

ALERT

INTELLECTUAL PROPERTY LAW

September 2011

U.S. Congress Passes Historic Patent Reform Bill

When Signed, New Law Will Change How Patents Are Secured and Protected

The U.S. Congress has approved a bill that significantly reforms the U.S. patent system and will result in major changes to the way that patents are awarded, reviewed and asserted. On Sept. 8, the U.S. Senate overwhelmingly voted, 89-9, to pass the “America Invents Act” (H.R. 1249), which the U.S. House of Representatives passed in late June. President Obama previously indicated he would sign the bill.

Identified as a patent reform bill, the new law is a culmination of more than eight years of Congressional negotiations and is the most significant modification of the U.S. patent system in nearly six decades.

Some aspects of the America Invents Act are designed to harmonize the U.S. patent system with the patent systems of countries around the world, including a move to a “first-to-file” system. The changes also include modifications to provisions related to prior user rights, false marking, and business method patents, among others.

SAVE THE DATE

What: Update Seminar

When: Monday, Sept. 19, Noon, EDT

Why: Overview of the changes and likely effects of this legislation.

More information is available at:
www.btlaw.com/patent-reform

FIRST TO FILE

This change moves away from a “first-to-invent” system to a system that awards a patent to the inventor who is the first to file a patent application.

Under a first inventor to file system, two patent applications that cover the same invention will no longer be contested in an interference proceeding. The patent will be awarded to the inventor with the earliest filing date. Under the old system, interference proceedings were used to determine which of the two patent applicants invented first by reviewing evidence of the actual conception date of the invention. In the first inventor to file system, the first inventor to file has the presumptive rights in the patent. The second applicant in time can only overcome this presumption if it can be

proved that the first applicant in time derived the invention from information provided by the second applicant in time. This provision is intended to protect inventors from having inventions misappropriated by others.

THIRD-PARTY CHALLENGES

The Act also establishes a process for someone other than the patent owner/applicant to challenge the validity of a granted patent through a post-grant review. The third party must submit a request identifying prior art, such as patents and printed publications, that would render the granted patent anticipated or obvious. The post-grant review process is limited to petitions filed within the first nine months after the grant of the patent. After the nine-month period, a third party may request an inter-partes review of the patent under certain circumstances. These changes are intended to allow third parties to challenge the validity of granted patents without incurring the cost of litigation.

In addition, the Act allows any person to file with the Patent Office prior art that may bear on the patentability of any claim in a pending application. In addition, anyone may provide the Patent Office with statements made by the applicant/owner in other proceedings before a federal court or the Patent Office in which the patent owner defines the scope of any claim of the patent application. These filings may be done confidentially if a submitter makes such a request.

PATENT MARKING

The Act includes a provision allowing virtual marking of a patented item. Such marking can be implemented by identifying an Internet address where the patented item is identified along with any patent numbers that cover the patented item. In addition, the Act eliminates qui tam provisions in the false marking sections of the law by prohibiting anyone other than the United States from suing for penalties associated with false marking. The changes also allow a person who has suffered a competitive injury due to false marking to file a civil action for recovery of damages associated with the false marking. The Act also eliminates any liability associated with virtual marking related to patents that are expired.

HUMAN ORGANISMS

The Act expressly prohibits issuance of any patents with claims directed to or encompassing a human organism.

BUSINESS METHODS AND TAX STRATEGIES

The Act addresses business method patents and tax strategy patents as well. Strategies for reducing, avoiding, or deferring tax liability are rendered unpatentable. With regard to business methods, accused infringers are permitted to defend against an asserted patent if they can prove that they personally used the subject matter of the asserted patent. This use must have been in the United States in an internal commercial use, an actual arm's length sale, or an arm's length commercial transfer of the end-result of the commercial use. The use must have occurred at least one year before the filing of the patent or the date on which the subject matter of the patent was effectively publicly disclosed by the patentee, whichever is earlier. This change prevents prior commercial users of a patented business method from being found to infringe a patent on a business method that was filed after their commercial implementation of the business method.

OTHER KEY PROVISIONS

- Eliminates the failure to disclose the best mode as “a basis on which any claim of a patent may be cancelled or held invalid or otherwise unenforceable.”
- Allows assignees to apply for patents without an oath from the inventor(s).
- Creates a “micro entity” status that allows individuals and start-up entities to pay fees even lower than the small entity fees now charged to small business applicants.
- Modifies the way in which fees are collected by the Patent Office are allocated, presumably allowing the Office to keep more of the fees collected for operation of the Office.
- Codifies current case law regarding no inference of willful infringement when an alleged infringer does not obtain an opinion of counsel.

BILL PASSAGE DETAILS

Final passage of the Senate bill did not occur without debate. The Senate had been scheduled to begin a period of up to 30 hours of debate on the motion to proceed with the bill. However, it reached an agreement on limiting debate and amendments.

It focused on three amendments. The first amendment, which related to calculation of the 60-day period for applying for certain patent term extensions, failed by a close 47-51 vote. This had been referred to as the so-called "MedCo amendment," because it was allegedly related to the Medicines Company litigation regarding the blockbuster drug Angiomax® (i.e., bivalirudin) in the Eastern District of Virginia.

The second amendment's stated purpose was to strike from the bill the special procedure for challenging business method patents. The Senate overwhelmingly rejected it by a vote of 13-85.

The third amendment's purpose was to reinstate in section 22 of H.R. 1249's revolving fund language that would remove the USPTO from the congressional appropriations process and end fee diversion. This was, perhaps, the most contentious of the amendments. Its Sept. 8 vote only served to underscore the debate. On consideration by the Senate, this amendment failed to pass by a razor-thin, non-partisan vote, 48-50. For nearly 20 years, nearly \$1 billion of user fees had been diverted from the monies appropriated to the United States Patent and Trademark Office (USPTO). This, according to many users, has led to an historic backlog of patent applications waiting to be examined. While the Senate's original legislation gave the undiverted use of those funds to the USPTO, the House objected and it set up a separate account for the funds. If the USPTO needs the money, it has to come back to Congress to get it according to H.R. 1249.

For more information, please contact a member of the firm's Intellectual Property Department: Atlanta (404-846-1693), Chicago (312-357-1313), Columbus (614-628-0096), Elkhart (574-293-0681), Fort Wayne (260-423-9440), Grand Rapids (616-742-3930), Indianapolis (317-236-1313), Los Angeles (310-284-3880), Minneapolis (612-333-2111), South Bend (574-233-1171), Washington, D.C. (202-289-1313). You can also visit us online at www.btlaw.com.

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