



## A[IP]peal™ - The Newsletter

### Inside this issue:

Welcome to A[IP]peal, 1  
Schmidt LLC's IP  
Newsletter!

President Obama Signs 1-3  
America Invents Act Into  
Law

### HIGHLIGHTS:

- **President Obama signs America Invents Act into law**
- **"First to File" will become new standard for United States patents**
- **Introduction of virtual marking provision**
- **Best mode challenge no longer available**
- **No change to patent damages**
- **Act's constitutionality might be challenged**
- **Act imposes 15% fee increase after September 26, 2011. Paying fees early can save you money.**

### Welcome to A[IP]peal™, Schmidt LLC's IP Newsletter!

We are proud to present Schmidt LLC's first newsletter. In regular intervals we will inform our US and international clients about newsworthy developments in the area of U.S. intellectual property law that has an impact on our clients' business interests in the United States.

Our inaugural issue discusses the America Invents Act, which was just signed into law by President Obama. This US patent reform drastically changes the legal landscape of US patent law.

Based in New York City, Schmidt LLC provides innovative solutions to our U.S. and international clients in the area of intellectual property, litigation, arbitration and corporate law. We invite questions and comments regarding our newsletter via letter, email or telephone to:

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### President Obama Signs the America Invents Act Into Law

On September 16, 2011, President Obama signed the America Invents Act into law. The Senate, by a vote of 89-9, had previously passed the House version (H.R. 1249) on September 8, 2011 thus paving the way for President Obama's approval which was highly expected. The new Act brings sweeping and fundamental changes to U.S. Patent Law.

Some of the key provisions of the Act are summarized below:

#### First To File

The most significant change to the U.S. patent system by the America Invents Act is that it changes the United States from a "First To Invent" patent system to a "First To File" system. This will finally harmonize U.S. patent practice with the rest of the world, which started with the GATT legislation signed into law by President Clinton on December 8, 1994.

Under the old "First To Invent" system the first person to conceive of an invention

and reduce it to practice was entitled to a patent, even if another person filed an application for a patent to that invention first. In the past, disputes about the true inventorship of a patent application were typically resolved by an interference proceeding in the USPTO. Each applicant had to present evidence showing her date of conception and diligence towards reducing the invention to practice to prove that she was the first to invent.

Under the America Invents Act, the first party to file an application will generally be entitled to the patent regardless of who was the first to invent (a few exceptions apply). Applicants can, however, still rely on earlier filed U.S. or foreign applications to create an earlier “effective filing date,” if the invention set forth in the claims was disclosed in the prior application from which priority is sought.

Further, the new legislation protects an inventor from persons who file an earlier application or who received a patent on an earlier application on the same invention, if the earlier application or patent was “derived” from the inventor’s work.

The legislation also expands a provision that allows an alleged infringer to defend against a patent lawsuit by showing she was a commercial user of the technology for at least one year before the patent was filed.

Critics of the “First To File” system argue that such system leads to a race to the USPTO and that applicants will file applications for patents before optimizing the invention under the fear that somebody might beat them on their race to the

USPTO. Additionally, many critics believe that a “First To File” system favors large companies because they can dedicate more personnel and financial resources to convert their inventions into patent applications faster and more efficiently than smaller companies and sole inventors.

The effective date of the First to File provision is March 16, 2013 and will apply to all new applications filed on or after that date.

### **Best Mode**

The America Invents Act also removes invalidity and unenforceability challenges based upon an inventor’s alleged nondisclosure of the “best mode” to use her invention. In addition, the Act removes the best mode requirement that was previously necessary for a prior filed foreign or U.S. application to possess in order for the applicant to rely upon an earlier effective filing date. This change is relevant for foreign applications because many countries do not have a best mode requirement and thus the best mode would be absent from applications first filed abroad. In the past, this has presented problems when the applicant attempted to rely upon the foreign application for an earlier filing date when filing the counterpart U.S. application. Under the Act, the best mode challenge become unavailable for any proceedings commenced on or after September 16, 2011.

### **Patent Marking/False Marking**

The America Invents Act adds a “virtual” marking provision that allows patent owners to mark patented articles with “patented” or “pat.” and an Internet

**The American Invents Act changes the U.S. patent system from a “First To Invent” to a “First To File” system.**

**The Act includes no provision regarding limiting damages to the value of the patented feature.**

address accessible by the public without charge that would show the patents that cover that article.

In addition, the Act limits false marking claims to either those brought by the United States or to competitors who suffered a competitive injury. In the past, anybody could bring a claim against a patentee who failed to remove the patent number from patented products at the expiration of the patent resulting in abusive number of litigations and requests for damages.

The amendments to the virtual and false marking provisions apply to all cases pending or commenced on or after September 16, 2011.

#### **Advice of Counsel**

In somewhat of a surprise addition considering the recent detailed Federal Circuit case law on the subject, the America Invents Act codifies the Advice Of Counsel defense in particular the evidentiary effect of a failure of an accused party to obtain a legal opinion. Under the new Section 298, the failure to get or present an opinion of counsel “may not be used to prove that the accused infringer willfully infringed the patent or that the infringer intended to induce infringement of the product.”

However, this section merely codifies the case law developed from *In re Seagate*, 497 F.3d 1360 (Fed. Cir. 2007) and *Knorr-Bremse Systeme Fuer Nutzfahrzeuge, GmbH v. Dana Corp.*, 383 F.3d 1337, 1345 (Fed. Cir. 2004) and their progeny.

#### **Reforms Not Included In The Act**

Though the America Invents Act seeks to

address many of the issues that have arisen regarding patents, several issues remain untouched by the Act. For example, there is no provision regarding limiting damages to the value of the patented feature to the accused product overall, especially where the patent owner does not make a product. This was a hot issue after a patent “troll” was able to extract a large settlement from the maker of Blackberry® devices on a patent that covered a minor feature as compared to the overall product. Provisions in previous reform bills had included such changes to patent damages but these provisions never received the necessary support.

In addition, the America Invents Act fails to deal with several extraterritoriality issues that have arisen lately and — given the global interconnections — will likely continue to arise. These “loopholes” allow market participants to evade the reach of U.S. patent laws by performing certain acts abroad and then exporting the products back to the United States for sale to the detriment of U.S. patent owners.

#### **Possible Constitutional Challenges**

It will be interesting to see if a putative inventor who was not the first to file but the first to conceive the invention challenges the constitutionality of the first to file provision in the Act. Article I, Section 8, Clause 8 of the United States Constitution, empowers the United States Congress:

**The Act imposes an automatic 15% patent fee increase. To save money, consider paying patent maintenance fees due within the next six months before September 26, 2011.**

*“To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”*

One may argue that the Act is unconstitutional because the Constitution gives the exclusive right to inventions to “Inventors,” thereby placing a special emphasis on the conception of the invention, rather than the time of the filing of the application.

### Practical Considerations

Inventors need to be aware of the following main changes codified in the new Act:

1. The main consideration is that, from now on, an inventor will have to be even more diligent in pursuing her invention, including not delaying unnecessarily the filing of her application. It is imperative for any inventor, whether he or she works for a fortune 500 company or as a sole inventor, to seek advice from a patent attorney early on, to ensure a speedy, diligent preparation and filing of any new patent application to beat the competition on the race to the USPTO.
2. During prosecution of a patent application, an inventor will no longer be able to “swear behind the invention,” i.e., prove an earlier date of invention in response to an office action that cites to prior art with a publication date earlier than the filing date of the application.
3. Defendants in patent infringement litigations will no longer be able to use the best mode requirement of Section 112 to invalidate the patent-in-suit based on the inventor’s alleged failure to disclose the best mode of using or making

the patented invention.

4. The Act will also have an immediate impact on your business as it imposes an automatic 15% patent fee increase that becomes effective 10 days after the Act is signed. Thus, to save money, you should consider paying application issue fees, filing continuation and divisional applications, and paying patent maintenance fees due within the next six months before the patent fees increase, *i.e.*, by no later than September 26, 2011.

Upon request, we provide our clients with a list of your patents and applications having issue and maintenance fees that can be paid before patent office fees increase. Schmidt LLC’s attorneys are well versed on the America Invents Act patent law changes, how the changes will impact prosecution and enforcement of patents in the U.S. and its potential impact on your business.

Please contact a Schmidt LLC attorney should you have any questions about the Act or to arrange an in-house seminar about the impact of the America Invents Act.

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**It is imperative for any inventor ... to seek advice from a patent attorney early on, to ensure a speedy, diligent preparation and filing of any new patent application.**