

WSGR ALERT

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LEAHY-SMITH AMERICA INVENTS ACT: POTENTIAL EFFECTS
ON PATENT LITIGATION

The Leahy-Smith America Invents Act (AIA), which was signed into law on September 16, 2011, presents the greatest change in U.S. patent law since the 1952 Patent Act. While the AIA is perhaps best known for abolishing the first-to-invent system in favor of a first-to-file system, it also contains a number of other significant changes. This alert does not attempt to summarize all of the changes affected by the AIA, but focuses on one particular area—how the AIA may affect patent litigation.

Joinder of Parties

The AIA may significantly increase the cost of patent litigation filed by non-practicing entities (NPEs) by changing the rules of joinder. Under the new law, 35 U.S.C. § 299, accused infringers can only be joined in a single action if the allegations of infringement “aris[e] 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**.” In other words, the accused infringers must be tied together by “the same accused product or process.” Furthermore, “accused 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.” Thus, the new joinder standard should end the practice of NPEs suing large groups of companies in a single case based on commonality of allegedly infringed patents and general similarities between products.

Instead, NPEs will need to sue each accused infringer in a separate case, perhaps in different forums.

There are two general exceptions to this new joinder statute. First, Hatch-Waxman cases are excluded by an exception for cases that allege an act of infringement under 35 U.S.C. § 271(e)(2). Second, an accused infringer can waive the limitations on joinder, but only with respect to itself. This waiver may be useful when a group of companies sees some benefit to defending a case together, such as when a single party indemnifies all accused infringers. Also, accused infringers may use this waiver prerogative as negotiating leverage to obtain a more favorable forum.

Section 299 applies to “any civil action commenced on or after the date of enactment of [the AIA].” Thus, the new joinder law will not afford any relief to accused infringers in existing litigation. This is almost certainly why NPEs have been filing a large number of cases in recent days.

Post-Grant Review

The AIA makes some significant changes to post-grant review of patents at the U.S. Patent and Trademark Office (USPTO). Generally, these changes both create a new post-grant review procedure that is more expansive than any existing reexamination procedure and alter the existing *inter partes* reexamination practice.

The new post-grant review process is initiated by a petition with the USPTO that must be filed within nine months after the

date of patent grant or issuance of a reissue patent. The petition does not need to satisfy the familiar “substantial new question of patentability requirement,” but rather must show that it is “more likely than not that at least 1 of the claims challenged in the petition is unpatentable.” The basis of invalidity can be raised on any grounds under paragraphs (2) or (3) of 35 U.S.C. § 282, including lack of written description or enablement. This is far more expansive than current reexamination procedure.

The patent owner can respond to the petition before the USPTO makes a decision on the petition, and the patent owner also can cancel claims and propose substitute claims during the review. The petitioner has the right to respond at least once during the review process, and both the petitioner and patent owner have a right of appeal.

The post-grant review must be completed within one year after the USPTO grants the review, or 18 months if good cause is shown for the extension. This post-grant review process includes an estoppel provision preventing the petitioner from asserting in a civil action or International Trade Commission investigation under Section 337 “any ground that the petitioner raised or reasonably could have raised during that post-grant review.”

A post-grant review cannot be initiated by a petitioner if the petitioner already has filed a civil action challenging the validity of the patent at issue, but this does not apply to an invalidity counterclaim. A civil action filed by the petitioner on or after the date of filing a petition for post-grant review will

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automatically be stayed until either the patent owner moves to lift the stay or the patent owner files a civil action or counterclaim alleging infringement.

The AIA replaces the existing *inter partes* reexamination system with a new *inter partes* reexamination system that can only be used after the time period for filing a petition for the new post-grant review process described above or, if a post-grant review is instituted, after its conclusion. Initiation of an *inter partes* review under the new scheme is based on a "reasonable likelihood" of claim cancellation standard as opposed to the "substantial new question of patentability" standard. Moreover, *inter partes* reexamination is limited to invalidity based on patents and printed publications, unlike the new post-grant review procedure.

Existing *ex parte* reexamination procedures remain unchanged.

Best Mode

The AIA abolishes the best mode requirement as a defense to patent infringement, but it retains the best mode requirement in Section 112. Specifically, the AIA amends Section 282(3) to eliminate the best mode requirement as "a basis on which any claim of a patent may be canceled or held invalid or otherwise unenforceable."

Likewise, Sections 119(e)(1) and 120 are amended so that best mode no longer needs to be satisfied in a continuing application in

order to claim priority to an earlier application. Section 119(a), which relates to claiming priority to a foreign application, is not amended in any way, however, leaving open the possibility that the foreign application must satisfy the best mode requirement in order for a proper priority claim to be made.

Abolition of the best mode requirement as a defense is effective on the date of enactment and applies to proceedings commenced on or after that date. The only way to preserve a best mode defense is to commence litigation before the AIA is enacted.

Prior Commercial Use Defense

Prior "commercial use" of a method is recognized as a defense against infringement under current law if certain conditions are met, and the AIA expands this defense to include any "process, or consisting of a machine, manufacture, or composition of matter used in a manufacturing or other commercial process." In order to perfect this defense, the accused infringer must have, "acting in good faith, commercially used the subject matter in the United States, either in connection with an internal commercial use or an actual arm's length sale or other arm's length commercial transfer of a useful end result of such commercial use." Moreover, the commercial use must have occurred at least one year prior to the earlier of one of the following: (i) the effective filing date of the claimed invention or (ii) the date of

publication disclosure qualifying for a prior art exception under the new Section 120(b).

For any questions, or for more information on the AIA and its effects, please contact Larry Shatzer, Jose Villarreal, Vern Norviel, Peter Munson, your regular Wilson Sonsini Goodrich & Rosati contact, or any member of the firm's intellectual property litigation practice.



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