



## **What Do Recent Amendments to the U.S. Patent Act Mean for the Marketing Industry?**

Significant changes to the federal patent statute were signed into law by President Obama on September 16, 2011. These amendments to the United States Patent Act of 1952 have been described in some quarters as the most sweeping in decades. It is clear the changes will require new thinking and modified strategies among patent lawyers. But what do they mean for the marketing industry?

**The short answer is:** The changes may be meaningful to agencies and clients that develop new technologies and want to protect them by filing for patents, but **the changes are not likely to bring relief to agencies that feel burdened by “patent troll” litigation or client indemnity demands.**

### *First Inventor to File*

Arguably, the most important change introduced by the collection of amendments adopted as the “America Invents Act of 2011” is the adoption in the U.S. of a first-inventor-to-file system for determining inventorship. This is to say, the first person who files a patent application for an invention (among multiple people who conceived the same invention at around the same time) will be the one who is entitled to receive a patent for that invention. Before this change in the law, two people claiming to have conceived the same invention – each with pending patent application before the U.S. Patent & Trademark Office (PTO) – could fight out in the PTO who actually conceived first and thus who would get the resulting patent. Now, there is a bright line: The first inventor to file gets the patent (except in rare situations where the inventor of the earlier-filed application can be shown to have derived his or her invention from knowledge of the later-filed inventor’s work). This brings U.S. law in line with all other countries throughout the world. As a result of this change, it is now more important than ever for inventors to file patent applications at the earliest possible date after invention. This change to the law becomes effective in 18 months.

### *Challenges to Issued Patents*

The America Invents Act also establishes new or revised procedures within the PTO that enable interested or aggrieved parties to challenge patents that the PTO has granted. These procedures give companies an opportunity to argue to a tribunal within the PTO that an invention does not actually meet the requirements for patentability (e.g. it is not novel or is barred by other parts of the patent statute). While this sounds like a promising development, patent practitioners know that similar procedures already exist in the PTO, and the availability of those procedures has not diminished the howl and cry of some industries, like the marketing industry. A big reason why these already-available challenges have been less helpful than one might expect is because

many courts will not stay a patent infringement litigation while the reexamination of a patent is under way. As a result, a defendant in a patent suit must continue to fight the litigation even while arguing the reexam in the PTO.

**The new/revised procedures to attack issued patents within the PTO do give challengers some new tools**, and it remains to be seen how helpful those tools are in practice. For example, the newly named “*inter partes* review” and “post-grant review” proceedings will bear more similarity to federal court litigation than do the current reexamination proceedings; they will permit broader discovery, including the use of expert testimony. Only some experience operating under the new rules will show whether they change the landscape for patent defendants.

One new procedure for attacking issued patents within the PTO is actually different in character from the currently available procedures, but it is available only to a narrow subset of patents (and probably does not include the patents most troubling to the marketing industry). The statutory amendments create what is called a “transitional program for covered business method patents,” which in turn creates a new proceeding for challenging issued patents (called “transitional proceedings”). A transitional proceeding may be filed in the PTO by any party that has been sued for or charged with infringement of a “covered business method patent.” This sounds potentially promising at first pass. However, a covered business method patent is “a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a *financial product or service*, except that the term does not include patents for technological inventions” (emphasis added). It remains to be seen how this provision will be interpreted, but it may help the marketing industry only in relation to shopping cart and similar payment functions.

Transitional proceedings will be available within a year, after the PTO creates implementing regulations, and the statute provides that the availability of transitional proceedings will end eight years after that. One nice benefit available in connection with this new procedure is that a patent infringement defendant who moves to stay a litigation after filing a transitional proceeding may, if the trial court refuses to grant the stay, immediately appeal the denial of the stay to the court of appeals.

#### *Fewer Multi-Defendant Suits*

The America Invents Act will reduce the number of multi-defendant patent suits. Under the new law, multiple defendants may be joined in the same suit if their alleged infringement is in some way related, such as where a software manufacturer is sued along with one of its customers that purchased and uses the software. It is not permissible to join multiple defendants simply because they are all alleged to infringe the same patent. As a practical matter, this imposes a relatively small increase in the cost of litigation for “patent trolls,” who will now have to pay a separate \$350 filing fee for each of many patent infringement complaints rather than a single fee to bring in many defendants.

### *Certain Subject Matter No Longer Patentable*

Another important change to U.S. patent law is the exclusion of certain categories of subject matter – or technical fields of invention – from the scope of patent protection. As a result of the new amendments, it is no longer possible to obtain patent protection for any strategy for reducing, avoiding, or deferring tax liability or for any human organism. This may not affect the marketing industry much, but it is a big deal any time previously patentable subject matter is cut out of the statute (and it is a big deal in the financial services and life sciences industries).

### *Inventor Clean-Up of Own Patent*

The America Invents Act creates a procedure to enable a patent owner to submit its own patent to the PTO for supplemental examination, in order to alert the PTO to prior art or other issues that might affect the validity of the patent. This gives the patent owner the opportunity to explain to the PTO why its patent should remain standing despite prior art that the PTO did not previously consider, and it immunizes the patent owner against an allegation of fraud for failing to bring forward the information during the original examination of the patent. This immunization is not available if there is already a fraud/validity challenge in a litigation involving the patent. So, this procedure is best understood as a tool for patent owners to “clean up” any potential invalidity problems before beginning an enforcement campaign.

### *Other Provisions*

The statutory amendments include a variety of other provisions that may be important changes to the patent laws but that have not been a major focus of the marketing industry.

For example, there has developed a cottage industry of filing “false marking” litigation against companies that continue to mark their products with patent numbers after those patents expire. The amended law now specifies essentially that only the government may file false marking suits (which means such suits are unlikely), and no false marking suit may be filed based only on the continued marking of an expired patent number (rather than affixing an entirely false patent number).

**The patent law amendments broaden the availability of the prior user defense.** A party may avoid a patent infringement suit by proving that it had used the subject matter of an asserted patent at least one year before the filing date (or priority date in the case of continuation applications) of that patent.

The new law authorizes third parties to submit prior art for consideration by the PTO during the pendency of patent applications. So, if a company knows that a competitor (or a suspected troll) is pushing a patent application through the PTO without informing the PTO of the most relevant prior art, the company might take the opportunity to alert the PTO of the key art. This cuts both ways, however. If the patent applicant succeeds in convincing the PTO that the submitted art is not relevant, it will be much more difficult to convince a court in a future infringement litigation that the art ought to invalidate the patent.

The amendments add a section to the Patent Act specifying that the failure of a patent infringer to obtain the advice of counsel with respect to the allegedly infringed patent, or the failure of the infringer to present that advice to the court or a jury, may not be used to prove that the infringer willfully infringed the patent. This is close to the current state of judge-made law, but the statutory amendment locks in this law. Importantly, it remains the case that no patent search will uncover new patent applications that were filed in the 18 months preceding the search; this is because applications remain secret/confidential within the PTO until the PTO publishes them, 18 months after filing.

The amendments increase PTO fees and may operate to reduce the proportion of PTO fees that are currently diverted by Congress away from the PTO and into the general treasury.

Finally, the America Invents Act calls upon the GAO to “conduct a study of the consequences of litigation by non-practicing entities” and the effects of this litigation on the U.S. economy. The study is to be submitted to Congress within a year along with any recommendations for changes to the patent laws.

In sum, the America Invents Act brings about important changes to the patent laws in the U.S., but it is not likely to change the day-to-day life of companies in the marketing industry. It is possible the GAO study will give aggrieved companies in the marketing industry another chance to influence the evolution of our patent laws, but it is also possible that the study (and any subsequent Congressional action) will encounter the same challenges faced by advocates of the bills that resulted in the America Invents Act. Time will tell.

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For more information, please see the K&L Gates client note “[Newly Signed U.S. Patent Law Will Overhaul Patent Procurement, Enforcement and Defense.](#)”

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