

FIRM NEWS

U.S. News and World Report Lists Andrus as a Top Tier IP Firm

We are proud to announce that Andrus has been ranked as a "Tier 1" intellectual property firm by U.S. News and World Report. Our ranking as one of America's Best Law Firms



for 2010 was based on survey data gathered from clients and attorneys, as well as marketing and recruiting officers, regarding our firm's expertise, responsiveness, understanding of a business and its needs, civility, integrity, and cost-effectiveness.

Additionally, Andrus attorneys Dan Fetterley, Gary Essmann, and Jill Fahrlander were recently selected by their peers for inclusion in *The Best Lawyers in America*® 2011 (Copyright 2010 by Woodward/White, Inc., of Aiken, S.C.).

As stated by U.S. News and World Report, "Since its inception in 1983, *Best Lawyers* has become universally regarded as the definitive guide to legal excellence. Because *Best Lawyers* is based on an exhaustive peer-review survey in which more than 39,000 leading attorneys cast almost 3.1 million votes on the legal abilities of other lawyers in their practice areas, and because lawyers are not required or allowed to pay a fee to be listed, inclusion in *Best Lawyers* is considered a singular honor. *Corporate Counsel* magazine has called *Best Lawyers* 'the most respected referral list of attorneys in practice.'"

The America Invents Act: Patent Reform Is Making Its Way Through Congress and It Is Time To Pay Attention Now

By Tambryn K. VanHeyningen

The America Invents Act, also known as the Patent Reform Act of 2011, is the largest change to the patent laws in the U.S. since the 1952 Patent Act. The Act is making its way through Congress and although many of us have seen this bill in various iterations since 2005, this seems to be the year and the time to start paying attention. On March 8, 2011 the U.S. Senate passed the America Invents Act (S. 23) by a vote of 95-5. In mid-April, the House Judiciary Committee passed its version of the Act (H.R. 1249) out of committee and to the floor of the House. A vote in the House could be scheduled soon. So what is in this bill and how will it change the patent system?

The stated purpose of the bill is to harmonize U.S. patent laws with those of other countries and to curb or eliminate some of the uncertainty of patent litigation. The main features of the bill are directed to four major changes as follows: adoption of a first-to-file, rather than a first-to-invent system; elimination of the one year grace period; addition of a post-grant opposition procedure; and changes to the calculation of damages in patent litigation. These changes are discussed in more detail below.

The United States has always awarded patents to the first inventor, rather than to the first inventor to file a patent application. Currently, the

Interference process allows an inventor who was second to file a patent application to challenge another inventor who filed an earlier application covering the same invention. Both versions of the bill, eliminate the Interference process and state that the first inventor to file a patent application is entitled to a patent. The practical effect is to create a race to file patent applications and to remove any safety net for an inventor who is the first to invent, but the second to file.

Current U.S. Patent Law also provides a one year grace period that would be curtailed significantly by the proposed changes. Currently, disclosures made by anyone within one year of the filing date of the patent application can be overcome if the inventor can demonstrate prior invention. Under the proposed bill, only pre-filing disclosures made by the inventor or derived from the inventor qualify for the grace period. No grace period will exist to antedate independent disclosures. In addition, the burden is on the inventor or applicant to demonstrate that any disclosure during the grace period was derived from the inventor. It is unclear whether an offer for sale or demonstration of a product in public will qualify as a disclosure under the new limited grace period. The practical effect is to limit disclosures by the inventor and again to force inventors to file applications earlier.

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The proposed bill would also add a post-grant opposition option to the current post-grant review options. Under current U.S. patent law, post-grant review options include reissue, interference, *ex parte* and *inter partes* reexamination. Notably, outside of the context of interference, only printed publications raising a substantial new question of patentability may be considered during any of the post-grant review processes. The proposed post-grant opposition process could be used to look at any question of patentability including lack of written description or enablement. Proponents argue that the practical effect will be to allow a less expensive route to challenge validity of a patent prior to or instead of litigation. Opponents argue that the process will drive up patent costs and allow competitors to tie up a patent for months or years in an opposition.

Under current law, the patent owner is entitled to damages adequate to compensate the owner for the infringement, but not less than a reasonable royalty. Generally the reasonable royalty and lost profits calculations are made by experts representing each of the parties and patent damages becomes a battle of the experts. The Senate and House versions of the bill provide statutorily defined limitations to the calculation of patent damages, but the versions are quite distinct. The Senate version is similar to the Federal Circuit's recent *Uniloc* decision. The House version calculates damages based on a reasonable royalty. Both versions are meant to make damages calculations more certain. Proponents argue this will provide more fairness to the system, while opponents argue it will fail to discourage infringement and decrease the value of patents.

Many smaller changes are also found in the bills, including a process to allow patent owners to request supplemental examination prior to litigation and submit additional information for patent office consideration and thus avoid a charge of inequitable conduct, reduction or elimination of the best mode requirement, removal of secret commercial use as a bar to patentability, and changes to the meaning of the terms "on sale" and "public use."

The most controversial aspects of the bill are the change to a first-to-file system and, more importantly, the changes to the grace period. Proponents contend that harmonization with the patent law of other countries is needed. For example, Europe does not have a grace period for novelty and uses a first-to-file system. Opponents argue that the changes favor large corporations over smaller corporations or start-up businesses, that the U.S. has the best innovation-based economy because

PATENT REFORM ACT AT A GLANCE:

- Adopts first-to-file system
- Eliminates one year grace period
- Adds post-grant opposition procedure
- Changes calculation of damages in patent litigation

of these aspects of the current system and that forcing inventors to file applications earlier may hamper the ability of the inventor to complete testing and development of the invention prior to filing or to provide adequate support for the breadth of the invention in the initial patent application. Opponents argue these changes will make it more difficult for start-up companies to get funding and will result in decreased patent value.

Passage of the Act may provide the Patent Office with a much needed boost in revenue which could be used to speed the application and examination process. An amendment added to the Senate version of the Act blocks diversion of fees paid to the Patent Office and instead keeps all fees paid by applicants to the office for use by the office. Unfortunately, the 2011 budget which was passed last month, cut the patent office budget for the current year significantly and diverted fees paid by applicants and patentees to the general budget. In response, the Office has instigated "austerity measures" and cancelled implementation of several pilot programs meant to deal with the backlog of applications. Many commentators believe this amendment alone may doom the passage of the bill due to the current focus on the deficit.

After several years in which Patent Reform Legislation never made it out of committee, for anyone interested in obtaining patents, enforcing the patents they already have or challenging patents it is indeed time to pay attention. This article provides an overview only and does not cover all the aspects of the legislation. The current versions of the bill can be found at: <http://www.gpo.gov/fdsys/pkg/BILLS-112s23es/pdf/BILLS-112s23es.pdf> and <http://www.gpo.gov/fdsys/pkg/BILLS-112hr1249ih/pdf/BILLS-112hr1249ih.pdf>.

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