



Alerts

The America Invents Act Affects Patent Litigation, Too!

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Intellectual Property Update

On September 16, 2011, President Obama signed into law the Leahy-Smith America Invents Act (Act). While much has been written about the Act's numerous provisions relating to the rules and processes for obtaining patents, the same cannot be said for the provisions that likely will have a profound impact on patent infringement litigation.

The Act is the largest overhaul of U.S. patent law in 60 years. Patent reform had been percolating in Congress for several years. Earlier proposed bills included many more patent infringement litigation provisions. In recent years, however, the U.S. Court of Appeals for the Federal Circuit has clarified certain areas of concern, such as damages and inequitable conduct. Consequently, the Act does not include various damages and inequitable conduct provisions included in earlier bills.

Nevertheless, the Act does include several patent infringement litigation provisions, some of which will have enormous impact. These provisions relate to joinder, advice of counsel, the best mode invalidity defense and the prior commercial use defense.

Joinder

In recent years, the amount of infringement litigation initiated by so-called "patent trolls" was perceived to have increased greatly. Such lawsuits typically involved a party with an exceedingly weak claim, who would sue numerous defendants (often in the U.S. District Court for the Eastern District of Texas) with nothing in common other than the fact that they were accused of infringing the same patent. The patent owner would then seek to settle its weak claim for far below the cost of defense.

The new joinder provision will make this approach more difficult by destroying the economies of scale for such patent owners. In particular, Section 19 of the Act adds a new Section 299 entitled "Joinder of parties" to Title 35. Under Section 299:

accused infringers may be joined in one action as defendants or counterclaim defendants, or have their actions consolidated for trial . . . 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

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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 also states expressly that "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." An accused infringer may waive the protections of Section 299.

Thus, it would appear that patent owners will now have to file many lawsuits where they used to be able to file one. This, in turn, may make it easier for accused infringers to prevail on motions to transfer venue on convenience grounds. It remains to be seen how federal judges will react to having many cases before them involving the same patent.

Advice of Counsel

Section 17 of the Act adds a new Section 298 entitled "Advice of counsel" to Title 35 stating:

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.

This provision also may make life easier for accused infringers. No longer will such parties feel the threat of treble damages for willful infringement hanging over them if they do not obtain a comprehensive (and expensive) opinion letter over every patent threat that comes their way.

Best Mode Invalidity Defense

An inventor is required to "set forth the best mode contemplated by the inventor or joint inventor of carrying out the invention." 35 U.S.C. § 112(a). Previously, failure to do so was grounds for patent invalidity in litigation. This defense was rarely successful. Section 15 of the Act amends 35 U.S.C. § 282 to state that "the failure to disclose the best mode shall not be the basis on which any claim of a patent may be canceled or held invalid or otherwise unenforceable." Revised 35 U.S.C. § 112(a) still requires best mode disclosure, which perhaps could be enforced by the U.S. Patent and Trademark Office, but cannot be used as a defense by accused infringers.

Prior Commercial Use Defense

Section 5 of the Act tweaks the prior commercial use defense provided for in 35 U.S.C. § 273 and expands it to apply generally rather than only to business method patents. While the provision includes many details and exceptions, essentially, an accused infringer can defeat an infringement claim by proving that it commercially used the subject matter in the United States either in connection with an internal commercial use or an actual arm's length sale of a useful end result of such commercial use at least one year before the effective filing date of the claimed invention. This will provide a defense when a party has been using the subject matter of a claimed invention, but not in a way that makes it prior art because the use is not publicly known.

Study of Patent Litigation

Finally, Section 34 of the Act includes a provision requiring the Comptroller General of the United States to "conduct a study of the consequences of litigation by non-practicing entities, or by patent assertion entities." In particular, the study is to look at the past 20 years of patent litigation and analyze the impact of non-practicing entity patent litigation both on the litigation process and also on the U.S. economy. The Comptroller General is to provide the results of the study within one year, along with recommendations for any changes to the laws that will minimize any negative impact of patent litigation that was the subject of the study. Thus, patent reform talk may start up again in about one year.

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