



Contact Partners

Zeev Pearl
Telephone: 646-878-0803
E-mail: ZeevP@pczlaw.com
Office: New York

Mark S. Cohen
Telephone: 646-878-0804
E-mail: MarkC@pczlaw.com
Office: New York

Guy Yonay
Telephone: 646-878-0808
E-mail: GuyY@pczlaw.com
Office: New York

Patent Professionals (in alphabetical order)

Robert E. Alderson, Jr.*
Mauricio Alvarez, Ph.D.**
Yosi Barkai
Tami Ben Ari (Dynes)
Gad Ben Gera
Andrew Cochran
Revital Cohen, Ph.D.**
Nachman Cohen-Zedek
Anat De Picciotto, Ph.D.
Jan M. Decker*
Darya Dominova
Milo Eadan
Idan Frydman
Nurit Gefen**
Irit Gordon, Ph.D.
Peretz Greenman, Ph.D.
Larry Hausman**
William Hector
Anthony J. Janiuk
Meital Krupik
Jeremy Lack*
Daniel E. Levy, Ph.D.**
Naomi Liver
Keren Livneh
David A. Loewenstein
Mallory S. Lutz, Ph.D.
Michael J. Markoff*
Yossi Markovich
Ohad Mayblum*
Michal Moav
Netta Nashlievich
Jonathan M. Passner, Ph.D.
Caleb J. Pollack
Craig Puckett, Ph.D.
Christopher C. Roche*
Robert D. Schaffer
Yaffa Cheryl Schindler, Ph.D.
Dror Shiftan, Ph.D.
Doron Sieradzki
Temira Sklarz, Ph.D.
Clyde A. Shuman
Joel Stein
Prakash Subbiah, Ph.D.
Tamar van der Boom, Ph.D.
Morey B. Wildes
Marty Wolf**
Michael A. Yamin, Ph.D. *

*Of Counsel

**Scientific Advisor

Senate Passes Major Reform of U.S. Patent Laws

In a bipartisan vote, 89-9, the United States Senate has passed the "America Invents Act" (H.R. 1249), clearing the way for signature into law by President Obama, who has already indicated that he will sign the bill. The Act, which takes effect one year after signature by the President, provides for several major changes to U.S. patent law, including the following:

First-Inventor-to-File

The Act changes the basis for granting patents in the U.S. from first-to-invent to first-inventor-to-file for a patent. This brings U.S. law in line with the rest of the world, eliminating the situation where a patent is granted to a person who invented first but did not file first. This would also, for example, eliminate the need for interference practice (see below) and "swearing behind" a reference.

The Act also eliminates the current patentability bars under 35 U.S.C. § 102(a) (invention known or used in the U.S. or patented or described in printed publication anywhere "before the invention thereof by the applicant for patent") and § 102(b) (invention patented or described in a printed publication anywhere or in public use or on sale in the U.S., "more than one year prior to the date of the application" in the U.S.), replacing them with "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."

The Act provides for certain exceptions for disclosures made one year or less before the effective filing date of the claimed invention. The Act further changes the "obviousness" statute, 35 U.S.C. § 103(a), from "obvious at the time the invention was made" to "obvious before the effective filing date of the claimed invention."

Prior User Rights

Under the Act, a party using an invention before another files an application will have a defense to infringement based on prior use. The defense is available against all patents, not just method patents. However, the defense is not available against patents with subject matter developed pursuant to federally-funded research agreements or by universities without funding from private business (like the current 12-month grace period).

Derivation Actions

The Act replaces traditional interference practice with a derivation action, in which a current patent applicant may seek cancellation or refusal of claims in an earlier patent or application where the earlier named inventor derived his invention from the current applicant and filed the earlier patent application without the current applicant's authorization.

Post-Grant Proceedings

The Act provides for two similar types of post-grant proceedings in the USPTO for recently-issued patents: post-grant review and inter partes review.

- **Post-Grant Review**

In post-grant review, all issues of patent invalidity, including prior art, enablement and written description, may be considered by the USPTO. A petition for post-grant review must be filed within nine months after the grant of the patent. The standard for review is “that it is more likely than not that at least one claim is not patentable”, or “that there is a novel or unsettled legal question that is relevant to other patents and applications”, and the burden of proving unpatentability is “by a preponderance of the evidence.” Post-grant review is not available if, before the filing the petition, the petitioner filed a civil action (but not a counterclaim in a civil action) asserting patent invalidity. A civil action asserting patent invalidity filed by the petitioner after the petition for post-grant review may be automatically stayed under certain circumstances. A decision on a petition usually must be rendered within one year after the post-grant review is instituted. Parties are estopped from subsequently raising in civil litigation or International Trade Commission proceedings any issue that was raised or could have been raised during post-grant review.

- **Inter Partes Review**

Inter partes review at the USPTO, which replaces inter partes reexamination, is limited to grounds of anticipation (novelty) or obviousness (inventive step) based on prior art patents or publications. A petition for inter partes review must be filed after the later of either (1) the date that is nine months after the grant of the patent or (2) the date that a post-grant review (if any) is terminated. The standard for review is “a reasonable likelihood that the petitioner would prevail with respect to at least one of the claims challenged in the petition”. An inter partes review may not be instituted if, before the date of the petition, the petitioner filed a civil action (but not a counterclaim in a civil action) asserting invalidity of the patent. In addition, a petition for inter partes review must be filed within one year after the date on which the petitioner is served with a complaint alleging infringement of the patent. A civil action filed by the petitioner after the petition for inter partes review asserting invalidity of the patent may be automatically stayed under certain circumstances. The petitioner has the burden of proving unpatentability by a preponderance of the evidence. A decision generally must be rendered within one year after the inter partes review is instituted. Parties are estopped from raising in civil litigation or International Trade Commission proceedings any issue that was raised or could have been raised during inter partes review.

 Prior Art Submissions

Under the Act, a third party may submit references and a concise statement of their relevance to the USPTO while a patent application is pending. The submission will be entered into the record for consideration by the Examiner. The deadline to submit references is the earlier of (1) a Notice of Allowance or (2) the later of six months from publication or the issuance of a first office action rejecting a claim.

 Best Mode Requirement

Under the Act, a patent cannot be canceled, invalidated or held unenforceable due to a failure to disclose the best mode. However, best mode remains as a requirement in the disclosure of a patent application.

 Supplemental Examination

The Act provides that a patent may be corrected at the request of the patent owner, provided that a substantial new question of patentability is raised by at least one item of information, e.g., a newly-identified reference not made of record during prosecution. Supplemental examination may be terminated if the Director concludes the failure to make a reference of record during prosecution was an attempt to defraud the USPTO.

 Tax Strategy Patent Exclusions

Under the Act, any strategy for reducing, avoiding or deferring tax liability is unpatentable, even if the strategy was unknown at the time of the patent application. This does not apply to the part of an invention that is a method, apparatus, technology, computer program product, or system used solely for (i) preparing and transmitting tax returns or other tax filings; or (ii) 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 tax advisor.

Transitional Program for Covered Business Method Patents

The Act provides for the establishment of a transitional post-grant review proceeding to review the validity of covered business method patents. The transitional proceeding shall be regarded as, and shall employ the standards and procedures of, a post-grant review, with certain exceptions. A party may seek a stay of a civil action alleging infringement of a patent subject to a transitional proceeding, under certain circumstances. A "covered business method patent" means a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, but does not include patents for technological inventions.

Joinder of Parties

Under the Act, a patent owner may not sue multiple parties in a single action unless (1) the right to relief arises out of the same transaction, occurrence or series of occurrences relating to infringement, and (2) there are questions of fact common to all of the parties.

Priority Examination

The Act provides that an applicant may request priority examination of an application that claims technologies deemed important to the national economy or national competitiveness.

False Patent Marking

The Act eliminates private civil actions for false marking (e.g., marking a patent number on a product not covered by the patent), other than to recover resulting competitive damages. Only the U.S. government may sue for and recover statutory damages. The Act also provides for virtual patent marking by using the word "Patent" or "Pat." on a product, along with a reference to a website freely accessible by the public that provides more information about the patent.

Advice of Counsel

The Act codifies the decision of the U.S. Court of Appeals for the Federal Circuit in, *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337 (Fed. Cir. 2004), by providing that failure by an accused infringer to obtain advice of counsel with respect to any allegedly infringed patent cannot be used to prove willful infringement or inducement of infringement.

About Pearl Cohen Zedek Latzer ("PCZL")

PCZL is an international law firm with affiliated offices in New York, Boston, Herzliya, and Haifa. Representing innovation-driven companies and their investors, we serve clients around the world, from Fortune 500 companies to start-ups. With over 150 professionals, PCZL's practice is wide-ranging. We advise our clients on intellectual property strategy. We represent them in prosecuting and obtaining patent protection, we protect their interests through intellectual property and commercial litigation, and we assist them with financing, commercial transactions, and real estate and employment matters.