reduce it to practice and obtain a patent therefor, and a subsequent inventor cannot, by obtaining a patent therefor, oust the first inventor of his right, or maintain an action against him for the use of his own invention.”).
63. See The USPTO and the Challenge Ahead, supra note 18, at 7.
the concerns over the cost, complexity, and efficiency of conducting business internationally. A system of “first-inventor-to-file” grants a patent to the first person to file a patent application covering the invention. While this move has been lauded as a step closer to harmonization, systems of “first-inventor-to-file” still vary worldwide. Nevertheless, supporters of “first-inventor-to-file” argue that the system creates greater certainty about patent ownership, reducing the need for costly litigation such as interference proceedings.

An interference proceeding is used to determine who is entitled to a patent when multiple parties claim first ownership under a “first-to-file” system. The proceeding, which is overseen by the Board of Patent Appeals and Interferences, is both burdensome and expensive. It costs on average $400,000–$500,000 to pursue an interference proceeding, and it takes on average over two and a half years to complete. Once the “first-inventor-to-file” system goes into effect, interference proceedings will be replaced by newly created derivation proceedings. A derivation proceeding may only be instituted on the basis that “an inventor named in an earlier application derived the claimed invention from an inventor named in the petitioner’s application.” Derivation proceedings will be tried before the new Patent Trial and Appeal Board (“PTAB”) and subject to appeal to the United States Court of Appeals for the Federal Circuit.

While increased efficiency and reduction in cost is certainly possible, some fear the “first-inventor-to-file” system will incentivize filing early and

64. See Vertinsky, supra note 59, at 540 (“The interest in harmonization has been driven by concerns about the complexity and cost doing business in a global marketplace, as well as questions about the relative effectiveness and efficiency of certain U.S. rules (such as the first-to-invent approach) as compared to international norms.”).
66. See 157 Cong. Rec. S1094 (daily ed. Mar. 2, 2011) (Statement of Sen. Diane Feinstein) (“Moreover, this bill would not actually harmonize our patent priority system with that of the rest of the world. Many first to file countries allow more extensive use of prior art to defeat a patent application, and provide for greater prior user rights than this bill would provide. And Europe does not provide even the limited one-year publication grace period that this bill does.”).
71. Leahy-Smith America Invents Act, Pub. L. No. 112–29, sec. 3, § 135, 125 Stat 284, 289 (2011) (amending 35 U.S.C. § 135(a)). The amended provision goes on to further state that “[a]ny such petition may be filed only within the one-year period beginning on the date of the first publication of a claim to an invention that is the same or substantially the same as the earlier application’s claim to the invention, shall be made under oath, and shall be supported by substantial evidence.” Id.
72. Id. (amending 35 U.S.C. § 135(b)).
often. Filing early under the new system will be important because disclosures by a third party prior to the filing date are generally considered prior art, which will negate patentability. The expenses of filing a greater number of applications will likely burden smaller companies and individual inventors disproportionately. Increased filing may also cause a flood of lower quality patents, worsening the workload of the USPTO. If this were to occur, the new legislation would end up exacerbating the very problem it intended to solve.

B. Pre- and Post-Grant Review and Inter Parties Review

The America Invents Act has created several new alternatives for third parties to challenge patentability outside of the courtroom. These approaches, which take effect one year from enactment, are intended to improve patent quality, increase the speed patents are validated, and reduce the costs of challenging a patent. While many are optimistic about these changes, there is the risk that these procedures will become counter-productive. Because parties have the right to appeal adverse decisions to the PTAB and the Federal Circuit, these “efficient” alternatives—like the “first-inventor-to-file” system—might end up creating larger backlogs for the USPTO and the federal courts.

1. Pre-Grant Submissions

Congress amended Section 122 of the Patent Act to allow, prior to patent allowance, “[a]ny third party [to] submit for consideration and inclusion in the record of a patent application, any patent, published patent application, or other printed publication of potential relevance to the examination of the application . . . .” Pre-grant submissions expand the window for third parties

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75. See Lauder, supra note 73 (“Under FTF, one should file early and often on each idea, however, impractical it later proves to be. That burden falls disproportionately on smaller companies for whom patenting expenses are material.”). See also 157 CONG. REC. S1183 (daily ed. Mar. 3, 2011) (statement of Sen. Diane Feinstein) (proposing an amendment to strike the “first-inventor-to-file” system from the America Invents Act).

76. See HANKINS & OHLY, supra note 9, at 7 (“Others have asserted that the first-to-file provision will produce a rush to the PTO and greater volumes of low quality patents.”).

77. See Lauder, supra note 72 (“This will increase the workload of the Patent and Trademark Office (PTO), which will exacerbate their delays in processing patents. Those delays are probably the worst problem of the PTO.”).


79. Id.

to submit prior art references and publications during the patent examination period. Submissions may be made until the notice of allowance is given, or the latter of six months from publication or the first office action. Arguably, pre-grant submissions will improve “patent quality” because third parties will be able to provide patent examiners with materials earlier in the process to eliminate claims that are “obvious” over prior art.

2. *Post-Grant Review*

Post-grant review provides parties with an entirely new alternative to litigation once the patent has been granted. Any person who is not the owner of the patent may file for a post-grant review if done within nine months of the grant or issuance of the patent. Institution of post-grant review is within the Director’s discretion and the decision not to institute post-grant review is final and non-appealable.

The Director may only permit the PTAB to conduct a post-grant review if the information in the petition filed “would demonstrate that it is more likely than not that at least [one] of the claims challenged in the petition is unpatentable” or “by a showing that the petition raise a novel or unsettled legal question that is important to other patent applications.” A party dissatisfied with the final decision by the PTAB may appeal to the Federal Circuit. Utilizing such a procedure should improve “patent quality” by providing patents with a second endorsement of validity.

3. *Inter Parties Review*

*Inter partes* review has replaced *inter partes* reexamination as another
viable option for third parties to challenge patentability. Any person who is not the patent owner may file a petition to institute an inter partes review either nine months after the grant or issuance of the patent, or after the termination of post-grant review, whichever date is later. Inter partes review must be "raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications." The review process is intended to be a "relatively quick" method for challenging a patent's validity at the USPTO. Nevertheless, parties may find inter partes review less appealing than court adjudication because the challenges are so limited in scope, even if it would save the parties time and money.

C. Fees

Several new fees have been introduced to increase the USPTO's efficiency and profitability. Ten days after the new Patent Act went into effect, the USPTO "began collecting a 15% surcharge on patent fees to support backlog reduction efforts." Also at this time, the USPTO began to accept "Track 1" prioritized examination applications, which requires an additional $4,800 filing fee. Sixty days after enactment, the USPTO instituted a $400 fee for non-electronic filing to encourage use of their electronic filing system (EFS-Web). Those qualifying for the "small entity" discount are eligible to receive a 50% reduction on Track 1 prioritized examination and non-electronic filing fees.

In addition, Congress created a new "micro entity" discount. The discount is intended to lessen the burden of high expenses and assist low- and modest-

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91. Leahy-Smith America Invents Act sec. 6, § 311(c), 125 Stat. at 299 (to be codified at 35 U.S.C. § 311(c)).
92. Id. § 311(b) (to be codified at 35 U.S.C. § 311(b)). Sections 102 and 103 consider conditions for patentability regarding "novelty" and "non-obvious subject matter", respectively. Id. sec. 1, §§ 102, 103, 125 Stat. at 285–87 (to be codified at 35 U.S.C. §§ 102, 103).
94. See Hanks & O'Byly, supra note 9, at 9 ("The higher threshold may even decrease the appeal of inter partes review, even if such procedures may be had at lower cost than alternatively available court procedures.").
95. The USPTO and the Challenge Ahead, supra note 18, at 6.
96. See infra Part IV.D.
98. See General Information Concerning Patents, USPTO.gov, http://www.uspto.gov/patents/resources/general_info_concerning_patents.jsp (last visited Feb. 8, 2012) ("[E]ffective November 15, 2011, any regular nonprovisional utility application filed by mail or hand-delivery will require payment of an additional $400 fee called the 'non-electronic filing fee,' which is reduced by 50% (to $200) for applicants that qualify for small entity status under 37 CFR 1.27(a) . . . The only way to avoid having to pay the additional $400 non-electronic filing fee is to file the regular nonprovisional utility patent application via EFS-Web.").
99. U.S. DEPT. OF COMMERCE, U.S. PATENT & TRADEMARK OFFICE, MANUAL OF PATENT EXAMINING PROCEDURE § 509.02(a) (8th ed. July 2010), available at http://www.uspto.gov/web/offices/pac/mpep/mpep_e8r8_0500.pdf ("A small entity as used in this chapter means any party (person, small business concern, or nonprofit organization) under paragraphs (a)(1) through (a)(3) of this section.").
income inventors with the cost of the patent examination process.\textsuperscript{100} If an inventor qualifies as a “micro entity,” they will receive a 75% discount off most examination fees, significantly increasing an applicant’s savings.\textsuperscript{101}

In order to qualify as a “micro entity” an applicant must: (1) fall within the definition of “small entity;” (2) not have been named as an inventor on more than four previously filed patent application; (3) not have a gross income that exceeds three times the median household income; and (4) not have assigned, granted, or conveyed their interest in the patent application to an “entity that, in the calendar year preceding the calendar year in which the applicable fee is being paid, had a gross income” that is three times the median household income.\textsuperscript{102} Because the “micro entity” discount will not trigger until a new fee schedule is set, the USPTO is estimating that this discount will be available in February 2013, approximately seventeen months after the enactment of the America Invents Act.\textsuperscript{103} The “micro entity” discount will apply to Track 1 and non-electronic filing fees.\textsuperscript{104}

\textbf{D. Patent & Trademark Office Procedural Changes}

One of the fundamental changes set to address the massive delays in the examination process is the introduction of Track 1 prioritized examination. The goal of prioritized examination is to provide an applicant a final disposition within twelve months of prioritized status being granted.\textsuperscript{105} At the additional cost of $4,800, this expediency does not come without a price. Prioritized examination was not developed with cost in mind; rather, it was “designed to provide applicants with greater control over when their utility and plant applications are examined and to promote greater efficiency in the patent examination process.”\textsuperscript{106} Depending on the applicant, the additional cost may

\begin{footnotesize}

\textsuperscript{100} 157 CONG. REC. S1366 (daily ed. Mar. 8, 2011) (statement of Sen. Jon Kyl) (“Under current law, the PTO charges small businesses and nonprofits lower fees than it charges large corporations. This section establishes an even smaller category—truly independent inventors—for which the PTO may make additional accommodations.”).

\textsuperscript{101} Fees and Budgetary Issues, USPTO.gov, http://www.uspto.gov/aia_implementation/fees.jsp (last visited Feb. 8, 2012) (“When applying the micro-entity definition, applicants are not considered to be named on a previously-filed application if he/she has assigned, or is obligated to assign, ownership rights as a result of previous employment. The definition includes applicants who are employed by an institute of higher education (as defined in 20 U.S.C. 1001(a)) and have assigned, or are obligated to assign, ownership to that institute of higher education.”).

\textsuperscript{102} Leahy-Smith America Invents Act, Pub. L. No. 112-29, sec. 10(g), § 123(a), 125 Stat. 284, 318 (to be codified as 35 U.S.C. § 123(a)).

\textsuperscript{103} Fees and Budgetary Issues, supra note 101. See also Interview by Gene Quinn with David Kappos, Director, USPTO, in Alexandria, Va. (Dec. 22, 2011), available at http://www.ipwatchdog.com/2012/01/09/kappos-2-0-exclusive-interview-with-pto-director-david-kappos/id=21686/ (“While the 75% micro-entity fee will not trigger until a new fee schedule is in place . . . . We’re getting ready to schedule the required meetings in the first quarter of 2012. As soon as we can we will get that micro-entity discount set.”).

\textsuperscript{104} Fees and Budgetary Issues, supra note 101.

\textsuperscript{105} Compare Prioritized Examination, USPTO.gov, http://www.uspto.gov/aia_implementation/patents.jsp (last visited Feb. 21, 2012) (“The goal is to provide a final disposition within twelve months, on average, of prioritized status being granted.”), with USPTO PERFORMANCE AND ACCOUNTABILITY REPORT, supra note 2, at 61 (finding it took an average of 35.3 months for final patent disposition).

\textsuperscript{106} Changes To Implement the Prioritized Examination Track (Track I) of the Enhanced Examination Timing Control Procedures Under the Leahy-Smith America Invents Act, 76 Fed. Reg. 59050 (Sept. 23, 2011).
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be justified by the added return of accelerating the prosecution of their patent.

Currently, the USPTO is granting a maximum of 10,000 requests for Track 1 prioritized examination; however, it may increase this amount if necessary.¹⁰⁷ According to a recent interview with USPTO Director David Kappos,¹⁰⁸ “We’re almost up to 2000 Track I applications now. So there’s a modest pace of applications coming in, but it is by no means overwhelming. Frankly, we’d honestly like to see more Track I applications.”¹⁰⁹ The availability of prioritized examination is not just limited to new patent applicants. As of December 19, 2011, the USPTO expanded the Track 1 program to include requests for continue examination (“RCEs”)¹¹⁰ in an existing plant or utility application.¹¹¹ Early indications seem to suggest that prioritized examination is headed in the right direction. Shortly after the system was enacted, the USPTO boasted that “we are not only meeting our targets, but we’re dramatically overachieving our targets in the first few months of the Track I program.”¹¹²

E. Changes within the Context of Litigation

In order to improve the transition to a “first-inventor-to-file” system and to respond to many of the realities of modern society, the America Invents Act has rewritten several sections affecting patent litigation. Below are some of the more notable changes that have taken place.

1. “Best Mode” Defense

In every patent application, an inventor is required to set forth, in writing, “the best mode contemplated by the inventor of carrying out his invention.”¹¹³ Previously, a person accused of patent infringement was able to mount a defense on the basis that the patentee failed to disclose the “best mode” for carrying out their invention.¹¹⁴ Under the America Invents Act, Section 112

¹⁰⁷ Prioritized Examination, supra note 103.
¹⁰⁸ USPTO Leadership: David Kappos, USPTO.GOV, http://www.uspto.gov/about/bios/kapposbio.jsp (last visited Feb. 21, 2012). David Kappos is currently the Director of the United States Patent & Trademark Office. Prior to joining the USPTO, he served as Vice President and Assistant General Counsel at IBM, managing their worldwide intellectual property operations. Id.
¹⁰⁹ Interview by Gene Quinn with David Kappos, supra note 101.
¹¹⁰ “35 U.S.C. 132(b) provides for continued examination of an application at the request of the applicant . . . upon payment of a fee . . . . To implement the RCE practice, 37 CFR 1.114 provides a procedure under which an applicant may obtain continued examination of an application in which prosecution is closed (e.g., the application is under final rejection or a notice of allowance) by filing a submission and paying a specified fee.” U.S. DEPT. OF COMMERCE, U.S. PATENT & TRADEMARK OFFICE, MANUAL OF PATENT EXAMINING PROCEDURE § 706.07(b) (8th ed. Sept. 2007), available at http://www.uspto.gov/web/offices/pac/mpep/mpep_706_0700.pdf.
¹¹¹ Prioritized Examination, supra note 103.
¹¹² Interview by Gene Quinn with David Kappos, supra note 103 (“In fact, of the 420 office actions we’ve put out so far, some of them have gone to notice of allowance but in many more cases we’ve put out office actions, on the average they’ve gone out in less than two months.”).
¹¹⁴ See Best Mode, USPTO.GOV (last visited Feb. 8, 2012) http://www.uspto.gov/aia_implementation/faq.jsp#heading-4 (“The failure to disclose will no longer be a basis . . . on which any claim of a patent may be
will still require applicants seeking a patent to set forth the “best mode” of their invention, but Section 282 has been amended to prevent a defense based on this theory of invalidity. Some suggest that “[c]ompanies facing imminent patent infringement actions must, therefore, immediately begin recalibrating their defense strategy to account for the loss of this potential invalidity defense.”

2. Prior User Defense

The America Invents Act has expanded the prior user defense to cover all technologies, not just the limited class of business technologies as it previously had done. The new provision has several limitations and exceptions, including an explicit exception for patents owned by or assigned to universities or affiliated technology transfer organizations. Under Section 273, a person is entitled to the prior user defense if: (1) acting in good faith, they commercially used the subject matter, and (2) the commercial use occurred at least one year before the filing date of the invention or the date on which the invention was disclosed to the public. Expanding the prior user defense seems necessary under a “first-inventor-to-file” system to ensure that businesses are “able to protect their investments in the event of a later issued patent and placed on similar footing as competitors in other jurisdictions.”

3. False Marking Claims

Prior to the American Invents Act, any individual could bring a qui tam action under Section 292 of the Patent Act on the basis that products were mismarked as being covered by a patent. In 2009, the Appellate Court in Forest Group, Inc. v. Bon Tool Co. ruled that companies could face statutory

canceled or held invalid or otherwise enforceable.” (emphasis added)).

115. See id.; Leahy Smith, America Invents Act, Pub. L. No. 112-29, sec. 15(a), 125 Stat. 284, 328 (2011) (amending 35 U.S.C. § 282(3)) (“Invalidity of the patent or any claim in suit for failure to comply with . . . any requirement of section112, except that the failure to disclose the best mode shall not be a basis on which any claim of a patent may be canceled or held invalid or otherwise unenforceable . . . .”).


118. “Limitations” includ[es] a prohibition against license, assignment or transfer of the defense, other than in connection with an assignment or transfer of the entire business to which the defense relates. The defense is geographically limited to cover only those sites where the invention was used before the critical date.”).


120. Id. § 273(a) (to be codified as 35 U.S.C. § 273(a)).

121. Hearing on Prior User Rights, supra note 116 (numbering omitted).

122. “Qui tam is defined as “[a]n action brought under a statute that allows a private person to sue for a penalty, part of which the government or some specified public institution would receive.” BLACK’S LAW DICTIONARY 1368 (9th ed. 2009).

penalties upwards of $500 for each individual product that was mismarked. Since this decision, settlements under this once obscure provision reached as much as $350,000 and $300,000. In response, the American Invents Act has limited standing in false marking cases to those who have suffered “competitive injury.” Now, only the United States government may sue for statutory damages. Also, the amended statute will no longer recognize marking a product with an expired patent number as false marking. Because this provision “will apply to all cases pending on, or commenced on or after, the day of enactment . . . it will likely lead to a spate of motions to dismiss filed by those accused of false marking. Future false-marking actions are likely to be rare.”

4. Virtual Marking

The America Invents Act broadened how patentees might give notice to the public that an article is patented. Virtual marking is the result of Congress recognizing the prevalence of technology and the Internet in daily life. Section 287 of the America Invents Act will now allow a patentee to virtually mark an article “either by fixing thereon the word ‘patent’ or the abbreviation ‘pat.,’ together with the number of the patent, or by fixing thereon the word ‘patent’ or the abbreviation ‘pat.’ together with an address of a posting on the Internet, accessible to the public without charge for accessing the address . . . .” By permitting virtual marking, Congress has made managing the patents that cover articles easier for patentees by simply listing them on a publicly accessible webpage.

V. Conclusion

Over the next few years, patent law in the United States will experience some growing pains as the landscape of patent prosecution and litigation are transformed under the new provisions of the America Invents Act. While

124. Forest Group, Inc. v. Bon Tool Co., 590 F.3d 1295, 1304 (Fed. Cir. 2009) (“We hold that the plain language of 35 U.S.C. § 292 requires courts to impose penalties for false marking on a per article basis.”).
126. Id. (“The next-largest settlement was reached by S.C. Johnson & Son Inc. in December, when it agreed to pay $300,000 to settle a suit by San Francisco Technology Inc. over Edge shaving gel and Ziploc bags.”).
128. Id. sec. 16(b)(1) (amending 35 U.S.C. § 292(a)).
129. Id. sec. 16(b)(3) (amending 35 U.S.C. § 292(c)).
130. Hayat, Kreeger, & Walters, supra note 114, at 1.
131. Leahy-Smith America Invents Act sec. 16(a)(1), 125 Stat. at 284 (amending 35 U.S.C. § 287(a)).
Congress has strived to create a system that is more affordable, efficient, and harmonious, the initial results of the Act might not reflect these goals. At first, the America Invents Act most likely will cause a spate of challenges and contentious litigation. But patent reform was/is necessary in order to address many of the issues plaguing the prior system. Hopefully, after the dust has settled, this historic piece of legislation will represent a meaningful step forward for patent law in the United States.