After prior attempts by Congress have failed to pass patent reform legislation, the U.S. House of Representatives and Senate have passed the Patent Reform Act of 2011 (H.R. 1249). These bills are also referred to as the “Leahy-Smith America Invents Act” and include sweeping changes to the current U.S. Patent Act. Significant changes to the current patent legislation include a shift from the current “first to invent” system to a “first to file” system, a new post-grant review proceeding, prior user rights based on commercial use, changes to infringement defenses based on the best mode requirement, changes to the defenses to charges of willful patent infringement, PTO fee setting authority, and changes to false marking claims. Intellectual property owners need to have a clear understanding how the patent reform legislation will affect their research and development activities. Intellectual property owners must act quickly to develop new strategies to ensure compliance with the patent reform legislation and to advance their business objectives.

First To File System
The current U.S. patent system is based on the “first to invent”. That is, a U.S. Patent is awarded to the inventor or joint inventors who first conceived of the invention claimed in a patent application. Under the current first to invent system, the inventor of an invention claimed in a later-filed patent application would be entitled the patent so long as that inventor conceived of the claimed invention prior the inventor named in an earlier-filed patent application for the same invention. The first to file system has been generally supported by those seeking to harmonize the U.S. patent system with the first to file systems of many other industrialized countries. Furthermore, many expect that the first to file system will lessen the work burden on the USPTO by eliminating the need for interference proceedings. The Patent Reform Act does provide the possibility for a first inventor to bring a derivation action in the civil courts or the USPTO within a certain time period based on allegation that the first-filer derived the claimed invention from the first inventor.

Post-Grant Patent Review
The current Patent Act has a system of ex parte and inter partes reexamination of granted U.S. Patents. The Patent Reform Act includes the provision of a new post-grant review of granted U.S. Patents. A third party may challenge the validity of a granted U.S. Patent within a nine (9) month window following the grant date of the U.S. Patent. The third party challenger may challenge the validity or enforceability of the granted U.S. Patent on any ground which would be available to such third party as a defense in a patent infringement action filed in the courts. Following nine (9) months after the grant of a U.S. Patent or the completion of post-grant review, the Patent Reform Act provides that a third party may submit a petition to the Office for inter partes review of a granted U.S. Patent. Unlike the third party post-grant review system, the inter partes review system limits the challenge to the validity of the granted U.S. Patent to the grounds of novelty and obviousness on the basis of prior art consisting of patents and printed publications. According to the post-grant review process, the third party petitioner or the real party in interest may not be a party to a civil action related to the U.S. Patent being challenged. A petitioner may not challenge the same claim or claims before the Office based on the same grounds or ground that could have been previously brought in the post-grant or inter partes review proceeding after decision by the Director of the United States Patent Office in a post-grant review proceeding. Likewise, the petitioner also cannot bring as civil action or an action in the International Trade Commission on grounds which were raised in a post-grant or inter parties review proceeding before the Office.

Prior User Defense
The bill passed by Congress includes a patent infringement defense based upon prior commercial use of a claimed invention. According to the bill, an alleged infringer would be entitled to the defense of prior use with respect to subject matter relating to any process, machine, manufacture, or composition of matter used in manufacturing or other commercial process. Thus, the new legislation expands the current prior use defense based on prior commercial use beyond methods of “doing or conducting business.” Such prior commercial use of the subject matter must be in good faith in the United States and must have occurred at least one (1) year prior to the effective filing date of the patent application claiming the subject matter. The alleged infringer is required to prove its defense of prior use by clear and convincing evidence.

Best Mode
The first paragraph of Section 112 of the current Patent Act requires that all patent applications set forth the best mode contemplated by the inventor for carrying out the claimed invention. Under the existing law, an accused infringer is permitted to challenge the validity or enforceability of the asserted patent by alleging that the specification of the asserted patent does not set forth the best mode for carrying out the claimed invention. Under the patent reform legislation, Section 112 will still include the requirement that the best mode be included in the specification. However, an accused infringer will no longer be able to challenge the validity or enforceability of the asserted patent based on failure of the patentee to disclose the best mode for carrying out the invention in the patent specification.

Advice of Counsel/Willful Infringement:
The finding of willful patent infringement against an infringer may result in an award to the patentee of treble damages, attorneys fees, and costs of the litigation. Under current patent jurisprudence, obtaining advice of counsel in the form of an opinion of non-infringement is a defense to a charge of willful patent infringement. Section 298 of the Patent Reform Act provides that the failure of an infringer to obtain advice of counsel with respect to an allegedly infringed patent may not be used to prove that the accused infringer willfully infringed the patent or that
that infringer intended to induce infringement of the asserted patent.

**Marking**

According to Section 287 of the current Patent Act, patentees selling patented articles in the United States may give notice to the public that the articles being sold are indeed covered by a granted U.S. Patent by marking the articles with the word “Patent” or “Pat”, more commonly, by marking the articles with the granted U.S. Patent number. In the event that the patentee fails to include a proper patent marking on a patented article, no money damages shall be recovered by the patentee from an accused infringer, unless the patentee can prove that the accused infringer was notified of the infringement and continued its infringing activities. The patent reform legislation provides that notice of a patent can be given by the patentee by using the word “patent” together with an address of a posting on an internet site accessible to the public that associates the patented article with the patent number. Furthermore, civil actions for damages based on false marking may only be commenced by a person who has suffered competitive injury as a result of the false marking.

**USPTO Fee Setting Authority**

The Patent Reform Act provides that the Director of the United States Patent and trademark Office may set or adjust any fee charged under Title 35 of the United States Code or the Trademark Act for any services performed by the United States patent and Trademark Office. The Patent Reform Act also established a fund for use by the United States Patent and trademark Office into which the Office may deposit funds. This provision was added in an attempt to end Congress’ continued diversion of fees collected by the Office for use by non-patent programs.

The Patent Reform Act has been passed by Congress and has been sent to the White House for signature by President Obama. For the past few years, President Obama has championed patent reform legislation as a way for the United States to create new jobs and to stimulate the U.S. economy. It is imperative that intellectual property stakeholders have a clear understanding of the changes that will imminently occur following the enactment of the Patent Reform Act to ensure compliance with the legislation and the rules promulgated by the USPTO. Having a firm understanding of the new legislation will enable stakeholders to maximize the value of their intellectual property.

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