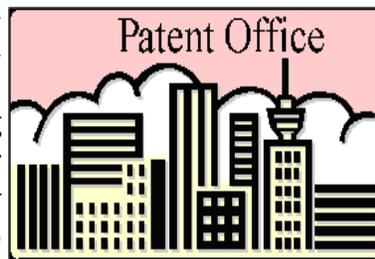


***PATENT REFORM: CHANGES ARE HERE OR COMING SOON***

This Winter 2012 edition of the Ostrolenk Faber Newsletter is dedicated almost entirely to changes in United States patent law that have or will shortly go into effect due to the Leahy-Smith America Invents Act (“AIA”). The America Invents Act sets forth the most major revision in United States patent law in decades and the far reaching scope of the Act, intended or otherwise, may not be fully appreciated for some time to come. In the meantime, patent practitioners and applicants, as well as the Patent Office itself, have been preparing for the various changes that either have or will unfold in United States patent law and practice. In this issue, we will discuss some particular revisions in U.S. patent law set forth in the AIA.



Some provisions of the AIA went into effect on the enactment date (September 16, 2011), however many of the provisions of the AIA are scheduled to go into effect during 2012 and 2013.

In view of the pending changes, the Patent Office has begun posting proposed rules in the Federal Register (available on-line) and has requested comments from the public in connection with provisions of the AIA that are set to go into effect.

The substantive changes set forth in the AIA regard patent prosecution, including in examination process and examination proceedings, and patent enforcement and litigation. One of the most discussed of these is that the United States is changing from a first-to-invent jurisdiction to a first-to-file jurisdiction. The current law provides that the first-to-invent is entitled to patent protection for the invention. The new law, which is scheduled to go into effect in March 2013 provides, generally, that the first inventor to file a patent application is the owner of any patent that issues thereon. One possible impact of this change may be a rush of patent applicants to the Patent Office to file patent applications that, under the current law, may not have been filed for possibly being incomplete.

In addition, the AIA broadens the definition of prior art, which can be used to reject a patent application or invalidate an issued patent. The AIA defines that the date when a patent application, a priority application (domestic/foreign) or a provisional patent application that contains a claim is filed is the “effective filing

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date.” One impact of this is an expansion of the definition of prior art to include whether the invention was “otherwise available to the public” before the “effective filing date.” Further, foreign sales, which are excluded from prior art under the old law, may now be prior art under the AIA.

In addition, the U.S. one year grace period for filing for patent protection applies under the AIA to the inventor’s own (or derived) public disclosure. Accordingly, unless it can be shown that a non-inventor received information about an invention directly or indirectly from the inventor, public disclosure by a non-inventor may soon operate as prior art (and an instant bar to patentability). Thus, the amount of discoverable prior art may significantly increase under the AIA, and used as a basis to reject patent applications and/or invalidate issued patents.

The AIA also broadens the requirements of who may file for a patent application. As in the current law, the new law requires inventors to sign declarations, and patent applications are filed in the names of inventors. Unlike the current law, however, assignees and other parties who can demonstrate a proprietary interest in a claimed invention may file patent applications directly. In lieu of traditional inventor declarations, “substitute statements” may soon be accepted by the Patent Office that explain why an inventor is not available to sign. These revisions will likely help companies and other interested parties who are unable to obtain a signed declaration from an inventor.

With regard to changes in patent proceedings, the AIA provides for “derivation proceedings” which protect an inventor from a party who tries to steal an invention and file a patent application before the true inventor files. Derivation proceedings, which are scheduled to go

into effect in mid March 2012, are to be decided by a new judicial body called the Patent Trial and Appeal Board, which replaces the current Patent Board of Appeals and Interferences. The new Patent Trial and Appeal Board will hear evidence, for example, supporting a claim to prove inventorship, and is expected to resemble a court of law more closely than the current Patent Board of Appeals and Interferences.

Another change in U.S. patent law under the AIA regards patent validity. The AIA provides a new ability for third parties to cite prior art during patent prosecution. Under this provision, which is scheduled to go into effect in September 2012, third parties can submit statements of relevance accompanying prior art submissions, unlike the current law which precludes statements of relevance. In addition to such pre-issuance submissions, the new law provides for a post-grant review process which allows third parties to challenge a patent on any ground, except best mode, within nine months of a patent’s issuance. Also scheduled to go into effect in September 2012 is a new post-grant review process, which will be decided by the new Patent Trial and Appeal Board. This process reviews challenges to a patent brought by a third party. One effect of the new post-grant review process is that the challenging party cannot later challenge the validity of the patent in a subsequent civil action. Thus, the new law provides for only “one bite of the apple.”

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## Copyright Public Domain or Not?

In January, 2012, the Supreme Court upheld the constitutionality of the application of Section 514 of the Uruguay Round Agreements Act in *Golan v. Holder*. The law in question had the effect of taking some foreign-made works, first published abroad between

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Another change under the AIA phases out inter partes reexamination for a new inter partes review process. Scheduled to take effect in September 2012, a petitioner bringing an inter partes review must have a reasonable likelihood that he or she will prevail with regard to at least one claim in an issued patent. As with post-grant review process (described above), inter partes review cases will be decided by the new Patent Trial and Appeal Board, and a petitioner cannot later challenge the validity of the patent in a later civil action.

Another change in patent process under the AIA is “supplemental examination,” which can be requested by the patentee and provides a means for a patentee to correct an omission or other mistake in an issued patent. This provision, which is scheduled to take effect in September 2012, allows for any information relevant to patentability to be raised, and is useful for patentees to “clean up” a patent prior, for example, to bringing litigation. Supplemental examination is also useful for patentees to reduce the application of inequitable conduct. Information considered during supplemental examination generally cannot be used in a court of law to support unenforceability of a patent.

In addition to patent prosecution changes, various litigation changes are also set forth in the AIA. One key change regards the standards for bringing a claim based on false patent marking. Under the new law, only the U.S. government and persons who show a “competitive injury” are permitted to bring a claim of false marking. This change, which addresses the plethora of

false marking lawsuits previously brought by otherwise unaffected parties, took place in September 2011. Other changes to the false marking lawsuits under the new law limit the amount of recoverable damages considered adequate to compensate for injury. Further, marking a product with a web address that associates a product with a patent is now permitted.

Another change to litigation under the AIA limits the ability to sue multiple defendants in one action based on infringement of a common patent to only those situations where there is a relationship among them. For example, the infringement must relate to the same product or process and factual questions must relate to all of the defendants.

The AIA also relaxes the best mode requirement, and expressly sets forth that a patent cannot be invalidated for a patentee’s failure to disclose the best mode in the patent application. Interestingly, U.S. patent law (35 U.S.C. §112) still requires patent applications to disclose the best mode, however, failure to disclose the best mode cannot be used to invalidate a patent in a litigation under the AIA.

Another litigation-related change in the AIA regards challenging patents that claim business methods (e.g., relating to data processing, operations, practice administration, or management of financial products or services). The rule requires that this change is transitional, and the Director of the Patent Office will issue regulations challenging business method patents before September 16, 2012. Such business method challenges are not available to anyone, but only for

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1923 and 1989, out of the public domain in the United States to comply with the Berne Convention. The suit was brought by a University of Denver music professor and a group of orchestra conductors, film archivists, and many others, claiming that Congress had exceeded its authority under the Copyright Clause of the Constitution. The petitioners claimed that application of the Act violated the "limited time" language of the Copyright Clause, and that restoring copyright in works that had passed into the public domain interferes with their First Amendment right to use, copy, and otherwise exploit the words.

By a 6-2 majority, the Supreme Court rejected the Petitioners' arguments based on the Copyright Clause and the First Amendment. According to the decision, "[n]either the Copyright and Patent Clause nor the First Amendment, we hold, makes the public domain, in any and all cases, a territory that works may never exit." The majority decision pointed out that the Act was passed for the United States to meet its requirements under the Berne Convention stating that "Congress ensured that most works, whether foreign or domestic, would be governed by the same legal regime." As an example, Justice Ginsburg stated that "Prokofiev's 'Peter and the Wolf' could once be performed free of charge." Now, however, she said: "[t]he right to perform it must be obtained in the marketplace. This is the same marketplace, of course, that exists for the music of Prokofiev's U.S. contemporaries: works of Copland and Bernstein, for example, that enjoy copyright protection, but nevertheless appear regularly in the programs of U.S. concertgoers."

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parties who are sued or otherwise charged with infringing a patent that claims a business method as set forth under the act.

Yet another litigation change relates to an expansion of prior commercial use de-

fenses for parties who are charged with infringing a patent. This law took effect in September 2011, and applies to any method claim of any patent. In order to avail oneself of a prior commercial use defense, the defendant must show an unabandoned commercial use of the invention more than one year prior to the effective filing date of the patent application. The AIA sets forth an express university exception, and defendants charged with infringing patents that are owned by universities are not able to avail themselves of a prior use defense.

The America Invents Act in general is praised for bringing harmony in U.S. patent law with the rest of the world, to increase certainty in various circumstances, to weed out weak and invalid patents, as well as to reduce frivolous litigation. There may, unfortunately, be some negative impact, particularly for startups and individual inventors due to a new and perceived importance of filing early and filing often. The full effect of this law is unclear at this time, particularly since many of the provisions will not be in effect for another year.

Check back in future Ostrolenk Faber Newsletters, on [www.ostrolenk.com](http://www.ostrolenk.com) and our Facebook page for updates to this important law.

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