America Invents Act

By James R. Foley / Apr 25, 2012

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INCREASE OF FEES, CREATION OF "MICRO-ENTITY," ELIMINATION OF BEST MODE DEFENSE, BROADENING OF PRIOR USER DEFENSE, PROHIBITION ON TAX STRATEGY RELATED INVENTIONS AND THOSE DIRECTED TO A "HUMAN ORGANISM"

This is the second article in a series of 10 relating to the Leahy-Smith America Invents Act of 2011 (AIA). The AIA went into effect on Sept. 16, 2011, and is the first major change to United States Patent Law in over five decades.

This article discusses some of the things the AIA affects, namely: Patent Office filing fees, creation of a Micro-Entity, Best Mode Defense, Prior User Defense, patent applications relating to tax strategies and patent applications directed to a "human organism." Further articles will follow on a monthly basis, which will discuss other changes made to the U.S. patent system by the AIA.

The AIA caused all patent fees to increase by 15 percent, starting on Sept. 26, 2011. These increased fees stay in effect until the United States Patent and Trademark Office adopts a new fee schedule.

Before the AIA, there was a procedure in place to expedite prosecution of a patent application called "Prioritized Examination." The AIA keeps the Prioritized Examination procedure in place but substantially increases (much more than 15 percent) the filing fee associated with requesting the procedure.

Before the AIA, some patent fees were split in half for those who qualified as a "small entity." Generally speaking, to qualify as a "small entity," one had to be an individual or a company with fewer than 500 employees. The AIA takes this concept a step further and sets forth a "Micro-Entity." Some filing fees for a "Micro-Entity" are reduced even further. Under the AIA, a "Micro-Entity" is someone who qualifies as being a "small entity," and also who: 1) has not been named as an inventor in five or more previous patent applications; 2) had an income last year which was lower than three times the median household income; and 3) has not assigned (and is not under an obligation to assign) the invention to another party who had an income the previous year which was higher than three times the median household income. Applications resulting from previous employment are ignored when considering whether someone qualifies for "Micro-Entity" status.

Before the AIA went into effect, a patent applicant was required to disclose in the patent application the Best Mode of practicing the invention, and someone who was charged with patent infringement in a Court of Law could assert that the subject patent was invalid due to the patentee not disclosing the Best Mode. The AIA changes this, such that, while an applicant must still disclose the Best Mode of practicing the invention in a patent application, an infringer cannot use the patentee's failure to disclose the Best Mode as a defense to patent infringement.

Before the AIA, United States Patent Law provided for a Prior User Defense; however, the defense only related to business method patents. The AIA broadens the defense such that it now applies to all types of inventions, not just business methods. This defense applies to any patent issued on or after the AIA's effective date, Sept. 16, 2011. The AIA provides that if someone begins using (either privately or publicly) an invention more than a year before someone else files for a patent on the same invention, then that person will have the right to continue using the invention in the same way even after the subsequent inventor is granted a patent. To qualify for this defense, you must not have derived the invention from the subsequent inventor. It should be noted that if the prior use were public (as opposed to a private or secret use) and occurred more than a year before the patent application was filed, this prior use also can be used as a basis to assert that the issued patent is invalid.

The AIA effective provides that a tax strategy cannot be the point of novelty for an issued patent. More specifically, any strategy for avoiding, reducing or deferring a tax liability, whether known or unknown at the time of the invention or when a patent application is filed, shall be deemed insufficient to distinguish a claimed invention from that which is disclosed in the prior art. This relates not only to U.S. federal tax liability but state tax liability and even foreign tax liability. This restriction does not apply to a method, apparatus, technology, computer program product or system that is used solely for tax returns, including one that records, transmits, transfers or organizes data related to a filing. This restriction also does not apply to a method, apparatus, technology, computer program product or system that is used solely for financial management, to the extent that it is severable from any tax strategy or does not limit the use of any tax strategy by any taxpayer or adviser.

Finally, the AIA prohibits patent claims which are "directed to or encompassing a human organism." This does not appear to be a major shift from the law as it stood prior to enactment of the AIA. In fact, the United States Patent and Trademark Office has published a memorandum to its examiners taking the position that the AIA "did not change existing law or longstanding Patent Office examination guidelines that a claim encompassing a human being is not patent eligible." However, some scholars are of the opinion that the AIA leaves open to interpretation the definition of "human organism" and will certainly result in litigation. For example, some scholars query whether the AIA disallows patent applications directed to genes, DNA or other technologies arguably related to a "human organism."

For more detailed information about the changes discussed above, other changes made to the United States patent system by the AIA, or any other intellectual property issue, please contact James Foley at jfoley@clarkhill.com or any other member of Clark Hill's IP practice group.