

Patent Reform on the Way

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The America Invents Act, the most significant patent reform to come out of Congress in the past fifty years, has surmounted its final congressional test and was passed by the Senate on September 8, 2011. The Act is now on its way to President Obama, who has already said he will sign the bill, and it will have a far reaching impact on almost every aspect of patent law, from how patent protection is obtained to how patent rights are enforced. While many of the most dramatic changes do not go into effect until one year from the date of enactment, an understanding of all aspects of the new law is important now for future planning.

Perhaps the most important change in the new law switches the United States to a “First-to-File” system, in which the first inventor to file a patent application for an invention is the one entitled to receive a patent. Under current law, the one who is first to make the invention is entitled to the patent, whether or not that inventor was the first to file a patent application (provided certain other requirements are met). First-to-File is generally the standard around the globe and this change attempts to harmonize U.S. patent law with international patent practice. As a result, the new standard is likely to encourage early filing of one or more provisional patent applications, perhaps at each significant step of a project’s development, in order to stake the earliest possible claim at the Patent Office.

A related change affects the “grace” period that inventors enjoy that limits the inventor’s own actions from impacting patentability. Inventors currently have one year to a file patent application after a public disclosure, use or sale of an invention without affecting the ability to seek a patent in the U.S. for that invention. The new patent reform legislation limits the grace period to the inventor’s own activities and according to the text of the new statute, relates only to “disclosures,” a term that has previously been interpreted in other contexts to exclude sales and offers for sale and might also exclude certain types of public use. Only printed publications (journal articles, research papers, etc.) prepared by or with the inventor clearly appear to be entitled to the grace period under the new law. Accordingly, exhibiting the invention at a trade show or offering a product for sale even a day before the patent application is filed may be enough to preclude the invention’s patentability.

The America Invents Act will also affect patents after they are granted, establishing several new post-grant proceedings, most notably a Post-Grant Review by which third parties can essentially oppose the Patent Office’s decision to issue the patent by presenting new information or arguments that call that decision into doubt. The “Post-

Grant Review” considers all grounds for invalidity and may be filed within 9 months from the grant of a patent. After that 9 month period, the administrative review of a granted patent is limited to the current ex parte re-examination process or an “Inter Partes Review” that replaces the current inter partes re-examination and is limited to patents and printed publications as grounds for invalidity.

The America Invents Act also changes laws related to patent enforcement, including litigation. The current patent law requires a patent must disclose the best mode contemplated by the inventors for carrying out the invention; because of the subjective nature of this requirement, a common defensive litigation tactic has been to assert patent invalidity for failure to disclose the best mode. The America Invents Act removes that defense as a basis for finding the patent invalid or unenforceable. The America Invents Act also affects other areas of litigation, including the significance of an accused infringer’s failure to obtain an opinion of counsel. In that instance, or when an alleged infringer receives such advice but declines to waive the attorney-client privilege to present that advice at trial, such facts may not be used to prove that the infringer either willfully infringed the patent or intended to induce infringement.

Finally, the America Invents Act severely curtails the new cottage industry of false patent marking actions. Prior to the Act, the patent statute allowed any person to sue for a civil penalty of up to \$500 for each item that was falsely marked. Recent favorable case law also provided prospective plaintiffs in many cases with the unusual presumption that a patentee acted with an intent to deceive (another element of the statute). This encouraged the filing of hundreds of such false marking cases, many by shell companies formed by enterprising individuals. Now, only the U.S. government can sue for statutory civil penalties; private parties may still bring an action for a false marking violation, but only if that party can show competitive injury and then may only recover damages sufficient to compensate for that injury. The new statute also includes a safe harbor for items marked with expired patents. The false marking provisions go into effect immediately upon enactment and apply to any cases still pending on the date of enactment in addition to all future cases.

For questions on the effect of the America Invents Act, please contact Shawn Leppo or Elizebeth Maag, of the McNees Patent Group.

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