Morgan Lewis

intellectual property lawflash alert

www.morganlewis.com

Congress Passes America Invents Act

September 8, 2011

After years of debating the need for patent reform, Congress has acted. Today, the Senate passed the House version of the "America Invents Act" (the Act). The bill will now go to the President, who is expected to sign it into law almost immediately. The Act represents the most sweeping overhaul of U.S. patent law in almost 60 years and will effect dramatic changes in a number of key areas. Below is a summary of a few key provisions.

- **Switch to "first to file":** Under U.S. patent law, the rights to an invention have historically resided with the first inventor, regardless of who files the first patent application. Most other countries use a "first to file" approach, rather than the "first to invent" rule. Thus, in other countries, it does not matter who invented something first, it matters only who won the "race to the Patent Office." The U.S. rule has created some peculiarities, including so-called "interference" proceedings at the U.S. Patent and Trademark Office (USPTO) and satellite disputes during litigation about who really was the first inventor. The Act seeks to eliminate such issues and bring the United States into step with the rest of the world by giving the rights in an invention to the first inventor to file a patent application.

- **Post-grant review:** The Act establishes a procedure allowing a challenger to file a petition for review of a patent within a brief window after its issuance. Although similar in some ways to the *inter partes* reexamination procedures that are already available, the new post-grant review will move much more quickly, with petitions being decided within one year of a patent's issuance. There is also a provision establishing separate post-grant review procedures for so-called "business method" patents.

- **Willful infringement:** There has historically been much debate about whether, or to what extent, a patentee can prove willful infringement by pointing to an alleged infringer's failure to obtain an opinion of counsel concerning the accused activity. The Act seeks to end this debate by providing that failure to obtain advice of counsel (or the failure to introduce such evidence) cannot be used to prove willful infringement.

- **Multidefendant patent cases:** One recent trend in patent litigation has seen nonpracticing patentees filing massive infringement actions against dozens, sometimes hundreds, of unrelated defendants. The Act codifies the current procedural rules by providing that joinder of multiple defendants in such cases is proper only if the plaintiff's claims arise out of the same set of

transactions or occurrences, and then takes it a step further by specifying that "accused infringers may not be joined in one action . . . or have their actions consolidated for trial, based solely on allegations that they each have infringed the patent or patents in suit."

- **Elimination of false patent marking claims:** The patent laws previously prohibited marking a product with the number of a patent that did not actually cover the product, and allowed for qui tam suits by members of the general public to enforce this prohibition. Over the past several years, following some significant legal developments, a cottage industry has arisen in which hundreds of false patent marking cases have been filed across the country by dozens of small entities formed for the sole purpose of asserting such claims. The Act does away with this phenomenon by allowing such suits to be filed only by the federal government or by a third party that has actually suffered some competitive injury.

There is one other issue that is notable—and controversial—due to its absence from the Act. Historically, the USPTO has not retained the fees it collects from applicants seeking patents or trademarks. However, many observers—including Paul Michel, former Chief Judge of the U.S. Court of Appeals for the Federal Circuit—have been advocating for that to change. The advocates for this approach have argued that allowing the USPTO to retain its fees is the only viable way to increase patent quality and ease the backlog at all levels of the agency. Although the version of the bill originally passed by the Senate did include such a provision, the version passed by the House—and the one that the Senate has now passed—does not.

The America Invents Act effects numerous substantial changes to all aspects of the patent system, from prosecution to litigation and everything in between. It will likely take inventors, patent examiners, litigants, and judges many years to digest and fully understand all of these new provisions. Morgan Lewis will continue to keep our clients updated as the changes implemented by the Act are applied and interpreted at the USPTO and in the courts.

If you would like more information or have any questions about the issues discussed in this LawFlash, please contact any of the following Morgan Lewis attorneys:

Chicago

David W. Clough	312.324.1772	dclough@morganlewis.com
Jason C. White	312.324.1775	jwhite@morganlewis.com

Houston

Winn Carter	713.890.5140	wcarter@morganlewis.com
Lucas T. Elliot	713.890.5185	lelliot@morganlewis.com
James A. Glenn	713.890.5178	jglenn@morganlewis.com
C. Erik Hawes	713.890.5165	ehawes@morganlewis.com
Paul E. Krieger	713.890.5160	pkrieger@morganlewis.com
David J. Levy	713.890.5170	dlevy@morganlewis.com
Rick L. Rambo	713.890.5175	rrambo@morganlewis.com

Palo Alto

Robert B. Beyers	650.843.7528	rbeyers@morganlewis.com
Dion M. Bregman	650.843.7519	dbregman@morganlewis.com
Douglas J. Crisman	650.843.7508	dcrisman@morganlewis.com

Andrew J. Gray IV	650.843.7575	agray@morganlewis.com
Michael J. Lyons	650.843.7507	mlyons@morganlewis.com
Gary S. Williams	650.843.7501	gary.williams@morganlewis.com

Philadelphia

Louis W. Beardell, Jr.	215.963.5067	lbeardell@morganlewis.com
Kell M. Damsgaard	215.963.5592	kdamsgaard@morganlewis.com
Kenneth J. Davis	215.963.5392	kdavis@morganlewis.com
John V. Gorman	215.963.5157	jgorman@morganlewis.com
Christopher I. Halliday	215.963.5337	challiday@morganlewis.com
Thomas B. Kenworthy	215.963.5702	tkenworthy@morganlewis.com
Eric Kraeutler	215.963.4840	ekraeutler@morganlewis.com
Sharon B. McCullen	215.963.4764	smccullen@morganlewis.com

San Francisco

Todd W. Esker	415.442.1304	tesker@morganlewis.com
Daniel Johnson, Jr.	415.442.1392	djjohnson@morganlewis.com
Victor E. Johnson	415.442.1124	victor.johnson@morganlewis.com
Brett A. Lovejoy	415.442.1211	blovejoy@morganlewis.com
Jeffry S. Mann	415.442.1119	jmann@morganlewis.com
Annette S. Parent	415.442.1342	aparent@morganlewis.com
Brett M. Schuman	415.442.1024	bschuman@morganlewis.com
Robin M. Silva	415.442.1379	rsilva@morganlewis.com

Washington, D.C.

Robert W. Busby	202.739.5970	rbusby@morganlewis.com
J. Kevin Fee	202.739.5353	jkfee@morganlewis.com
Robert J. Gaybrick	202.739.5501	rgaybrick@morganlewis.com
Gregory T. Lowen	202.739.5915	glowen@morganlewis.com
Timothy P. Lynch	202.739.5263	tlynch@morganlewis.com
William Jackson Matney, Jr.	202.739.5759	jmatney@morganlewis.com
Nathan W. McCutcheon	202.739.5580	nmccutcheon@morganlewis.com
Collin W. Park	202.739.5516	cpark@morganlewis.com
Robert Smyth	202.739.5139	rsmyth@morganlewis.com
John D. Zele	202.739.5418	jzele@morganlewis.com

Wilmington

Colm F. Connolly	302.574.7290	cconnolly@morganlewis.com
David W. Marston, Jr.	215.963.5937	dmarston@morganlewis.com

About Morgan Lewis's Intellectual Property Practice

Morgan Lewis's Intellectual Property Practice consists of more than 150 intellectual property professionals. We represent and advise clients concerning all aspects of intellectual property: patents, trademarks, and copyrights; intellectual property litigation; intellectual property licensing; intellectual property enforcement programs; trade secret protection; related matters involving franchises, the Internet, advertising, and unfair competition; outsourcing and managed services; and the full range of intellectual property issues that arise in business transactions.

About Morgan, Lewis & Bockius LLP
With 22 offices in the United States, Europe, and Asia, Morgan Lewis provides comprehensive transactional, litigation, labor and employment, regulatory, and intellectual property legal services to clients of all sizes—from global Fortune 100 companies to just-conceived startups—across all major industries. Our international team of attorneys, patent agents, employee benefits advisors, regulatory scientists, and other specialists—nearly 3,000 professionals total—serves clients from locations in Beijing, Boston, Brussels, Chicago, Dallas, Frankfurt, Harrisburg, Houston, Irvine, London, Los Angeles, Miami, New York, Palo Alto, Paris, Philadelphia, Pittsburgh, Princeton, San Francisco, Tokyo, Washington, D.C., and Wilmington. For more information about Morgan Lewis or its practices, please visit us online at www.morganlewis.com.