



Patent Reform 2011:

Impact on Intellectual Property Litigation

Prior User Rights Defense to Infringement

- Expands on prior law, which allowed a “prior rights” defense to claims of infringement of a business method patent. The new provision allows a prior rights defense for any type of patent claims, not limited to business methods.
- Must be a good faith, commercial use of an invention in the U.S. prior to the earlier of (1) 1 year prior to the effective filing date of the application, or (2) the date of public disclosure of the invention
- “Commercial use” may include “an internal commercial use” or an arms-length sale or transfer “of a useful end result of such commercial use”.
- Does not apply if the patent is owned by a nonprofit institution of higher education or was funded by the federal government.
- Effective Date: immediately, for patents issued on or after the date of enactment.

Business Method Patents

- Within one year, the PTO is to establish a “transitional” program for a proceeding similar to the new “post-grant review” to review “business method patents” issued at any time, with no limitation on when such review may be sought.
- an ATM machine will not be regarded as a “place of business” for establishing venue for an action for infringement of a business method patent.
- Effective Date: one year after enactment.

Best Mode Defense Eliminated

- Failure to disclose “best mode” for making and using the invention is no longer a basis for finding a patent (or claim) invalid or unenforceable.
- Requirement to disclose best mode remains in the statute, but without an enforcement mechanism to ensure compliance
 - Practice Note: Under 35 U.S.C. § 112, it is still necessary to disclose sufficient detail to allow one of ordinary skill in the art to make or use the invention, the so-called “enablement requirement..” Failure to satisfy the enablement requirement may be a basis for finding a patent claim invalid.
- Effective Date: immediately upon enactment, for proceedings commenced on or after the date of enactment.

False Marking Claims

- Private parties may not collect the statutory penalty for false marking; only the U.S. Government may do so.
- Marking a product with an expired patent that covered the product is not false marking.
- A competitor may sue for false marking, but may only recover “damages adequate to compensate for the injury”
 - Practice Note: these provisions likely spell the end for the hundreds of private party cases filed since the Federal Circuit decision in *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295 (Fed. Cir. 2009), which broadened the availability of penalties for false marking.
- Effective Date: immediately upon enactment, for all proceedings pending or commenced on or after enactment.

Virtual marking

- a product may be marked by including the word “patent” (or “pat.”) and a web address where the public can find a posting that “associates the patent article with the number of the patent”
 - Practice Note: this provision makes it much simpler to mark a product, especially where the product is covered by multiple patents. It also makes it easy to add patents to the marking after the product has already been introduced. It is much easier to change web page content than to change a product label. This will also help to ensure that patent owners can recover damages for past infringement, where product marking is required to do so.
- Effective Date: immediately upon enactment.

Joinder

- Joinder of accused infringers is limited to cases in which the right to relief is asserted jointly, severally, or with respect to the same transaction or occurrence, and (1) relates to making, using, offering or selling “the same accused product or process” and (2) questions of fact common to “all defendants” will arise.
- It is not sufficient that each party is accused of infringing the same patent.
 - Practice Note: This provision may prove a mild obstacle to non-practicing entity patent owners, who often have filed patent suits naming multiple, otherwise unrelated defendants, particularly (but not exclusively) in the Eastern District of Texas. However, the impact remains to be seen. Suits may be filed separately against each entity, and then consolidated at least for purposes of discovery and pretrial proceedings.
- Effective Date: Immediately upon enactment, for all cases filed on or after the date of enactment.

Opinions of Counsel

- Failure to obtain advice of counsel regarding an alleged infringement, or to present such evidence at trial, may not be used to prove either willful infringement or intent to induce infringement
 - Practice Note: This provision may put a halt to the practice in some districts of allowing plaintiffs to comment on an alleged infringer's failure to obtain an opinion of counsel. It also reverses, legislatively, the Federal Circuit's decision in *Broadcom Corp. v. Qualcomm Inc.*, 543 F.3d 683 (Fed. Cir. 2008), in which the court held that the failure to obtain an opinion of counsel could be used to prove "intent" to induce infringement.