

Intellectual Property

Patent Law

Patent Reform

The America Invents Act from a Patent Litigator's Perspective



KAYE SCHOLER LLP

Contributed by Aaron Stiefel, Kaye Scholer LLP

Since President Obama signed the Leahy-Smith America Invents Act ("AIA") into law on September 16, 2011, the patent world has been debating the meaning and ramifications of the provisions of the AIA. As described in the legislative history, the long-awaited patent reform statute "is designed to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs."¹ To that end, the statute enacts significant changes to the patent law with respect to, inter alia, priority, what constitutes prior art, who may file a patent application, and the proceedings that may be brought in the United States Patent and Trademark Office ("USPTO").

The shift of the U.S. patent regime under the new law from a "first-to-invent" system to a "first-inventor-to-file" system has already been much discussed. However, under the statute, the first-inventor-to-file system does not take effect until March 16, 2013, 18-months after the enactment of the AIA.² As defined in [35 U.S.C. § 100\(i\)](#) as amended, the new system will apply only to

claims having "an effective filing date" after March 16, 2013.³ It will therefore take time for any patents subject to the new system to issue and become involved in litigation. Consequently, the switch to a first-inventor-to-file system is, as a practical matter, not of concern to patent litigators in the near term.

The particular challenge facing those of us who litigate patent infringement cases is sorting out how the new law directly impacts the cases we are currently handling or will be handling in the coming months. This article focuses on the provisions of the AIA that have an immediate effect on patent litigation.

The Best Mode Requirement

Pursuant to [35 U.S.C. § 282](#), as amended by AIA § 15, in all cases commenced on or after September 16, 2011, violating the best mode requirement of [§ 112](#) of the patent statute is no longer grounds for finding a patent either invalid or unenforceable for inequitable conduct. The House Judiciary Committee Report on the statute describes the best mode requirement as "part of the important tradeoff that underlies the patent laws: the grant of a limited term monopoly in exchange for disclosure of the invention."⁴ However, the House Report explains that "[m]any have argued in recent years that the best mode requirement, which is unique to American patent law, is counterproductive. They argue that challenges to patents based on best mode are inherently subjective and not relevant by the time the invention is in litigation because the best mode contemplated at the time of the invention may not be the best mode for practicing or using the invention year later."⁵ Hence, except in those cases which were already pending when the AIA became law, the best mode requirement will play no role in patent litigation. There is no longer any need for the litigants and fact finder to invest resources delving into whether, at the time of the patent application, the inventor personally preferred a particular mode of practicing the invention which was not disclosed to the USPTO.

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Seeking Advice of Counsel

Another provision of the AIA which immediately affects litigators is new 35 U.S.C. §298 which states that “[t]he 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.”⁶ The provision does not alter litigation practice to the extent that, for purposes of willfulness, the statute codifies the Federal Circuit’s 2004 *en banc* holding in *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*⁷

According to the House Report,⁸ in extending the “advice of counsel” provision to encompass not only willfulness, but also inducement of infringement, the AIA “legislatively abrogates the Federal Circuit’s decision in *Broadcom Corp. v. Qualcomm Inc.*”⁹ As the Federal Circuit stated in *Broadcom*, in order to prevail on an inducing infringement claim, the patentee must “establish ‘first that there has been direct infringement, and second that the alleged infringer knowingly induced infringement and possessed specific intent to encourage another’s infringement.’”¹⁰ The Federal Circuit in that case upheld a jury verdict finding inducement of infringement notwithstanding that the trial court instructed the jury that in considering whether the accused inducer knew or should have known that the induced acts would constitute infringement, the jury could consider whether the accused inducer obtained the advice of a competent lawyer. The Federal Circuit held that “the failure to procure [a counsel] opinion may be probative of intent in this context.”¹¹ Effective immediately, the AIA forecloses consideration of the accused infringer’s failure to obtain or disclose an opinion of counsel in deciding whether the accused inducer intended to induce infringement.

Joinder Requirements

A third provision of the AIA which impacts patent litigation immediately is the new 35 U.S.C. § 299 which provides that, with certain exceptions such as ANDA litigations, accused infringers may be joined in a patent infringement action only if (1) “any right to relief is asserted against the parties jointly, severally, or in the alternative with respect to or 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 the same accused product or process” and (2) “questions of fact common to all defendants or counterclaim defendants will arise in the action.”¹² The statute expressly provides that “accused infringers may not be joined in one action as defendants or counterclaim defendants, or have their actions consolidated at trial, based solely on allegations that they each have infringed the patent or patents in suit.”¹³ In other words, alleged infringers who make different accused products may not be joined as defendants in a single litigation merely because they are all alleged to infringe the same patent or patents.

The statute thus restricts the ability of patent holders – such as so-called “patent trolls” – to sue large numbers of defendants for infringement in a single case. As the House Report explains, the AIA “addresses problems occasioned by the joinder of defendants (sometimes numbering in the dozens) who have tenuous connections to the underlying disputes in patent infringement suits.”¹⁴ By its terms, the amendment applies to “any civil action commenced on or after the date of the enactment of this Act.”¹⁵

It remains to be seen whether the statute will diminish patent troll litigation. Having to sue multiple entities in separate cases rather than a single case is not much of an obstacle if the potential return is significant. Indeed, on November 1, 2011, in light of the new statute, Klausner Technologies sued thirty alleged infringers in thirty separate actions in the Eastern District of Texas. All of the cases were assigned to the same judge. Whether in one case or multiple cases, accused infringers can only be sued where there is personal jurisdiction. Time will tell whether a court is more likely to grant transfer motions where multiple defendants are sued on a single patent in separate cases rather than in one case.

Tax Strategies

The AIA also has an immediate, albeit narrow, application in providing that claims to “any strategy for reducing, avoiding, or deferring tax liability, whether known or unknown at the time of the invention or application for patent, shall be deemed insufficient to differentiate a claimed invention from the prior art.”¹⁶ Consequently, under the AIA, “any future tax strategy will be considered indistinguishable from all other publicly available information that is relevant to a patent’s claim of originality.”¹⁷ This provision took effect on September 16, 2011, and by its terms applies to any patent application pending on that date and any patent issued thereafter.¹⁸ The House Report reasons that “[t]ax preparers, lawyers and planners have a long history of sharing their knowledge regarding how to file returns, plan estates, and advise clients. The ability to interpret the tax law and implement such interpretations should remain in the public domain, available to all taxpayers and their advisors.”¹⁹

First Inventor Defense

Finally, the AIA expanded the so-called “first inventor defense” to patent infringement in 35 U.S.C. §273.²⁰ Previously, “prior user rights” were a defense to allegations of infringement of a business method patent where the alleged infringer used the invention before the effective filing date of the patent application but never filed a patent application himself.²¹ The AIA responds to the fact that “[m]any countries include a more expansive prior-user rights regime” and that in the U.S. the defense is “particularly important to high-tech businesses that prefer not to patent every process or method that is part of their commercial operations.”²² The AIA revises the law so that “the prior use defense may” – with certain limitations – “be asserted against any patent (not just method patents).”²³

Conclusion

The AIA is having an immediate impact on patent infringement litigation. Amidst the hype surrounding the new statute and the many changes under the law that are yet to come, patent litigators are well advised to maintain a focus on the provisions that have already changed.

Aaron Stiefel is a member of the intellectual property litigation department at Kaye Scholer LLP, E-mail: astiefel@kayescholer.com.

¹ H.R. Rep. 112-98 at 40 (2011) available at <http://www.gpo.gov/fdsys/pkg/CRPT-112hrpt98/pdf/CRPT-112hrpt98-pt1.pdf>.

² America Invents Act (AIA), Pub. L. No. 112-29, §3(n), 125 Stat. 284, 293.

³ AIA §3(n)(1)(A).

⁴ H.R. Rep. 112-98 at 52.

⁵ *Id.*

⁶ AIA §§ 17(a), 35.

⁷ 383 F.3d 1337, 1345 (Fed. Cir. 2004) ("In tandem with our holding that it is inappropriate to draw an adverse inference that undisclosed legal advice for which attorney-client privilege is claimed was unfavorable, we also hold that it is inappropriate to draw a similar adverse inference from failure to consult counsel").

⁸ H.R. Rep. 112-98 at 53.

⁹ *Broadcom Corp. v. Qualcomm Inc.*, 543 F.3d 683, 699 (Fed. Cir. 2008).

¹⁰ *Broadcom*, 543 F.3d at 697 (quoting *ACCO Brands, Inc. v. ABA Locks Mfr. Co.*, 501 F.3d 1307, 1312 (Fed. Cir.2007)).

¹¹ *Id.* at 699.

¹² 35 U.S.C. § 299(a); AIA §19.

¹³ *Id.* §299(b).

¹⁴ H.R. Rep. 112-98 at 54.

¹⁵ AIA §19(e).

¹⁶ *Id.* §14.

¹⁷ H.R. Rep. 112-98 at 51.

¹⁸ AIA § 14(e).

¹⁹ H.R. Rep. 112-98 at 51.

²⁰ AIA § 5.

²¹ H.R. Rep. 112-98 at 44.

²² *Id.*

²³ *Id.*