
Patent Reform: The America Invents Act

2011-09-19

Last Friday, President Obama signed the America Invents Act (H.R. 1249) ("AIA"), also known as the Patent Reform Act.

The AIA makes significant changes and clarifications to patent law, including the first-to-file priority system, what is prior art, and new post-grant and inter partes review procedures. Most changes will not take effect for 12 to 18 months. Those provisions will be discussed in upcoming alerts and on our website.

This communication summarizes provisions of the AIA that went into effect Friday.

1. Marking

Only the United States government can sue for false marking penalties under amended 35 U.S.C. § 292(a). In addition, Congress amended section 292(b) to limit lawsuits to individuals who have suffered "a competitive injury," and recovery to "damages adequate to compensate for the injury." A new subsection (c) provides that marking products or packaging with an expired patent will no longer be a violation. The amended section applies to all cases, including any pending before the AIA was signed.

2. Virtual Marking

The AIA introduces "virtual marking" as a way to satisfy the public notice marking requirement. Virtual marks are statements on products or product packaging that direct the reader to a publicly accessible website, where the patent numbers relevant to the product are listed. Parties are exempt from liability for false marking after a patent expires if the product or package uses a virtual mark.

3. Jurisdiction and Procedural Matters

State courts will no longer have jurisdiction over any claim or counterclaim arising under any act of Congress relating to patents, plant variety protection, or copyrights. A new provision allows for removal of any such action to a United States district court.

4. Joinder

Congress greatly limited the ability to sue multiple unrelated defendants for infringement in a single action. Defendants or counterclaim defendants can be joined in a single suit only if (1) any right to relief is asserted jointly, severally, or as arising out of the same transaction or occurrences relating to infringement *and* (2) questions of fact common to all defendants will arise in the action. Simply alleging that each defendant has infringed a patent is insufficient. These provisions became effective Friday, September 16, 2011.

5. Prior Commercial Use Defense

Congress expanded the personal infringement defense of 35 U.S.C. § 273 to

not only apply to patented business methods, but also to allow continued commercial use of "subject matter . . . used in a manufacturing or other commercial process . . . at least 1 year prior to the filing or public disclosure of a claimed invention." There are limits on the extent to which this defense can be used by universities or nonprofit entities such as research laboratories. The new defense can be used against any patent issued on or after Friday, September 16, 2011.

6. Tax Strategies

The AIA introduces a prohibition against patent claims "for reducing, avoiding, or deferring tax liability, whether known or unknown at the time of the invention or application for patent." However, a method, apparatus, technology computer program product or system that is used solely for "preparing taxes or information returns" or for financial management is still patentable in certain instances.

7. Human Organism

The AIA continues the prohibition against patent claims directed to or encompassing a human organism.

8. Best Mode

A failure to disclose "best mode" is not a defense in any infringement case filed Friday, September 16, 2011 or later. It is still a requirement before the Patent and Trademark Office (PTO) during examination.

9. Current Inter Partes Reexamination Proceedings

Inter partes reexaminations and requests for *inter partes* reexaminations pending before Friday, September 16, 2011 are unaffected. However, as of that date, the burden for instituting an *inter partes* reexam based on a request changed from showing that the request "raises a substantial new question of patentability" to showing that there is a "reasonable likelihood that the requester would prevail with respect to at least one of the challenged claims."

10. Venue

In actions arising out of PTO decisions and commenced on or after the enactment of the AIA, the United States District Court for the Eastern District of Virginia is now the appropriate venue, rather than the United States District Court for the District of Columbia.

11. Patent Term Extension

The AIA clarifies the existing procedure for filing patent term extension applications under the Hatch-Waxman Act.

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