

America Invents Act

A Discussion of Aspect Important to Japanese Clients

December 6, 2011

David Roche - IP Partner, Chicago

Brian McCormack - IP Partner, Dallas



Baker & McKenzie International is a Swiss Verein with member law firms around the world. In accordance with the common terminology used in professional service organizations, reference to a “partner” means a person who is a partner, or equivalent, in such a law firm. Similarly, reference to an “office” means an office of any such law firm.

Summary of Important Points

- More Ways to Challenge a Patent
 1. Anyone can cite prior art **with argument**, while applications are pending (6 months after publication), and can do so *anonymously* (no estoppel)
 2. Post Grant Review (similar to EPO Oppositions)
 - Can rely on nearly any basis for invalidity (prior art or Sec. 112)
 - Low Standard (“preponderance”, not “clear and convincing”)
 - Available for 9 months after patent issues
 - **Must be completed in one year**
 - Starts Sept. 16, 2012 for patents issuing after that date
 3. Inter Partes Review (similar to inter partes reexamination, but accelerated)
 - Higher standard (“reasonable likelihood” that at least one claim is invalid)
 - Estoppel applies to requester in subsequent court and USPTO proceedings
 - Can be stopped by settlement
 - **Must be completed in one year**
 - Starts Sept. 16, 2012 and applies to all patents issued before, on or after that date.
 4. Derivation proceedings (applicable in limited circumstances) replace Interference



Summary of Important Points (continued)

NOTES:

1. Ex Parte Reexamination remains available and is unchanged.
2. Inter Partes Reexamination continues until Sept. 16, 2012, but under the new high standard.
3. If USPTO can perform well under the “completed in one year” provisions, litigation of patent validity could move significantly from the Courts to the USPTO.



Summary of Important Points (continued)

- New Way to Fix a Patent - **Supplemental Examination**
 1. Similar to an ex parte reexamination request made at the patent owner's request
 2. Adds a provision that prevents a claim of unenforceability based on art considered in Supplemental Examination, i.e., intended to allow a cure of inequitable conduct
 3. Not limited to patents and publications
 4. Starts Sept. 16, 2012 and applies to all patents issued before, on or after that date.



Summary of Important Points (continued)

- Litigation-Related Changes
 1. No more “Troll Tactic” of joining several unrelated defendants (Very Important)
 2. No more frivolous false marking cases
 3. No more invalidity or unenforceability based on failure to disclose the Best Mode
 4. Prior commercial use now includes activities outside the US
 5. Filing for Inter Partes Review (IPR) results in “automatic stay” of litigation

Post-Grant Review and Action Plan



OTHER REVIEW PROVISIONS & SUGGESTED ACTION PLAN

- ▶ **Post-grant review; supplemental examination & other procedures**
- ▶ **Participate in rulemaking**
- ▶ **Document inventors' obligations to assign**
- ▶ **Preserve “prior use” documents**
- ▶ **Document contact with company outsiders and monitor published findings of competitors**
- ▶ **Update standard invention disclosure forms**
- ▶ **Find and/or train litigation-ready patent attorneys for USPTO proceedings**



Post-grant review (Section 6)

- Is available for essentially all bases of patent invalidity
 - Not limited to patents and printed publication prior art, as with inter partes review
- Must be filed within nine months of issuance (and will only begin applying to original cases filed 18 months after enactment)
- USPTO must determine whether to institute within 3 months of request
 - Requester must show that it is “more likely than not” that at least 1 claim is unpatentable
- USPTO must complete review within 12 months (and in some cases 18 months) after the determination is made to review
- Issues re discovery procedures in USPTO
- Provision applies to applications having an effective filing date 18 months after enactment



Supplemental Examination (Section 12)

- Opportunity for **patent owner** to ask the PTO to consider, reconsider, or correct information believed to be relevant to the patent
- Initial review must be conducted within 3 months after the owner requests it
 - Standard is “substantial new question of patentability”
- If a substantial new question of patentability is found, then it follows the procedures for ex parte reexam

- This presents an interesting option for patent owners to “clean up” issued patents before proceeding to litigation. It appears to be an expanded version of how patent owners have already used ex parte reexaminations in the past
 - But it also provides cover in litigation against claims of unenforceability of patents if the issue was “cleansed” through this procedure

Derivation Proceedings

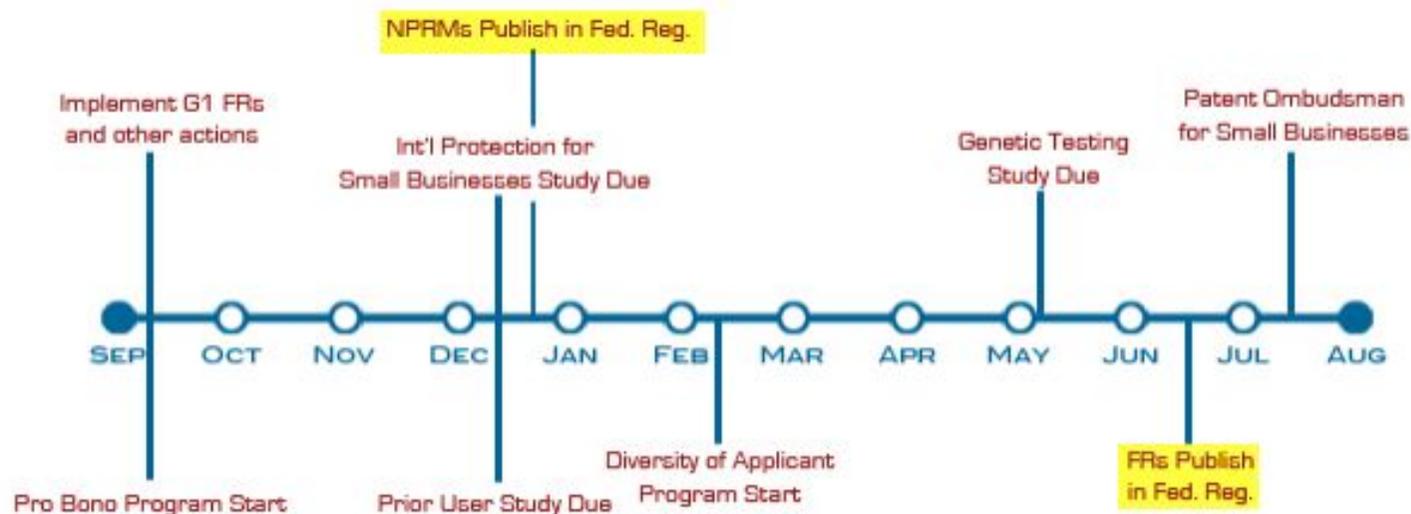
- Law replaces current interference proceedings with derivation proceedings
- Derivation proceedings pit a later-filed application against an earlier-filed application
- It no longer matters when the earlier and later applicants conceived or reduced the invention to practice
- Petition for derivation must be filed within 1 year of publication and must be supported by “substantial evidence”
- Provision applies to applications having an effective filing date 18 months after enactment



Tip: Monitor newly published applications of competitors and review procedures for documenting contact with company outsiders

Participate in Rulemaking

- Provisions under current rulemaking
- E.g., post-grant review; inter partes review; derivation proceedings; third-party pre-grant submissions



Document Inventors' Obligations to Assign

- Companies can now file a **substitute statement** if an inventor who is obligated to assign refuses to make the required oath or declaration
- Law also permits including the required statements directly in the assignment
- Law makes it more practical to rely on employee invention assignment agreements



Tip: Review current company “form” assignment agreements, IP manuals, etc. in light of new law

Preserve “Prior Use” Documents

- Under 35 U.S.C. § 273, prior commercial use is now a defense to infringement if the accused party commercially used or sold the accused product or process more than one year before filing
- Defense is no longer limited to patent claims directed at business methods
- Commercial use does not have to be public
- Defendant must prove prior use by clear and convincing evidence
- Provision is effective immediately



Tip: Take steps to preserve dated and witnessed documents establishing earliest dates of product and process commercial sales and uses



Update Standard Invention Disclosure Forms

- Update invention disclosure forms to include information relevant under the new law – particularly pre-filing publications and publications known to occur right up until filing date
- Instruct inventors to provide full and rich descriptions of their inventions to facilitate earlier and more complete provisional applications
- Ask collaborators who are not inventors to execute a statement to that effect in order to reduce the risk of later derivation claims



Litigation-ready patent attorneys?

- These new litigation-like procedures in the USPTO will drive the need for more experienced, litigation-confident patent attorneys
- Firms and in-house groups will scramble to get the “right” people to manage and work on these types of procedures

Litigation-Related Issues



Litigation Related Issues

Mostly Good News, A Little Bad News And Some Things To Watch

- ▶ **Joinder (Section 19)**
- ▶ **Marking (Section 16)**
- ▶ **Best Mode (Section 15)**
- ▶ **Prior Commercial Use (Section 5)**
- ▶ **Advice of Counsel (Section 17)**
- ▶ **Inter Partes Review (Section 6)**

Joinder (Section 19)

- COMPARE
- Rule 20(a)(2) (Permissive Joinder of Defendants) (existing):
 - Allows joinder if claim is one “arising out of the same transaction, occurrence, or series of transactions or occurrences; and (B) any question of law or fact common to all defendants will arise in the action.”
- New 35 USC § 299 builds upon and additional limits the provisions of Rule 20:
 - Parties that are accused infringers may be joined in one action as defendants or counterclaim defendants, or have their actions consolidated for trial, or counterclaim defendants only if —
 - (1) ... arising out of the same transaction, occurrence, or series of transactions or occurrences relating to the making, using, importing into the United States, offering for sale, or selling of the same accused product or process;
AND
 - (2) questions of **fact** common to all defendants or counterclaim defendants will arise in the action.

Joinder (Section 19)

- New 35 USC § 299 builds upon and limits the provisions of Rule 20:
 - Parties that are accused infringers may be joined in one action as defendants or counterclaim defendants, or have their actions consolidated for trial, or counterclaim defendants only if —
 - (1) ... arising out of the same transaction, occurrence, or series of transactions or occurrences relating to the making, using, importing into the United States, offering for sale, or selling of the same accused product or process;
AND
 - (2) questions of **fact** common to all defendants or counterclaim defendants will arise in the action.
 - **[A]ccused infringers may not be joined in one action as defendants or counterclaim defendants, or have their actions consolidated for trial, based solely on allegations that they each have infringed the patent or patents in suit**
 - **Accused Infringers may waive these provisions**
 - **Effective with respect to any case filed after Sept. 16, 2011**



Joinder (Section 19)

Bottom Line:

- This is one of the most significant changes made by the America Invents Act.
- With this statute (effective as of Sept. 16, 2011), trolls will have a very tough time bundling defendants together to prevent them from putting on full and individualized defenses.
- Note: Trolls have been filing multiple separate actions in the same court, and may be expecting them to be consolidated for many important pretrial activities.



Marking (Section 16)

False marking actions

(1) prohibit anyone other than the United States from suing for the traditional penalty, i.e., “not more than \$500 for every such offense,” and

(2) only a person who has suffered a competitive injury to file a civil action for recovery of damages adequate to compensate for the injury.

Exempts marking with a patent that in the past covered the marked product, but the patent has expired.

APPLIES TO PENDING CASES!

- **Allows notice to be achieved by marking with reference to a freely-accessible internet address where a patented article is associated with its patent number (“Virtual Marking”).**



Marking (Section 16)

Bottom Line:

- When it comes to marking, you can relax, and go back to what you were doing before flurry of false marking cases spawned by *Forest Group, Inc. v. Bon Tool Co.*
- Consider whether to implement “virtual marking” by creating and updating a general marking site or specific ones on a product-by-product basis.

Advice of Counsel (Section 17)

- 35 USC § 298. Advice of counsel
 - The failure of an infringer to obtain the advice of counsel with respect to any allegedly infringed patent, or the failure of the infringer to present such advice to the court or jury, may not be used to prove that the accused infringer willfully infringed the patent or that the infringer intended to induce infringement of the patent.
- A History of Progress in this area:
 - Prior to 2004 – failure to produce an exculpatory opinion resulted in a jury instruction allowing/suggesting that they draw an adverse inference, i.e., that either no opinion was sought, or the opinion obtained was adverse. This was coupled with an instruction that failure to obtain an opinion is a factor to consider in determining willfulness.
 - 2004 - *Knorr-Bremse* case eliminated the adverse inference
 - 2007 - *Seagate* case revised the standard for willfulness (reckless disregard)
 - 2011 - § 298 makes it even harder to prove willfulness, and bars access to this issue via a claim of inducement.



Advice of Counsel (Section 17)

- **Bottom Line:**

- Obtaining an opinion of counsel of non-infringement and/or invalidity continues to be prudent, and may be critical in cases where there are other facts that make for a strong argument of willfulness. However, the circumstances when such an opinion will need to be produced (and the related privilege waived) are becoming more rare.



Best Mode (Section 15)

- Prohibits using a failure to disclose the best mode as a basis on which any claim of a patent may be:
 - canceled or
 - held invalid **or** otherwise unenforceable
 - Note: Does not affect pending cases, but does affect any new case

Bottom Line:

- Failure by a patent holder to comply with best mode requirement is no longer a weapon in the hands of an accused infringer.



Prior Commercial Use (Section 5)

- New name: Defense to Infringement Based on Prior Commercial Use
- Essentially the same as former Section 273 – Defense to Infringement Based on Earlier Inventor
- Broadened definition of what subject matter qualifies:
 - Formerly: “method of doing or conducting business”
 - New: “a process...or a machine, manufacture or composition of matter used in a manufacturing or other commercial process”
 - No longer limited to processes “in the United States”
- **Bottom Line:**
 - Still a limited and personal defense, but slightly expanded to include some additional subject matter.



Inter Partes Review (Section 6)

- ▶ Revised Version of Inter Partes Reexamination

TO KEEP THINGS IN PERSPECTIVE:

- 1. Since 2000, a total of only 1286 Inter Partes Reexamination Requests have been filed.**
- 2. Since 2000, each year there were over 2500 patent lawsuits filed.**

NOTE: If the USPTO can do a good job of processing requests for Inter Partes Review, and can do so within one year (as required), the Patent Trial and Appeal Board (PTAB) could become the venue of choice for disputes over patent validity. The lack of expertise of judges, and generally long time to obtain a result in US District Courts could be a much less attractive path, as compared to a 1-year time frame and expert training of Patent Office Administrative Judges.



Inter Partes Review (Section 6 cont.)

-Immediate Change:

- Raises the standard for obtaining a review from “substantial new question of patentability” to “likely to prevail with respect to at least one of the claims challenged”

-Changes to Come:

- USPTO has one year to issue rules on:
 - Making final determinations on IPRs within ONE YEAR! (extendible to 18 months for “good cause”)
 - Bypass Examiners – IPRs go straight to Patent Trial and Appeal Board (PTAB)
 - Procedures for supplementation after petition is filed
 - Depositions and discovery “otherwise necessary”
 - Right to oral hearing

Inter Partes Review (Section 6 cont.)

- **DECLARATORY JUDGMENT ACTIONS (DJ) AND STAYS**
- **Accused Infringer's Point of View** (e.g., you are concerned about a troll suing you) If you file a DJ before seeking an IPR, you will be barred from seeking an IPR.

If you file an IPR and a DJ at the same time, the DJ will be automatically stayed.

However, the PH can render that stay no longer automatic by:

- filing a motion to lift the stay
- filing a counterclaim or a new lawsuit

NOTES:

- A. The Downside for PH: It may be forced to “dual track”, i.e., litigate both in Court and in the USPTO.
- B. Courts can refuse to lift the stay even though no longer automatic, especially after the USPTO makes rules to compel completion of IPR's in one year.



Inter Partes Review (Section 6 cont.)

- DECLARATORY JUDGMENT ACTIONS (DJ) AND STAYS (cont.)

If you get sued, you can file a counterclaim for invalidity, and

- you can immediately file a petition for IPR and request a stay. The prohibition on IPRs and automatic stay provisions only apply to DJ actions, not counterclaims.

OR

- you can wait, **BUT ONLY FOR ONE YEAR**, to file a petition for IPR, but the longer you wait the more risk that a motion for stay will not be granted.



Inter Partes Review (Section 6 cont.)

- DECLARATORY JUDGMENT ACTIONS (DJ) AND STAYS (cont.)
- **Patent Holder's Point of View:**
 - If IPR becomes an effective tool, the USPTO could become a more common venue for adjudication of patent validity. Most judges will be inclined to defer to the USPTO (and grant stays), especially since IPRs will have to be completed in one year. Court will likely keep a stay in place if an IPR is timely filed, even if the patent holder takes steps undo the “automatic stay” (i.e., they file a motion to lift, file a counterclaim or file a separate new case). 35 USC § 315



Inter Partes Review (Section 6 cont.)

– Other Important Features

- CAN BE STOPPED BY SETTLEMENT – An IPR “shall be terminated” upon joint request, unless the Office has decided the merits. Also, if settled, no estoppel applies. (Effective Sept. 16, 2012.)
- Expands IPRs to all patents, i.e., including ones filed prior to Nov. 29, 1999, which have been “too old” to be eligible for Inter Partes Reexaminations. (Effective Sept. 16, 2012.)
- Either party, if dissatisfied, may appeal to Federal Circuit.
- Estoppel standard similar to Inter Partes Reexam, except that estoppel applies to any grounds that petitioner raised or “reasonably” could have raised (as opposed to just “could have raised” – the prior standard)
- Changes do not effect pending inter partes reexams.



Inter Partes Review (Section 6 cont.)

– Summary

- New higher standard, must be “likely to prevail” (immediate effect)
- As of Sept. 16, 2012:
 - Must be Completed within 1 year
 - Bypasses Examiner and goes straight to PTAB
 - Can be settled
 - Discourages simultaneous IPR and Court action with automatic stay provision
 - Opens IPR to “older” patents filed prior to Nov. 29, 1999
 - Does not impact Ex Parte Reexam (except indirectly)

Preserving Your Company's Patent Rights Under the AIA



America Invents Act: Expanding Assignee Prosecution Opportunities

Sec. 4: Allows a person to whom an inventor has assigned (or is under obligation to assign) an invention to make an application for patent.

- Inventors can assign / transfer their patent rights to a third party, such as their employer
- Old: Assignees move the application through the Patent Office with certain authorizations (oath or declaration) from the inventor, i.e., inventors under obligations to assign still needed to cooperate with assignees



America Invents Act: Expanding Assignee Prosecution Opportunities (cont.)

- New: inventor can authorize assignee ahead of time to take control of the application as it moves through the Patent Office, simplifying assignee prosecution
- Opportunity for Employers: use Proprietary Information and Assignment of Inventions Agreements (“PIIA”s) to obtain authorization from the inventor employee



When Do Opportunities Arise to Protect IP During Employment?

- (1) At hiring
- (2) During employment
- (3) At termination
- (4) During transactions



IP Issues at Hiring

- IP issues arise on **hiring**, at the outset of employment
 - First opportunity to put enforceable agreements in place
 - HR and IP teams should be coordinated
- Documentation for IP assignment
 - Employment agreements
 - Patent Assignment statutes
 - State laws
 - California: Cal. Lab. Code sec. 2870
 - Illinois Employee Patent Act
 - Similar laws in other states
 - America Invents Act



IP Issues During Employment

- Ongoing obligations (and opportunities) **during** employment
 - More opportunities to put enforceable agreements in place, with continued employment as consideration



IP Issues at Termination

- Last chance to obtain IP on **termination** of employment
- Pre-termination diligence
- Documentation
 - Retroactive assignment of IP (usually with additional compensation)
 - Included in settlement agreement



IP Issues During Transactions

- “Gotchas”
 - Effective assignment of IP
 - Compliant PIIAs
- “Fixes”
 - Retroactive assignment of IP as closing condition
 - Opportunity to get prospective assignments in place for continuing employees pre-close



Take-Aways

- (1) Review PIIAs to ensure inventor employee is authorizing employer to take control of the patent application
- (2) Ensure consistent use of PIIAs
- (3) Look for opportunities throughout the employment relationship to bolster IP assignment

Thank you.

David Roche

david.roche@bakermckenzie.com

Brian McCormack

brian.mccormack@bakermckenzie.com





ありがとうございました

— ご質問等ございましたら、下記までお気軽に

— お問い合わせください

- RYUKA国際特許事務所
- 〒163-1522
- 東京都新宿区西新宿1-6-1
- 新宿エルタワー22階
- TEL: 03-5339-6800
- FAX: 03-5339-7790
- E-Mail: cases_from_jp@ryuka.com