The Leahy-Smith America Invents Act

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Agenda

- Best mode requirement (Section 15)
- Jurisdiction and removal (Section 19)
- Deceptive intent (Section 20)
Best mode requirement (Section 15)

- **Rule:** Best mode must be divulged in patent application
  - But failure to disclose best mode is no longer a basis for cancellation, invalidity, or unenforceability; and
  - Priority rights under Sections 119 and 120 are no longer contingent on compliance with the best mode requirement.

- No, it’s not a mistake!
  - Congress knowingly bifurcated the best mode disclosure requirement (part of the *quid pro quo*) from the question of invalidity to balance disclosure vs. litigation burden

- **Effective date:** Immediately upon enactment for proceedings commenced on or after the effective date
**, Former statutory language:**

“The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:

(3) Invalidity of the patent or any claim in suit for failure to comply with any requirement of sections 112 or 251 of this title.”

**, New statutory language:**

“The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:

(3) Invalidity of the patent or any claim in suit for failure to comply with—

(A) any requirement of section 112, **except that the failure to disclose the best mode shall not be a basis on which any claim of a patent may be canceled or held invalid or otherwise unenforceable;** or

(B) any requirement of section 251.”
In *A Patent System for the 21st Century*, the National Academies offered seven recommendations for improving the patent system, one of which was eliminating subjective elements of litigation:

“Among the factors that increase the cost and decrease the predictability of patent infringement litigation are issues unique to U.S. patent jurisprudence that depend on the assessment of a party’s state of mind at the time of the alleged infringement or the time of patent application. . . . The committee believes that significantly modifying or eliminating these rules would increase the predictability of patent dispute outcomes.”

According to Chrystal Sheppard, former Chief Counsel on Patents and Trademarks for the House Judiciary Committee, this recommendation carried great weight with Congress.
Best mode requirement

- Old litigation test for violation of best mode requirement:
  - First, the court must determine whether the inventor possessed a best mode of practicing the claimed invention at the time of filing the patent application. This first step is subjective and focuses on the inventor's preference for a best mode of practicing the invention at the time of the application's filing date.
  - The second step is an objective inquiry to determine whether the inventor concealed from the public the best mode of practicing the invention.


- Few patents were invalidated because inventors often claimed that they had not contemplated a best mode before filing a patent application.
The best mode requirement is “part of the quid pro quo of the patent grant, prohibiting inventors from receiving the benefit of the right to exclude while at the same time concealing from the public preferred embodiments of their inventions.” *Ajinomoto Co., Inc. v. Int’l Trade Com’n*, 597 F.3d 1267, 1272 (Fed. Cir. 2010).

If there is no penalty for non-compliance, why enable competitors to practice your best mode?

*Chemcast Corp. v. Arco Indus.*, 913 F.2d 923 (Fed. Cir. 1990) (affirming invalidation for failure to comply with best mode and holding that trade secrets regarding Reynosol R-4467 ingredient in dual-hardness grommets should have been divulged in patent application).

Why not keep best mode a trade secret?

Congress’s weak response: Section 257(e) – fraud on the USPTO shall be referred to Attorney General for possible prosecution under 18 U.S.C. § 1001 (not a new law)
What’s new?


The Act clarifies state court jurisdiction over claims relating to patents, plant variety protection, or copyrights

The Act codifies the law regarding removal of patent, plant variety, and copyright cases from state courts

**Effective date:** Immediately for any civil action commenced on or after enactment
The Supreme Court held in 2002 that the Federal Circuit did not have exclusive jurisdiction over patent law counterclaims if the complaint did not plead a patent law cause of action.


Holmes sued Vornado for a declaratory judgment that its products did not infringe Vornado’s trade dress.

Vornado filed a compulsory counterclaim alleging patent infringement.

Holding: The Federal Circuit’s exclusive jurisdiction is limited to appeals of cases in which the plaintiff’s complaint is based in whole in or part on 28 U.S.C. § 1338.

The Supreme Court vacated the Federal Circuit’s decision and remanded to the Tenth Circuit.
Jurisdictional matters – Federal Circuit

- **Former statutory language of 28 U.S.C. § 1295(a)(1):** “The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction - (1) of an appeal from a final decision of a district court of the United States, the United States District Court for the District of the Canal Zone, the District Court of Guam, the District Court of the Virgin Islands, or the District Court for the Northern Mariana Islands, if the jurisdiction of that court was based, in whole or in part, on section 1338 of this title, except that a case involving a claim arising under any Act of Congress relating to copyrights, exclusive rights in mask works, or trademarks and no other claims under section 1338 (a) shall be governed by sections 1291, 1292, and 1294 of this title;”
Jurisdictional matters – Federal Circuit

- **New statutory language:** The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction - “(1) of an appeal from a final decision of a district court of the United States, the District Court of Guam, the District Court of the Virgin Islands, or the District Court of the Northern Mariana Islands, in any civil action arising under, or in any civil action in which a party has asserted a compulsory counterclaim arising under, any Act of Congress relating to patents or plant variety protection”
Jurisdictional matters – state courts

- Former statutory language of 28 U.S.C. § 1338(a):
  “The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety and copyright cases.”

- New statutory language:
  “The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks. No State court shall have jurisdiction over any claim for relief arising under any Act of Congress relating to patents, plant variety protection, or copyrights. For purposes of this subsection, the term ‘State’ includes any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the United States Virgin Islands, American Samoa, Guam, and the Northern Mariana Islands.”
A new section (§ 1454) of Title 28 U.S. Code addresses removal of cases involving patents, plant variety protection, and copyrights.

Any civil action relating to patents, plant variety protection, or copyrights may be removed to the district court of the United States for the district and division embracing the place where the action is pending.

- Mandatory remand of claims that are neither the basis for removal nor within the original or supplemental jurisdiction of the district court.
- Discretionary remand of claims that are within the supplemental jurisdiction of the district court.
Deceptive intent (Section 20)

**Rule:** Patent rights may be maintained or salvaged without any inquiry regarding deceptive intent:

- Correction of inventorship errors (Sections 116 and 256)
- Petition for retroactive foreign filing licenses (Section 184)
- Patent barred for filing without a foreign filing license (Section 185)
- Reissue of defective patents (Section 251)
- Disclaimer (Section 253)
- Action for infringement of a patent containing an invalid claim (Section 288)

- All seven occurrences of “without deceptive intent” removed from statute – easing correction of prosecution errors and reducing litigation burdens

**Effective:** 1 year after enactment; applies only to proceedings commenced on or after this effective date
Elimination of “deceptive intent” was (reportedly) motivated by concerns about the costs and burdens of litigating applicants’ state of mind.

- High cost
- Inherently subjective and often inconclusive
- Driver of unpredictability in patent litigation

Deceptive intent – inventorship errors

- **Former statutory language:** “Whenever through error a person is named in an application for patent as the inventor, or through error an inventor is not named in an application, and such error arose without any deceptive intention on his part. . .” 35 U.S.C. § 116

- **Former statutory language:** “Whenever through error a person is named in an issued patent as the inventor, or through error an inventor is not named in an issued patent and such error arose without deceptive intention on his part . . .” 35 U.S.C. § 256

  - Sections 116 and 256 created confusion regarding when deceptive intent was at issue. See, e.g., Stark v. Advanced Magnetics, Inc., 119 F.3d 1551, 1555 (Fed. Cir. 1997).

- The statutory text was confusing and made no sense
  - Why would an omitted inventor want to be omitted?
  - Why should the deceptive intent inquiry under § 256 be limited to nonjoinder?
Deceptive intent – foreign filing licenses

- **Filing of Application in Foreign Country (Section 184):** “The license may be granted retroactively where an application has been filed abroad through error and without deceptive intent and the application does not disclose an invention within the scope of section 181 of this title.”

- **Patent Barred for Filing Without License (Section 185):** “A United States patent issued to such person, his successors, assigns, or legal representatives shall be invalid, unless the failure to procure such license was through error and without deceptive intent, and the patent does not disclose subject matter within the scope of section 181 of this title.”
Reissue of Defective Patents (Section 251): “Whenever any patent is, through error without any deceptive intention, deemed wholly or partly inoperative or invalid, by reason of a defective specification or drawing, or by reason of the patentee claiming more or less than he had a right to claim in the patent, the Director shall, on the surrender of such patent and the payment of the fee required by law, reissue the patent for the invention disclosed in the original patent . . .”
Deceptive intent – disclaimer and infringement

- **Disclaimer (Section 253):** “Whenever, without any deceptive intention, a claim of a patent is invalid the remaining claims shall not thereby be rendered invalid.”

- **Action for Infringement of a Patent Containing an Invalid Claim (Section 288):** “Whenever, without deceptive intention, a claim of a patent is invalid, an action may be maintained for the infringement of a claim of the patent which may be valid.”
Deceptive intent – discussion

- Does the litigation burden rationale make sense?
  - Perhaps for inventorship errors
  - But it is difficult to find any benefits associated with foreign filing licenses, reissues, disclaimer, and enforcement of patents that contain invalid claims
- If there is no reduction in litigation burden associated with most of these amendments, why lower the threshold showing for salvaging or maintaining patent rights?
Orion Armon is an associate in Cooley’s Intellectual Property Litigation practice group. He joined the Firm in 2003 and is resident in the Colorado office.

Orion’s practice focuses on patent litigation, with particular emphasis on software and electronics patent litigation cases. He has recently litigated patents involving blade server technology; e-Learning; encryption of MPEG multimedia data for broadcast IPTV; malware detection software; and Cold Cathode Fluorescent Lamp (CCFL) inverter controllers.

Orion is recognized by Colorado SuperLawyers as one of Colorado's Rising Stars in IP litigation. He is also a frequent lecturer on licensing, intellectual property and patent matters.

Prior to attending law school, Orion worked for Accenture as a business consultant where he specialized in financial system implementations such as SAP and PeopleSoft, and eCommerce applications.

Orion attended The University of Texas School of Law, where he received his J.D. with Honors in 2003. He is a registered patent attorney with the United States Patent and Trademark Office.
Back to School: PUR and Human Organisms

Professor Colleen Chien

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The AIA
Law Professors and their Initial Remarks on the Leahy-Smith Patent Reforms

Impact on NPEs: Early reports say that the new law will "do nothing" to impact NPEs. They are wrong. The law will forbid the NPE tactic of naming unrelated companies in a single lawsuit, and the economies of scale it produces. Innocent early infringement done in private, under certain circumstances, won't be penalized anymore. A follow-up study on prior user rights and the impact of NPE litigation are called for. The PTO has expanded fee-setting authority, and the public, a greater right to chime in on questionable patents. As the economics of litigation change, so, necessarily, will the business models based on them. - Professor Colleen Chien, Santa Clara University School of Law
Prior User Rights – Nutshell

Defense to infringement based on use of the invention prior to the patent

- Rewards use
- Most other countries have it
- We have it, through 273
- Seen as going hand in hand with a FTF system
“Nearly all stakeholders agree that a first-to-file system must have a prior user defense. [Citing Gary Griswold, previous General Counsel of 3M, Robert Armitage of Eli Lilly]”
– Mark Chandler Cisco
“Expanding the prior user defense, I believe, is pro-manufacturer, pro-small business, and, on balance, good policy. I am also aware of the university community’s concerns”

- David Kappos
“[An expanded PUR] would substantially reduce patent certainty, and any reduction in patent certainty could seriously impair the process by which universities transfer their discoveries”

- John Vaughn, American Association of Universities
Prior User Rights Defense – Features

**Prior User Right Defense (the "new 273")**
- Extends the prior user right defense previously applicable to business methods to other inventions
- Personal/specific to the user or user's company, but transferable with the business
- Carve-out for University Inventions
- Effective for patents issued after the AIA's passage
Limited Shelter?

Available with respect to “...subject matter consisting of a process, or consisting of a machine, manufacture, or composition of matter used in a manufacturing or other commercial process”

- Um... does it cover products?
PUR Defense – Limitations

Heavy Burden of Proof

Requires "commercial use...at least 1 year before... the effective filing date of the claimed invention"

- What does "commercial" "use" mean?
- Does use need to be continuous during relevant period?
- Only applies to new patents, NPEs tend to assert old patents
“Sites”-specific?

Personal and transferable but protection only for “sites where the subject matter that would otherwise infringe…is in use”

- Doesn’t seem to allow for expansion of use beyond what the transferor was doing.
Limited use against NPEs?

Requires "commercial use...at least 1 year before... the effective filing date of the claimed invention"

- Only applies to new patents, NPEs tend to assert old patents (Love 2011)
European Experience: (Van Eecke et al, 2009) - report, based on surveys and workshop, “limited practical impact” - Almost never asserted in litigation

US Experience: - business method version of 273 – use has been limited – no published decision where anyone relied on it.

WHY NOT?
PUR Defense – Impact May be Elsewhere

Defensive: Freedom to operate? (Defense 2.0)
- Even with FTF, less pressure to rush to patent, knowing that documented use also provides protection/freedom to operate.

Offensive: Decrease value of patents?
- Less certainty in enforcement
- Drives R&D to universities who’s patents are immune?
Prior User Rights—What’s Your Opinion?

PTO Study mandated by AIA, slated to be completed in January:
- USPTO Hearing 10/25, Comments due 11/8

-How will PUR defense affect you? If you have an opinion, and would like to participate in conference, please contact me.

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Human Organism Provisions

What the law says:
“no patent may issue on a claim directed to or encompassing a human organism"

What it means, based on the legislative history
Introduced by Weldon, based on pro-life policy concerns
Meant to shore up existing practice, not change it
"No bearing" on stem cell research, stem cell research or gene patents
America Invents Act: Sec. 17. Advice of Counsel; Sec. 14. Tax Strategies; and other comments

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October 21, 2011
HIGHLIGHTS

- § 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.”
HIGHLIGHTS

- Codifies the holding of *In re Seagate Technology, LLC*, 497 F. 3d 1360 (Fed. Cir. 2007), which held that the failure to obtain advice of counsel may not be used to prove willful infringement.

- Designed to protect the attorney-client privilege and to reduce pressure on accused infringers to obtain opinions of counsel for litigation purposes.

- Alleviates the “Hobson’s Choice” that defendants faced before *In re Seagate* when a defendant had to choose between (1) relying on an opinion of counsel and thereby risking subject matter waiver that potentially extended even to opinions of trial counsel; and (2) not relying on an opinion and risking an adverse inference of willfulness.
SECTION 17 – Advice of Counsel

- HIGHLIGHTS
  - “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 infringer intended to induce infringement of the patent.”
  - This last passage expressly addressing inducement will likely overturn the Federal Circuit’s decision in *Broadcom Corp. v. Qualcomm, Inc.*, 543 F.3d 683 (Fed. Cir. 2008).

- EFFECTIVE DATE
  - September 16, 2012 (applies to patents issued on or thereafter).
SECTION 17 – Advice of Counsel

- IMPLICATIONS
  - No immediate, substantive change in the law of willfulness, but provides clarification that courts should exclude evidence of failure to obtain and/or rely on an opinion of counsel as evidence of willfulness.
  - Helpful to defendants by eliminating the need for unnecessary discovery and motions in limine related to the lack of opinion of counsel or reliance on opinion of counsel.
  - Prevents rogue plaintiffs’ attorneys from raising the lack of opinion of counsel argument as evidence of bad faith, especially before a jury.
COMMENTS

- McDermott Will & Emery represented Seagate in the appeal that resulted in the Federal Circuit overturning 24 years of precedent by abolishing the “duty of due care” standard and expressly holding that an accused infringer has no duty to commission an opinion of counsel.

  - *In re Seagate Technology, LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (*en banc*).
  
  - “[W]e overrule the standard set out in *Underwater Devices* and hold that proof of willful infringement permitting enhanced damages requires at least a showing of objective recklessness. Because we abandon the affirmative duty of due care, we also reemphasize that there is no affirmative obligation to obtain opinion of counsel.”

  - The CAFC also ruled that, if the defendant did choose to rely on an opinion, any subject matter waiver would not extend to trial counsel.
QUESTIONS FOR DISCUSSION

Will courts interpret 35 U.S.C. § 298 to exclude evidence that the accused infringer failed to obtain, or rely upon, an opinion of counsel from the determination of the amount by which to enhanced damages once willfulness is established?

- See e.g., Spectralytics, Inc. v. Cordis Corp., 649 F.3d 1336 (Fed. Cir. 2011) (“However, the [Seagate] court did not hold that after willful infringement is established, it is improper to consider whether the infringer exercised adequate investigation of any adverse patents.”) (justifying the use of lack of opinion letter evidence in determining how much to enhance damages).

- Tension: Long-standing precedent suggesting that courts should consider the “totality of the circumstances” in a willfulness context.

- Will there be a separate bench trial on such evidence?
SECTION 14 – Tax Strategies Deemed Within The Prior Art

- HIGHLIGHTS
  - “Any strategy for reducing, avoiding, or deferring tax liability, whether known or unknown at the time of the invention, shall be deemed insufficient to differentiate a claimed invention from the prior art.”
  - Exclusions: does not apply to patents covering methods or systems “used solely for preparing a tax or information return or other tax filing” and does not apply to patents covering methods or systems “used solely for financial management.”

- EFFECTIVE DATE
  - September 16, 2011 (applies to existing patents).
IMPLICATIONS

For purposes of evaluating an invention under § 102 or § 103, any tax strategy for reducing, avoiding, or deferring liability is deemed insufficient to differentiate a claim from the prior art.

This is true whether the tax strategy was known or unknown at the time of the invention or at the time of the application for patent.

Software related innovations, however, that relate to the preparation of tax filings are likely still patentable through the exception provided for in the statutory amendment.
SECTION 14 – Tax Strategies Deemed Within The Prior Art

• QUESTIONS FOR DISCUSSION
  – How broadly will the provision regarding tax strategies be interpreted?
    • i.e., are business methods or technical inventions that merely include a tax strategy unpatentable? Or, is only the tax strategy alone exempted from patentability?
  – Since the provision applies retroactively to existing patents, to what extent will existing patents and claims be rendered invalid?
HIGHLIGHTS

- Effectively expands the scope of prior art.
  - §102(a)-(b) – amends 35 U.S.C. §102 to redefine prior art as anything patented, described in a printed publication, in public use, on sale, or “otherwise available to the public,” before the effective filing date of the claimed invention.
  - (See Handout.)
- Eliminates:
  - §102(c) – abandonment;
  - §102(f) – derivation; and
  - §102(g) – swearing behind a reference.
- A key exception is disclosure by the inventor “1 year or less” before the effective filing date.
HIGHLIGHTS

- Amends 35 U.S.C. §102 to redefine prior art as anything patented, described in a printed publication, in public use, on sale, or “otherwise available to the public,” before the effective filing date of the claimed invention.

- “effective filing date” – defined as the actual filing date of the patent or application; or the earliest application to which the patent has a right of priority.
SECTION 3 – First Inventor To File

- **EFFECTIVE DATE**
  - March 16, 2013 (18 months after the date of enactment; applies to patent applications with an effective filing date on or after March 16, 2013).

- **COMMENTS**
  - Effectively does away with interference proceedings.
NEW DERIVATION PROCEEDING

- Not the same as the current § 102(f).

- Still permits a patentee to file a **civil action** against another who derived her invention from the patentee, but obtained an earlier effective filing date (deadline – patentee has 1 year from date of issuance of earlier patent to file the action), or petition to initiate a derivation proceeding with the PTO (deadline – 1 year from publication of patentee’s claim).

- Important to note that the patentee only has 1 year to file a civil action.
NEW DERIVATION PROCEEDING

- Potential concern with respect to monitoring patents and future allegations of willful infringement in litigation.
SECTION 5 – Defense to Infringement Based on Prior Commercial Use

- **HIGHLIGHTS**
  - Applies to a process, machine, manufacture, or composition of matter.
  - The defense is only available to the prior user.
  - The prior user bears the burden of showing a prior use of the claimed invention by the earlier of more than 1 year before either (i) the effective filing date, or (ii) a disclosure under Section 102(b).
  - The standard remains by clear and convincing evidence.
  - Such prior uses would be a valid defense even if kept confidential.
HIGHLIGHTS

- The defense is personal to the prior user and non-transferable except for transfers of an entire enterprise or line of business, and then only for prior uses at the same site.

- This defense is not a license to use the claimed invention.

- This defense cannot be used to invalidate any patent claims.

- Exhaustion: If successfully established, the defense exhausts the patentee’s rights as to any “sale or other disposition of a useful end result” – in effect, protects downstream users.
SECTION 5 – Defense to Infringement
Based on Prior Commercial Use

- **HIGHLIGHTS**
  - **Exception:** The defense is unavailable to prior users when at the time the invention was made it was owned by, or under obligation of assignment to, a university or a “technology transfer organization.”
    - Note: Some NPEs have significant ties to numerous universities and collaborate with them in generating patents.
  - “Danger, Will Robinson!” If the Court concludes that you did not have a reasonable basis for asserting the defense, you may have to pay the opposing party’s attorneys’ fees.

- **EFFECTIVE DATE**
  - September 16, 2011 (applies to any patent issued on or after this date).
THANKS

- Thanks to Vanessa Lefort and Michael Sardina for their assistance with this presentation.
Vera Elson is a trial lawyer and partner in the law firm of McDermott Will & Emery LLP and is based in the Silicon Valley office. She focuses her practice on intellectual property trial and counseling for the Firm’s technology clients. Vera has tried numerous intellectual property cases to verdict in federal circuit, district and state courts, and has extensive experience representing clients before the International Trade Commission (ITC). She is a patent attorney registered to practice before the U.S. Patent and Trademark Office, as well as a member of the ITC Trial Lawyers Association.

Vera has been recognized by Chambers USA 2005, 2006, 2007, 2008, 2009, 2010 and 2011 as a leading lawyer in Intellectual Property in California based on client interviews and peer reviews. She was also ranked in the 2011 edition of The Legal 500 United States as a leading intellectual property lawyer. Vera was named among the Silicon Valley/San Jose Business Journal’s 2008 “Women of Influence” in Silicon Valley. She has also been recognized as one of the Daily Journal's 2008 and 2009 Top 50 Intellectual Property Litigators and the Daily Journal's 2008 and 2009 Top Women Litigators in California. Vera has been named by Northern California Super Lawyers magazine as one of the top attorneys in Northern California from 2004 through 2008. Vera served on the faculty of the 2007 Sedona Conference on Patent Litigation. She is a regular faculty member at PLI's Litigation Section meeting in San Francisco.

Vera interned at the Court of Appeals for the Federal Circuit in Washington, D.C. for the late Chief Judge Helen Wilson Nies, and is currently a member of the Federal Circuit Bar Association. Vera holds an M.S.E.E. from U.C.L.A. and worked as a high-speed digital circuit designer for Hughes Aircraft’s Advanced Circuit Technology Laboratory before receiving her law degree from the University of Southern California.


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THE 2011 PATENT REFORM ACT
SECTION 19, JOINDER, AND
SECTION 16, MARKING

SPEAKER
CHRISTINA M. VON DER AHE
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Civil Procedure Rule 20(a)

“Persons may be joined in one action as defendants if:

A. Any right to relief is asserted against them jointly, severally, or in the alternative with respect to or arising out of the same transaction, occurrence, or series of transactions or occurrences; and

B. Questions of fact common to all defendants or counterclaim defendants will arise in the action.”
NEW SECTION 299 - JOINDER

MyMail v. America Online

- Defendants “urge the court to adopt the rule that infringement by different defendants does not satisfy Rule 20’s same transaction requirement.”

- “[T]he Court finds that this interpretation of Rule 20 is a hypertechnical one that perhaps fails to recognize the realities of complex, and particularly patent, litigation.”

Figure 3: 1999 Patent Litigation in ED Tex
(Excluding False Marking Cases)

SECTION 299(A)

“JOINDER OF ACCUSED INFRINGERS—[P]arties that are accused infringers may be joined in one action as defendants or counterclaim defendants 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 of the same accused product or process; and

2) Questions of fact common to all defendants or counterclaim defendants will arise in the action.”
SECTION 299(B)

“ALLEGATIONS INSUFFICIENT FOR JOINDER—For purposes of this subsection, accused infringers may not be joined in one action or trial as defendants or counterclaim defendants based solely on allegations that they each have infringed the patent or patents in suit.”


Now, as to all actions commenced on or after enactment.
COMMENTS

- Is the “same accused product or process” any different from “same transaction”?
- Implications for Multi-District Litigation?
- Venue transfer much easier.
- Effects on Non-Practicing Entities (NPEs)
  - Small companies less likely to be targets because not worth pursuing
  - Well-resourced NPEs likely to pursue precedent against a key defendant, followed by a series of suits against other players in the industry
- Could see greater number of law suits filed in Delaware
- Could see greater number of patents on industry standards
All-Time Filing High September 15

Count of Patent Cases Filed

Section 287 amended to permit “virtual marking”

- A patent holder may mark an item with a website address, if the website contains a list of patents covering the article.
Section 292 amended to:

- Limit recovery of the $500 penalty to suits brought by the United States;
- Limit recovery to persons who have “suffered competitive injury” to damages; and
- Make clear that a product marked with an expired patent number is not a violation.
Effective?

- Now, to all cases pending on, or commenced on or after, the date of enactment.
**COMMENTS**

- Eliminates Qui Tam Suits
- Greatly reduces the field of potential false marking liability.