

Intellectual Property Newsletter



Congress Revises Patentability Statutes to Implement First-to-File

Dawn-Marie Bey

The America Invents Act (AIA), also known as the Leahy-Smith Act, implements fundamental changes to the patentability statutes including, most importantly, 35 U.S.C. § 102 and 35 U.S.C. § 103, and shifts from rewarding the first inventor to invent to rewarding the first inventor to file (FTF) a patent application. Importantly, the revised statutes implementing FTF are not effective until March 16, 2013 and will be applicable to patent applications and patents resulting from patent applications filed on or after this date.[1]

Amendments to 35 U.S.C. § 102(a)

Changes to 35 U.S.C. § 102 pursuant to the AIA are shown below and discussed by section. Initially, 35 U.S.C. § 102(a) is amended as follows:

35 U.S.C. 102 Conditions for patentability; novelty and loss of right to patent.

~~A person shall be entitled to a patent unless—~~

(a) Novelty; Prior Art - A person shall be entitled to a patent unless

(1) the claimed invention was known or used by others in this country, or patented or described in a printed publication, in this or a foreign country, before the invention thereof by the applicant for patent, in public use, on sale, or otherwise available to the public before the

September 2011

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effective filing date of the claimed invention; or

(2) the claimed invention was described in a patent issued under section 151, or in an application for patent published or deemed published under section 122(b), in which the patent or application, as the case may be, names another inventor and was effectively filed before the effective filing date of the claimed invention.

35 U.S.C. § 102(a) is now essentially inclusive of all novelty defeating disclosures. More particularly, 35 U.S.C. § 102(a)(1) references the entirety of the non-patent disclosures which may destroy novelty if they occur before the effective filing date of the claimed invention. The notable differences from existing statutes are the absence of territorial restrictions of any kind and the addition of the amorphous language “otherwise available to the public.” The removal of territorial or geographic restrictions is relatively straightforward. The definition of what qualifies as “otherwise available to the public” is likely to be interpreted to be loosely equivalent to the “known or used by others” language from the currently in force version of 102(a). The author takes the personal position in this article that the universe of non-patent prior art is not reduced under the AIA and does include, for example, secret sales activity and quasi-secret “public” uses in accordance with existing interpretations.

The language in 35 U.S.C. § 102(a)(2) refers to the patent-related disclosures which may destroy novelty. This includes disclosures in patents or applications for patent which name a different inventive entity and were effectively filed before the effective filing date of the claimed invention. Importantly, it is the language in 35 U.S.C. § 102(a)(2) which operates to shift the patent system from first-to-invent to first-to-file since this provision allows a first filed application to be prior

art against a second filed application without regard to who was first to actually invent.

Amendments to 35 U.S.C. § 102(b)

35 U.S.C. § 102(b) has been completely replaced to define exceptions to what would otherwise be a novelty defeating disclosure as set forth below:

(b) Exceptions-

(1) DISCLOSURES MADE 1 YEAR OR LESS BEFORE THE EFFECTIVE FILING DATE OF THE CLAIMED INVENTION- A disclosure made 1 year or less before the effective filing date of a claimed invention shall not be prior art to the claimed invention under subsection (a)(1) if--

(A) the disclosure was made by the inventor or joint inventor or by another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor; or

(B) the subject matter disclosed had, before such disclosure, been publicly disclosed by the inventor or a joint inventor or another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor.

(2) DISCLOSURES APPEARING IN APPLICATIONS AND PATENTS - A disclosure shall not be prior art to a claimed invention under subsection (a)(2) if--

(A) the subject matter disclosed was obtained directly or indirectly from the inventor or a joint inventor;

(B) the subject matter disclosed had, before such subject matter was effectively filed under subsection

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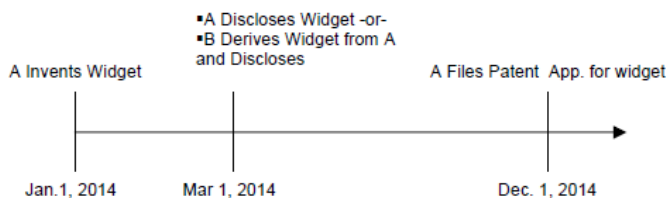
(a)(2), been publicly disclosed by the inventor or a joint inventor or another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor;

or

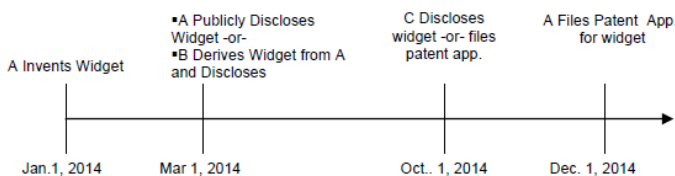
(C) the subject matter disclosed and the claimed invention, not later than the effective filing date of the claimed invention, were owned by the same person or subject to an obligation of assignment to the same person.

The exceptions fall into two categories: exceptions to non-patent related disclosures recited in 35 U.S.C. § 102(b)(1) which refers explicitly back to 35 U.S.C. § 102(a)(1) and exceptions to patent-related disclosures recited in 35 U.S.C. § 102(b)(2) which refers explicitly back to 35 U.S.C. § 102(a)(2). The following examples are illustrative of the various grace periods and situations wherein a first inventor is not be barred from patenting under 35 U.S.C. § 102(a)(1) or (2).

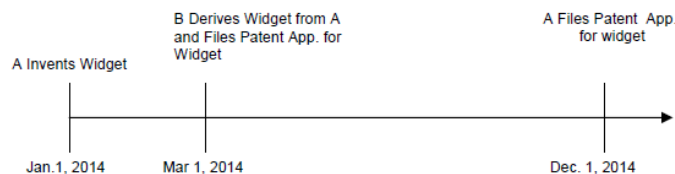
Ex. of Exception: 35 U.S.C. § 102(b)(1)(A)



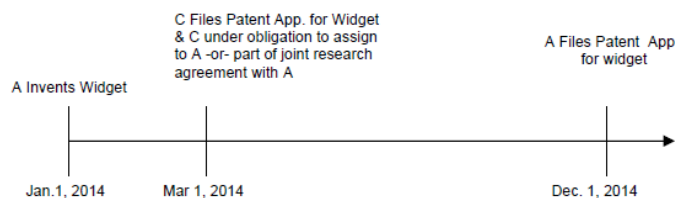
Ex. of Exception: 35 U.S.C. § 102(b)(1)(B)-or-(2)(B)



Ex. of Exception: 35 U.S.C. § 102(b)(2)(A)



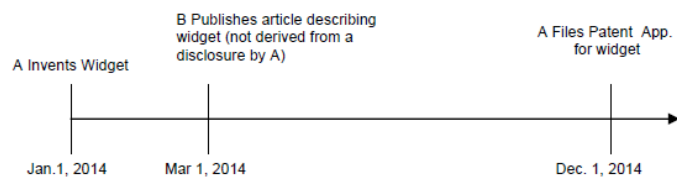
Ex. of Exception: 35 U.S.C. § 102(b)(2)(C)



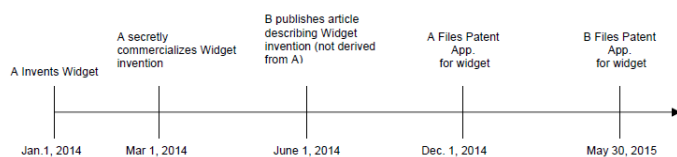
Accordingly, a public disclosure by Inventor A, e.g., publication, can preserve rights of Inventor A in the case of third party independent disclosures occurring after invention by Inventor A, but prior to filing of a patent application by Inventor A. This creates a quasi-swear behind situation. More specifically, though the amended patentability statutes no longer allow Inventor A to swear behind prior art with a showing of earlier invention, Inventor A may be able to swear behind prior art by showing earlier disclosure by Inventor A or even earlier disclosure by a third party who derived the disclosure from Inventor A. In the opinion of the author, public disclosure of the invention by the inventor prior to filing will not and should not be used as a preservation tactic unless Inventor A has no intention to file for patent protection and only wishes to bar others from doing so. Instead, the existence of a previous public disclosure will be used to overcome rejections based on intervening third party disclosures. In the author's opinion, any written disclosure by Inventor A should be filed first as a patent application, e.g., provisional, or at least filed as a patent application in parallel with a non-patent disclosure, e.g., publication. Importantly pre-filing disclosures may forfeit patent protection in foreign jurisdictions where absolute novelty is required.

The author takes a second personal position on the interpretation of what qualifies as a saving disclosure. The author submits that there is a distinction between saving disclosures by the inventor under 35 U.S.C. § 102(b)(1)(B) and 35 U.S.C. § 102(b)(2)(B) and saving disclosures by the inventor under U.S.C. § 102(b)(1)(A) and 35 U.S.C. § 102(b)(2)(A). More particularly, if a third party files for a patent application first or otherwise discloses without derivation from Inventor A, only “public disclosures” by Inventor A can be used to swear behind the earlier filing or disclosure. This arguably removes, for example, secret commercial uses by the inventor from being available as a saving disclosure as these are not public disclosures. On the contrary, an inventor’s secret commercial use will not be prior art under 35 U.S.C. § 102(b)(1)(A) and 35 U.S.C. § 102(b)(2)(A), where there is no intervening third party application filing or other underived disclosure for the same invention. The following examples are illustrative of situations wherein a first inventor is barred under 35 U.S.C. § 102(a)(1) or (2).

Ex. 1 of Unpatentability/Invalidity: 35 U.S.C. § 102(a)(1)



Ex. 2 of Unpatentability/Invalidity: 35 U.S.C. § 102(a)



In this second example, in the author’s opinion, Inventor A does not receive a patent because Inventor B’s published article is prior art. Inventor A cannot swear behind Inventor B’s published article because the secret

commercialization by Inventor A is not a public disclosure as required for the exception under 35 U.S.C. § 102(b)(1)(B). Instead, Inventor B would receive the patent since Inventor B’s public article does meet the exception criteria under 35 U.S.C. § 102(b)(2)(B).

Amendments to 35 U.S.C. § 102(c)

35 U.S.C. § 102(c) has wholly been replaced with the following:

(c) Common Ownership Under Joint Research Agreements- Subject matter disclosed and a claimed invention shall be deemed to have been owned by the same person or subject to an obligation of assignment to the same person in applying the provisions of subsection (b)(2)(C) if--

(1) the subject matter disclosed was developed and the claimed invention was made by, or on behalf of, 1 or more parties to a joint research agreement that was in effect on or before the effective filing date of the claimed invention;

(2) the claimed invention was made as a result of activities undertaken within the scope of the joint research agreement; and

(3) the application for patent for the claimed invention discloses or is amended to disclose the names of the parties to the joint research agreement.

This section defines the criteria for determining when disclosed and claimed subject matter is deemed to have been “owned by the same person or subject to obligation of assignment to the same person” for purposes of applying the exception articulated in 35 U.S.C. § 102(b)(2)(C). This section is intended to further the purposes set

forth in the Cooperative Research and Technology Enhancement Act of 2004 (Public Law 108-453; the 'CREATE Act').^[2]

Amendments to 35 U.S.C. § 102(d)

As is the case with 35 U.S.C. § 102(c), 35 U.S.C. § 102(d) has been wholly replaced with the following:

(d) Patents and Published Applications Effective as Prior Art- For purposes of determining whether a patent or application for patent is prior art to a claimed invention under subsection (a)(2), such patent or application shall be considered to have been effectively filed, with respect to any subject matter described in the patent or application--

(1) if paragraph (2) does not apply, as of the actual filing date of the patent or the application for patent; or

(2) if the patent or application for patent is entitled to claim a right of priority under section 119, 365(a), or 365(b), or to claim the benefit of an earlier filing date under section 120, 121, or 365(c), based upon 1 or more prior filed applications for patent, as of the filing date of the earliest such application that describes the subject matter.'

The new 35 U.S.C. § 102(d) bears no relation to the existing subsection. Under the AIA, 35 U.S.C. § 102(d) is intended to articulate the circumstances wherein an effective filing date may in fact be the date of an earlier filed application to which the present application or patent claims priority or benefit. As is the case with current law, an earlier effective filing date will only be available for subject matter that is described in the earlier filed application.

Finally, subsections (e), (f) and (g) of existing section 35 U.S.C. § 102 will no longer be applicable to applications filed on or after March 16, 2013.

Amendments to 35 U.S.C. § 103

As expected, 35 U.S.C. § 103 is also revised in accordance with the changes to 35 U.S.C. § 102 discussed above. As of March 16, 2013, 35 U.S.C. § 103 will consist of a single paragraph, with subsections (b) and (c) of the current version removed. One interesting note is that under the revised version of 35 U.S.C. § 103, skill in the art is measured just before effective filing date and not at the time the invention was made.

^[1] See Sec. 3(n) of H.R. 1249, 112th Congress, first session.

^[2] See Sec. 3(b)(2) of H.R. 1249, 112th Congress, first session.

New Patent Legislation Swaps Interference for Derivation Proceedings

Kyle Zeller & Dawn-Marie Bey

With the enactment of the Leahy-Smith America Invents Act (AIA), the United States will follow the rest of the world by adopting a "first-to-file" system. Under the new system, the first inventor to file a patent application will have the right to pursue a patent to an invention -- whether or not she is the first person to actually conceive of and reduce the invention to practice. To the victor go the spoils.

The AIA provides a single lifeline to a true inventor who loses the race to the USPTO. Under 35 U.S.C. § 135 ("Section 135"), interference proceedings are replaced with "derivation proceedings," where a second filer for a patent can prove that the first filer *derived* the invention from her.

The Effective Date

As an initial matter, the new derivation proceedings will only apply to patent applications having priority claims of March 16, 2013 and later. Until then, interference proceedings will continue to be available to earlier applications under the “old” version of 35 U.S.C. § 135.

The Gate Keeper

Section 135 provides sole discretion to the Director to institute a derivation proceeding, stating that “[w]henever the Director determines that a petition ... demonstrates that the standards for instituting a derivation proceeding are met, the Director *may* institute a derivation proceeding.” 35 U.S.C. § 135(a), emphasis added. Thus, before a case of derivation is brought to the Patent Trial and Appeal Board (“PTAB”), the second filer must convince the Director to initiate the derivation proceeding. [1]. Importantly, the Director’s decision is “final and non-appealable.” [2].

Section 135 provides that a second filer must file a petition, setting forth “with particularity the basis for finding that an inventor named in an earlier application derived the claimed invention from an inventor named in the petitioner’s application and, without authorization, the earlier application claiming such invention was filed.” *Id.* Accordingly, the second filer has the burden to show that the first filer (1) derived the claimed invention and (2) filed an application without authorization.

Although it seems rudimentary to prove unauthorized filing, it may be exceedingly difficult to adequately establish derivation in light of the USPTO’s lack of subpoena powers. Indeed, there may be very few instances where the second filer can prove such derivation without access to documents in the possession of the first filer. [3]. It will be interesting to see what burden of proof is required for the Director to institute a derivation

proceeding and whether second filers elect to file such cases in district courts under 35 U.S.C. § 291, rather than with the USPTO. [4].

The Timing

A second filer must bring a derivation proceeding to the USPTO within one year from “the date of first publication of a claim to an invention that is the same or substantially the same as the earlier application’s claim to the invention.” 35 U.S.C. § 135(a), emphasis added. However, even if a second filer petitions the USPTO within this time, the PTAB may defer action on the petition “until the expiration of the 3-month period beginning on the date on which the Director issues a patent that includes the claimed invention that is the subject of the petition.” 35 U.S.C. § 135(c).

If a second filer prefers to bring a derivation case in district court, 35 U.S.C. § 291 provides that such an action must be filed “before the end of the 1-year period beginning on the date of issuance of the first patent containing a claim to the allegedly derived invention.” 35 U.S.C. § 291(b), emphasis added.

The Remedy

Under Section 135(b), a final decision of the PTAB, “if adverse to the claims in an application for patent, shall constitute the final refusal by the Office on those claims” and such a decision constitutes “cancellation of those claims.” 35 U.S.C. § 135(b). In other words, the only available remedy to a true inventor who files second is the cancellation of the wrongdoer’s patent claims.

[1] The Board of Patent Appeals and Interferences is renamed the Patent Trial and Appeal Board. Under Section 135, the PTAB will decide derivation proceedings, and the Director “shall prescribe regulations setting forth standards for conduct of derivation proceedings.” 35 U.S.C. § 135(b).

[2] *Id.*

^[3] In contrast, the inventor in the current first-to-invent system typically possesses the necessary evidence to show conception, diligence, and reduction to practice.

^[4] U.S.C. § 291(a) provides, “(a) In General. -- The owner of an interfering patent may have relief by civil action against the owner of another patent that claims the same invention and has an earlier effective filing date, if the invention claimed in such other patent was derived from the inventor of the invention claimed in the patent owned by the person seeking relief under this section.”

Congress Articulates New Tool for Patent Owners to Correct Patents

Jacqueline Mahoney & Susan Fitch

The Supplemental Examination procedure provided for in the America Invents Act is a new tool for patentees to seek a review of their issued patent(s) in order to inoculate them against an inequitable conduct charge in certain subsequent proceedings. Inequitable conduct is a judicially-created affirmative defense to patent infringement, which, in recent years, has been asserted widely in patent litigation proceedings and become a common part of litigation strategy.^[1] The consequences of a finding of inequitable conduct are severe: first, the entire patent is rendered unenforceable; second, the “taint” of inequitable conduct may spread to related patents and applications in the same family and render an entire patent portfolio unenforceable; and third, a finding of inequitable conduct may allow the case to be found exceptional, entitling the alleged infringer to attorneys fees under 35 U.S.C. § 285.^[2] ^[3] A 1988 study estimated a charge of inequitable conduct was asserted in 80% of all patent infringement cases.^[4] Citing “the problems created by the expansion and overuse of the inequitable conduct doctrine,” the Federal Circuit recently curtailed the reach of the defense by raising the standard for proving that the alleged bad act was material to patentability and that the patentee undertook the alleged bad act with intent to deceive the U.S. Patent and Trademark Office (USPTO).^[5] The court also rejected an earlier measure holding that the weight of evidence needed to show materiality was inversely proportional to the weight of evidence needed to show a patentee’s intent to deceive (and *vice-versa*). Finally, the

court held that a finding of inequitable conduct should not immediately render a patent unenforceable. Rather, the court must also “weigh the equities” to determine whether the inequitable conduct warrants the unenforceability remedy.

Supplemental Examination goes into effect September 16, 2012 and applies to all patents issued before, on, or after the effective date. The new Supplemental Examination procedure will allow a patentee to remove the basis for a charge of inequitable conduct in advance of the charge. With exceptions, the effect of a Supplemental Examination is that the courts are barred from holding a patent unenforceable on the basis of conduct relating to information considered, reconsidered, or corrected during the Supplemental Examination proceeding. The procedure allows a patentee to have the USPTO “consider, reconsider, or correct information believed to be relevant to the patent.” If the USPTO considers the information to raise a “substantial new question of patentability”, the Director will order a reexamination of the patent. Unlike a traditional reexamination, which is limited to patents and printed publications, there is no limit on the issues that can be raised and considered during the reexamination resulting from a Supplemental Examination request.

Thus, the new Supplemental Examination procedure allows a means for initiating reexamination for issues under *any* information “believed to be relevant to the patent,” such as issues of possession and enablement under 35 USC § 112, or § 102 regarding “public use” or the “on sale” bar, so that a patentee can attempt to make their patent(s) bulletproof.

In order to obtain the benefit of Supplemental Examination, the patentee must be proactive and make the request before inequitable conduct is pled with particularity in a civil action or set forth with particularity in an ANDA notice letter.^[6] The Supplemental Examination and any resulting reexamination must be completed before the date that a patent infringement civil action or

action before the International Trade Commission is brought in order for the benefit to apply.

Supplemental Examination does not shield the patentee from gross misconduct such as fraud or attempted fraud. Where fraud on the USPTO was practiced or attempted, the Supplemental Examination will not commence or be immediately terminated. The Director shall also refer the matter to the Attorney General for appropriate action. Supplemental Examination also does not shield the patentee from the imposition of sanctions based on criminal or antitrust laws or sanctions by the USPTO for misconduct.

In sum, a wise course of action for patentees considering litigation to enforce a patent or anticipating an ANDA filing would be to carefully review their patent portfolio to determine if a Supplemental Examination is warranted for any issued patent. Further, potential defendants having information that would support a charge of inequitable conduct under the stricter *Therasense* standard would be wise to consider filing a declaratory judgment action in order to preserve the charge before the patentee can cure the conduct using this new tool of Supplemental Examination.

Pre-Issuance Prior Art Submissions By Third Parties: The Old And The New

Judy Mohr and Chandan Sarkar

The current rules of patent practice permit third parties to submit prior art publications and information to the U.S. Patent and Trademark Office (USPTO) that is believed to bear on patentability of a pending patent application through several mechanisms - third party submissions (37 CFR §1.99 and MPEP §1131.04), protest (37 CFR §1.291 and MPEP §§1900-1920) and the Peer-to-Patent pilot program. Section 8 of The Leahy-Smith America Invents Act (the "Act") amends 35 U.S.C. §122 to include a continued mechanism for third parties to submit publications to the USPTO. Most importantly, Section 8 widens the window for such submissions, relative to the current rules governing third party submission practice. The new, wider provision will take effect on September 17, 2012 and will apply retroactively to all pending patent applications.

The new preissuance practice is similar in many respects to the existing rules for third party submissions of prior art publications (37 CFR §1.99). Under this existing rule, any member of the public can submit to the patent office patents or publications relevant to a pending published application, so long as the submission is made before the earlier of two months from the date of publication of the application or prior to the mailing of a notice of allowance (37 CFR §1.99(e)). The submission must be served upon the applicant and cannot include any explanation of the patents or publications being submitted (37 CFR §1.99(c)-(d)). A third party is limited under the current rules to a submission of ten total patents or publications (37 CFR §1.99(d)).

Compared to the existing provisions for third party submissions, the new preissuance provision in the Act broadens the time period during which a third party can submit prior art publications to the USPTO. Stated briefly, the submission can be made for six months *after* publication of the

^[1] *Therasense, Inc. v. Becton, Dickinson and Co.*, ___ F.3d ___, 2011 WL 2028255 (Fed. Cir. 2011) (en banc)

^[2] *Hewlett-Packard Co. v. Bausch & Lomb Inc.*, 882 F.2d 1556, 1563 (Fed. Cir. 1989).

^[3] *Consol. Aluminum Corp. v. Foseco Int'l Ltd.*, 910 F.2d 804 (Fed. Cir. 1990).

^[4] Committee Position Paper, *The Doctrine of Inequitable Conduct and the Duty of Candor in Patent Prosecution: Its Current Adverse Impact on the Operation of the United States Patent System*, 16 AIPLA Q.J. 74 (1988).

^[5] *Therasense*, 2011 WL 2028255 at 15.

^[6] 21 U.S.C. 355(j)(2)(B)(iv)(II) (2007).

application or *before* a first substantive office action, whichever is later, but before allowance. The literal reading of the Act states that the submission may be made before the earlier of (a) the date the notice of allowance is mailed to an applicant, or (b) the later of either (1) six months *after* the date on which the application for patent is first published or (2) the date of the first substantive office action during the examination of an application.

Under the new preissuance provision in the Act, the submission is to include a concise description of the asserted relevance of each submitted document, deviating from the existing rules that expressly prohibit entry to the record of any explanations with a submission. Another potential change from the current rules is the absence in the Act's provision of a requirement to serve the submission on the applicant. As expected, a fee to make the submission of printed publications to the USPTO will still be required under the new provision.

It is yet to be seen how the CFR and MPEP will be modified to account for the new preissuance prior art submission rules of the Act. The current protest practice, which offers a mechanism to submit to the USPTO information beyond printed publications that is relevant to patentability, appears to be untouched by the Act and apparently remains a mechanism available to third parties. However, given the vigilance required to timely file a protest before the earlier of a patent's publication or issuance, protests may likely become a vestigial tool in light of the wider time window afforded by Section 8.

In summary, the provision introduced in the Act for providing a patent examiner with printed publications relevant to a pending application broadens the window of time for third parties to make a submission to the USPTO and now requires the submitting party to provide a description of the relevance of the document. As always in determining whether to submit prior art to the patent

office against a third party's pending patent application, one must be mindful of whether the submission may prejudice later use of the prior art printed publication as grounds for a post-grant review, *inter partes* reexamination or litigation.

Post-Grant Review Under the AIA

Jenny Lee

Sections 6 and 18 of the newly enacted America Invents Act, introducing new statutory provisions 35 U.S.C. §§321-329, created a new post-grant review procedure for third-parties to challenge the validity of a granted patent immediately after issuance similar to that of an opposition under European practice. However, in contrast to the opposition proceedings in Europe, the new post-grant review process is expedited and operates with a limited time frame. Provided below is a summary of some key aspects of this new process.

Effective Date of Post-Grant Review

Generally, this portion of the new legislation will only apply to those applications having a priority date on or after March 16, 2013, 18 months after the enactment of this new legislation. However, for certain "business method patents" in litigation, an analogous proceeding will take effect on September 16, 2012, one year after the enactment of this new legislation.

Who Can Request Post-Grant Review

Third parties (except for certain parties in litigation discussed below) may submit a petition for post-grant review under 35 U.S.C. §322 challenging the validity of one or more of the issue claims on any ground within nine (9) months after issuance of a patent. Unlike reexaminations, a request for post-grant review is not limited to challenges to the validity of the patent claims based on printed publications. Rather, a petition under post-grant review may raise any question regarding the validity of at least one issued claim, including,

for example, enablement and written description challenges under 35 U.S.C. §112.

For reissue patents, if the claim at issue is “identical to or narrower than a claim in the original patent from which the reissue patent was issued,” then a petition for post-grant review must be filed within nine (9) months after issuance of the original patent, not the reissue patent.

Almost any third party can submit a petition for post-grant review of a patent. However, 35 U.S.C. §325 prohibits plaintiffs in a court action “challenging the validity of a claim of a patent” from utilizing the post-grant review process. The statute specifically provides that a defendant asserting a counterclaim challenging the validity of a claim of a patent is not barred from using the post-grant review process.

Timing and Procedures

To request a post-grant review, the requestor must file a petition to the United States Patent and Trademark Office (“USPTO”) under 35 U.S.C. §322. As required by this new statutory provision, the post-grant review petition must include the following:

- identification of all real parties in interest;
- identification “with particularity” each claim challenged, the grounds on which the challenge is based, and any evidence in support for the challenge to each claim, including copies of references and affidavits/declarations relied upon by the petitioner in its request;
- a requisite fee (to be established by the USPTO); and
- any other necessary information by the USPTO (to be established by regulation).

A copy of each of the petition and accompanying documents must be also served on the patent owner. Similar to reexamination proceedings, the patent owner has the opportunity, but the obligation, to file a preliminary response to a post-grant review

petition under 35 U.S.C. §323, before the USPTO decides whether a post-grant review should be initiated.

Upon receipt of a petition for post-grant review, the USPTO must make a determination, and notify both the patent owner and petitioner, in writing, as to whether a post-grant review would be initiated. Under 35 U.S.C. §324(a) and (b), a post-grant review can be initiated by the USPTO if:

- the information presented in the petition “would demonstrate that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable;” or
- the petition “raises a novel or unsettled legal question that is important to other patents or patent application.”

The USPTO is required by 35 U.S.C. §324(c) to make this determination within three (3) months after either: the filing of a preliminary response by the patent owner; or if such a response is not filed, the expiration date for the patent owner to file the response. This determination by the USPTO is not appealable.

Although Congress has left much of the procedural details for post-grant review to be determined by the USPTO, the statute provides certain key procedural requirements. Notably, 35 U.S.C. §326(d) specifically provides the patent owner one (1) opportunity to file cancel or “propose a reasonable number of substitute claims” for each challenged patent claim. These amendments “may not enlarge the scope of the claims of the patent or introduce new matter.” Amendments to claims found to be patentable in post-grant review are subject to intervening rights similar to claims in a reissue patent.

In addition, 35 U.S.C. §326(a)(12) requires the USPTO to provide the petitioner with at least one opportunity to submit written comments. The statute also requires the USPTO to provide procedures for either party to request oral hearing,

for submission of supplemental information after a petition for post-grant review has already been filed, and for consolidation of multiple proceedings.

Further to those requirements discussed above, the statute also requires the USPTO to establish discovery standards and procedures, specifically:

- discovery of “evidence directly related to factual assertions advanced by either party in the proceeding”;
- sanctions for “abuse of discovery, abuse of process, or any other improper use of the proceeding”; and
- protective orders for exchange and use of confidential information.

Pursuant to 35 U.S.C. §326(a)(11), the USPTO must issue a final written decision in post-grant review within one (1) year after the USPTO initiates the process and notifies the parties of its decision to institute post-grant review. The statute allows the USPTO to extend this deadline “for good cause shown” by no more than six (6) months, unless there is joinder of multiple proceedings. The final written decision may be appealed within 60 days of the written decision by either party only to the United State Court of Appeal for the Federal Circuit.

Estoppel Effect and Effects on Litigation

Under the post-grant review process, the petitioner bears the burden of proving invalidity “by a preponderance of the evidence,” which is a lower standard than the “clear and convincing” evidentiary standard for proving invalidity in court pursuant to the Supreme Court’s decision in *Microsoft Corp. v. i4i Ltd.*, 564 U.S. ____ (2011). However, upon the issuance of a final decision for post-grant review by the USPTO, the petitioner, or its real party in interest, is estopped from challenging the same claims considered during the post-grant based on “any ground that the petitioner raised or reasonably could have raised during that post-grant review.”

Pursuant to 35 U.S.C. §327, if the petitioner and patent owner settle and request termination of the post-grant review before the USPTO issues its final decision, estoppel will not attach to the petitioner, or its real party in interest. To request termination of post-grant review, the settlement agreement must be in writing and submitted to the USPTO. Either party can request that the USPTO treat the settlement agreement as “business confidential information,” which is only made available to “Federal Government agencies on written request, or to any person on a showing of good cause.”

The statute also provides limitations to when a court can grant a stay of litigation. In particular, under 35 U.S.C. §325(a)(2), if a petitioner for post-grant review initiates a court action “challenging the validity of a claim of a patent” after submission of the petition, the litigation is automatically stayed until: the patent owner moves the court, the patent owner sues the petitioner for infringement, or the parties jointly move to dismiss the court action. In addition, under 35 U.S.C. §325(b), if the patent owner files an infringement action against a potential infringer within three (3) months after the issuance of the patent, the court cannot stay consideration of the patent owner’s motion for a preliminary injunction on the basis that a petition for post-grant review has been filed.

Transitional Process for Business Method Patents

The statute also provides a transitional process similar to that of the post-grant review for certain “covered business method patents.” As defined by the statute, a “covered business method patents” is a patent that “claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.” This transitional process may be applied to certain covered business method patent issued after the effective date for this transitional provision,

September 16, 2012, that is not otherwise available for post-grant review.

This transitional process is only available to entities that have been sued for infringement of a covered business method patent or “has been charged with infringement under that patent.” In addition, challenges to the validity of a claim under the transitional proceeding is limited only to those grounds based on: (1) prior art available under 35 U.S.C. §102(a), as the statute existed prior to the new legislation, and (2) prior art that discloses the invention more than 1 year “before the date of the application for patent” in the USPTO, and “would be described by section 102(a),” as the statute existed prior to the new legislation, “if the disclosure had been made by another before the invention thereof by the applicant for patent.”

Additional key differences between the transitional process and the post-grant review process discussed above include:

- limitations to the court’s ability to stay proceedings based on post-grant review is not available for the transitional process;
- the statute directs the court to determine whether a stay would be appropriate by weighing three (3) factors:
 - whether a stay would simplify the issues for trial,
 - whether discovery is complete and a trial date has been set, and
 - whether stay would unduly prejudice the non-moving party;
- estoppel effect of a final decision by the USPTO against the petitioner, or its real party in interest, is limited only to proceedings before the USPTO and does not apply to court acts; and
- amendments to claims found to be patentable under the transitional process are not subject to intervening rights of third parties.

Conclusion

The new post-grant review process provides interested third parties with an opportunity to challenge claims of an issue patent in an expedited proceeding before the USPTO. However, the statute provides a narrow window to submit a petition requesting post-grant review. Therefore, following the effective date of this new process, it may be useful to regularly monitor prosecution of any patent applications of interest, and identify and collect relevant evidence prior to issuance of a patent, to maximize the effect of any challenge to validity of a granted patent claim raised in a petition for post-grant review, particularly in view of the potential for estoppel. In addition, to reduce risk of third party challenges to any subsequently issued patents, it may be beneficial, to the extent possible, to submit patent applications before this new avenue for challenging the validity of issue claims comes into effect on March 16, 2013, and thereby rendering such applications ineligible for post-grant review.

Key Changes to *Inter partes* Review Authority under the AIA

Dawn-Marie Bey

The America Invents Act (AIA), also called the Leahy-Smith Act, continues to provide bases for challenging the validity of issued patents. With respect to the existing *inter partes* reexamination authority, the legislation provides for some significant revisions related to timing, threshold and reviewing body as discussed separately below.

Effective Dates & Limitations on Number of Reviews

As an initial matter, there are different effective dates depending on the specific revisions to Chapter 31 of title 35. Generally, the amendments to Chapter 31 are to take effect on September 16, 2012 and “shall apply to any patent issued before, on, or after that effective date.”^[1] Further, the legislation gives the Patent Office the authority to impose limits on the number of *inter*

partes reviews that may be instituted during the first 4 1-year periods that the changes are effective under certain circumstances.^[2] As discussed further below, the change in the threshold for institution of a review by the Patent Office became effective as of date of enactment, September 16, 2011, for *inter partes* requests filed on or after this date.^[3]

Time Period for Filing an Inter partes Review Request

Initially, the deadline for filing a petition for *inter partes* review is set forth in amended section 35 U.S.C. § 311(c) as follows:

(c) Filing Deadline - A petition for *inter partes* review shall be filed after the later of either--

(1) the date that is 9 months after the grant of a patent or issuance of a reissue of a patent; or

2) if a post-grant review is instituted under chapter 32, the date of the termination of such post-grant review.

Other temporal limitations include a 1 year window to file a request for *inter partes* review from the date on which the petitioner is served with a complaint alleging infringement of the patent at issue.^[4]

Threshold for Institution

The legislation raises the threshold for instituting an *inter partes* review from the existing substantial new question (SNQ) of patentability to a “show[ing] that there is a reasonable likelihood that the petitioner would prevail with respect to at least one of the claims challenged.”^[5] The refusal of the Patent Office to open a proceeding is not open for appeal.^[6] This change is expected to reduce the number of reviews that are initiated by the Patent Office.

Relation to Other Proceedings

If the petitioner has already filed a declaratory judgment action in court seeking declaration of invalidity of the patent, this petitioner cannot seek *inter partes* review.^[7] Similarly, if the petitioner first seeks *inter partes* review and then files a declaratory judgment action in court, the declaratory judgment action is stayed until: patent owner moves the court to lift the stay; patent owner files its own civil action or counterclaim alleging infringement by the petitioner or the petitioner moves the court to dismiss the civil action.^[8] Counterclaims for invalidity in response to infringement actions do not invoke these provisions.^[9]

The AIA also includes estoppel provisions which essentially bar a petitioner from challenging a claim on any invalidity grounds in any subsequent Patent Office, district court or ITC action if such claim was the subject of an *inter partes* review and the petitioner actually raised or reasonably could have the invalidity grounds in the original *inter partes* review.^[10]

Reviewing Body at the PTO

In a change from current practice, under the AIA, *inter partes* review will go to a three-judge panel of the newly mandated Patent Trial and Appeal Board (PTAB).^[11] This may help improve and expedite the review process. Section 316(a) provides a laundry list of areas which require the development of regulations by the Patent Office over the coming year in order to regulate the conduct of the *inter partes* review in accordance with the new statutes.

^[1] See Sec. 6(c)(2)(A) of H.R. 1249, 112th Congress, first session.

^[2] See Sec. 6(c)(2)(B) of H.R. 1249, 112th Congress, first session.

^[3] See Sec. 6(c)(3)(B) of H.R. 1249, 112th Congress, first session.

^[4] See 35 U.S.C. § 315(b)

^[5] See 35 U.S.C. § 314(a)

^[6] See 35 U.S.C. § 314(d)

^[7] See 35 U.S.C. § 315(a)(1)

^[8] See 35 U.S.C. § 315(a)(2)

^[9] See 35 U.S.C. § 315(a)(3)

^[10] See 35 U.S.C. § 315(e)

^[11] See 35 U.S.C. § 316(c)

The New and Improved Prior Use Defense to Patent Infringement

A. Shane Nichols

Defendants accused of patent infringement are often bewildered to learn that their use of technology they developed themselves may nonetheless constitute patent infringement – even when their development and use predates the patent itself. The recently enacted America Invents Act of 2011, however, provides a new “prior use” defense for parties that can prove by clear and convincing evidence that they have been continuously engaged in the commercial use of the patented technology for more than one year prior to the filing date of the patent they are accused of infringing.

A Brief History of the Prior Use Defense

The purpose of the U.S. patent system is to promote innovation by motivating inventors to disclose their inventions to the public. In exchange for the disclosure of an invention meeting all other statutory requirements, the U.S. government will grant an inventor a limited right to exclude others from using the technology in the form of a patent. On the other hand, an inventor that develops technology, but elects to use it in secret instead of pursuing a patent thereby abandons his right to later seek a patent on that technology. By choosing to use his invention in secret, the inventor prevents or delays its public disclosure, thus reducing any value the public might have gained from the “patent bargain.”

When an inventor elects to maintain his invention as a trade secret and use it in secret, he runs the risk of another inventor independently developing the same technology and securing a

patent on it. Traditionally, the first inventor could be found liable for patent infringement, even if he invented the technology before the patent owner. To many, this seemed a harsh consequence for merely forgoing one’s right to seek a patent – particularly for inventors who have no interest in excluding others from using their technology.

In 1999, the American Inventors Protection Act created a prior use defense (35 U.S.C. § 273) for those accused of infringing “methods of doing or conducting business.” The 1999 prior use defense was perceived as Congress’s reaction to the then-new influx of patent applications covering various methods of doing business. Many business method patent applications were being filed in the wake of the Federal Circuit Court of Appeals’ *State Street Bank*¹ decision, which putatively extended patent coverage to business methods. The 2011 Act modifies the prior use defense by, most significantly, extending its applicability beyond business method patents.

Application of the Prior Use Defense

Prior to its recent amendment, Section 273 was expressly limited such that it could not be asserted “unless the invention for which the defense is asserted is for a method.” The 2011 Act purports to extend the defense to include subject matter “consisting of a process, or consisting of a machine, manufacture, or composition of matter used in a manufacturing or other commercial process.” Although the 2011 Act can be read to expand the defense to all infringement allegations – e.g., for making and selling a device – courts are likely to limit the application of Section 273 to uses of a device in manufacturing or some other commercial enterprise. While the application of the prior use defense has clearly been extended beyond business methods, it is not clear that it is intended as a defense to every allegation of infringement.

Like its 1999 predecessor, the amended Section 273 requires that the party asserting the

defense demonstrate that its prior use is commercial and that its use has been continuous for more than one year prior to the filing date of the patent.

Relationship with Invalidity Defense

Presumably, because of substantial overlap between the elements of the prior use defense and the defense of invalidity on the basis of a prior public use, Section 273 specifies that a “patent shall not be deemed to be invalid . . . solely because a defense is raised or established under this section.” As with the invalidity defense, the prior use defense must be proven by clear and convincing evidence. An accused infringer may invalidate a patent by proving that the subject matter of the patent was publicly used by anyone – including the patent holder – more than one year before the filing date of the patent. A key difference between public use invalidity and the prior use defense is the public nature of the use. When the prior use is public, the invalidity defense may provide the most comprehensive defense, as it offers the possibility of rendering the patent invalid.

Practical Considerations

The prior use defense has been criticized for impairing the value of the patent bargain by reducing the motivation for inventors to seek patents. An inventor may forgo pursuing patent protection, knowing that any subsequent efforts to enforce a patent could be stymied in the event that another inventor happens to be secretly using the same invention. It is too early to tell whether the prior use defense will deter inventors from seeking patents. In the meantime, however, companies that choose not to seek patents for the technologies they are using should take special care to regularly document their commercial uses of those technologies.

America Invents Act Eliminates “Best Mode” Challenge to Patent Validity

Tom Lundin Jr.

In addition to numerous other sweeping changes to the patent laws, the American Invents Act (AIA) eliminates a challenge to validity of a patent based on failure to comply with the requirement that the inventor disclose the “best mode” contemplated for carrying out the invention. The Act does not eliminate the best mode requirement altogether—the Patent Office may reject an application for failure to satisfy the requirement—but it removes the applicant’s failure to comply as a “basis on which any claim of a patent may be canceled or held invalid or otherwise unenforceable” for actions commenced on or after September 16, 2011.^[1]

Best Mode Requirement

Pursuant to 35 U.S.C. § 112, which has not been amended under the AIA, there are three distinct requirements for disclosing an invention in a patent application: (1) the “written description” requirement – an adequate “written description” of the invention; (2) the “enablement” requirement – a description of the “manner and process of making and using [the invention]” in such a manner as to “enable any person skilled in the art” to make and use the invention; and (3) the “best mode” requirement – that the patent specification disclose “the best mode contemplated by the inventor of carrying out his invention.”^[2]

Because the best mode disclosure is a statutory requirement for patentability, the invalidity of a patent for failure to comply with this requirement has long been a valid defense in an action involving infringement or validity of a patent.^[3] The AIA has now removed this defense.

^[1] State Street Bank and Trust Company v. Signature Financial Group, Inc., 149 F.3d 1368 (Fed. Cir. 1998).

Rationale for Eliminating the Best Mode Defense

The best mode requirement has been the subject of extensive criticism,^[4] primarily relating to (1) its reliance on the inventor's subjective state of mind^[5] and (2) its uniqueness to the U.S. patent system.^[6] Indeed, elimination of the requirement altogether had been urged historically by commentators and by stakeholders during consideration of patent reform legislation by Congress.^[7] As enacted, however, the AIA merely removes violation of the best mode requirement as a basis for an assertion of patent invalidity or unenforceability in litigation or for initiation of a post-grant review proceeding.

Language eliminating the best mode requirement as a basis for patent invalidity, but retaining the statutory requirement for purposes of obtaining a patent, first was introduced during debate on the Patent Reform Act of 2007, H.R. 1908, in amendments offered by Representative Mike Pence.^[8] In remarks concerning his amendments, Rep. Pence stated that the intent of retaining “best mode as a specifications requirement for obtaining a patent [was] to maintain in the law the idea that patent applicants should provide extensive disclosure to the public about an invention.”^[9] Importantly, it remains to be seen what the penalty is for not disclosing the best mode in the application without the threat of patent invalidity. One approach by litigants could be to attempt to prove inequitable conduct for intentional failure to disclose the best mode; though with the increased proof threshold, this may be a difficult road.

The Pence amendments focused instead on removing best mode from litigation and post-grant review proceedings because the requirement “has become a vehicle for lawsuit abuse. . . . Increasingly in patent litigation defendants have put forth best mode as a defense and a reason to find patents unenforceable. It becomes virtually a satellite piece of litigation in and of itself, detracts from the actual

issue of infringement, and literally costs American inventors millions in legal fees.”^[10]

Section 15 of the Act

Guided by the foregoing concerns, Congress enacted Section 15 of the Act, amending 35 U.S.C. § 282. Before that enactment, Section 282 provided that among the “defenses in any action involving the validity or infringement of a patent” shall be the following: “Invalidity of the patent or any claim in suit for failure to comply with any requirement of sections 112 or 251 of this title[.]”^[11]

The Act amends Section 282 by striking the aforementioned language and providing instead that such defenses shall include “[i]nvalidity of the patent or any claim in suit for failure to comply with” any requirement of Section 251 or “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[.]”^[12] The Act further provides that Section 15 shall be effective immediately upon enactment and shall apply to all proceedings commenced on or after that date.^[13] As a result, a litigant challenging the validity or enforceability of a patent—whether as a defendant in a patent infringement action or as a plaintiff in a declaratory judgment action under 28 U.S.C. § 2201—cannot rely on failure to satisfy the best mode requirement in any action filed on or after September 16, 2011.

^[1] See Sections 15(a) and (c) of H.R. 1249, 112th Congress, 1st Session (amending 25 U.S.C. § 282). The Act also provides that violation of the best mode requirement is not grounds for initiation of post-grant review proceedings. See Section 6(d) of H.R. 1249 (adding 35 U.S.C. § 321(b), providing for post-grant review upon petition for cancellation “on any ground that could be raised under paragraph (2) or (3) of section 282(b).”

^[2] See, e.g., *Ariad Pharms., Inc. v. Eli Lilly & Co.*, 598 F.3d 1336, 1344, 1346-47 (Fed. Cir. 2010) (en banc) (confirming distinct written description and enablement requirements and stating that the Court agreed with appellee that § 112 ¶ 1 contains three separate requirements); *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki*

Co., 535 U.S. 722, 736 (2002) (stating that § 112 ¶ 1 imposes three separate description, enablement, and best mode requirements).

^[3] See 28 U.S.C. § 282.

^[4] See 3 DONALD S. CHISUM, CHISUM ON PATENTS § 7.05 (Matthew Bender) (“Commentary on the best mode requirement is extensive.”) (collecting citations); H.R. Rep. No. 98(I), 112th Cong., 1st Sess. 2011, 2011 WL 2150541 (June 1, 2011) (noting that entities including the National Academy of Sciences, the Biotechnology Industry Organization, the American Intellectual Property Law Association, the Intellectual Property Owners Association, and Pharmaceutical Research and Manufacturers of America each have argued that the best mode requirement is “counterproductive”).

^[5] See, e.g., NATIONAL RESEARCH COUNSEL OF THE NATIONAL ACADEMIES, A PATENT SYSTEM FOR THE 21ST CENTURY, National Academies Press (2004), at 83, 121-25.

^[6] See *id.* at 121 (noting that “[o]nly the United States imposes a best-mode requirement”), 127 (best mode requirement has no analog in foreign patent law).

^[7] See, e.g., *supra*, Note 4; see also Testimony of Carl Horton, Chairman, Coalition for 21st Century Patent Reform and Chief IP Counsel of General Electric, before Committee on House Judiciary, Subcommittee on Intellectual Property, Competition and the Internet, 2011 WL 481054 (Feb. 11, 2011).

^[8] See 153 Cong. Rec. H10270-01, 2007 WL 2571712 (Sept. 7, 2007) (remarks of Rep. Pence).

^[9] *Id.*

^[10] *Id.*

^[11] 35 U.S.C. § 282.

^[12] H.R. 1249 § 15(a).

^[13] *Id.* § 15(c).

The End of False Marking Suits

Mark Francis

One aspect of the Smith-Leahy America Invents Act that goes into effect immediately is the elimination of *qui tam* actions for false marking suits under 35 U.S.C. § 292.^[1] The false marking statute prohibits marking as “patented” any product that is not patented. Section 292 previously allowed any individual to bring a *qui tam* action (*i.e.*, for the government as well as the plaintiff) for violation of the statute, and collect statutory damages of up to \$500 for each falsely marked product, with the damages award to be split between the individual and U.S. government.

Historical Overview

The false marking statute first made an appearance in the Patent Act of 1870.^[2] About a century ago, the First Circuit took up the question of whether the 1870 statute meant to impose a single

fine for continuous false marking of products, or a separate fine for each marked product. The *London* court found that the statute’s imposition of a \$100 minimum penalty could not reasonably be interpreted to apply on a per article basis and therefore concluded that continuous false marking violations would be subject to a single penalty under the statute.^[3] The award being so limited, this law remained in the shadows for many decades.

The Patent Act of 1952 replaced the \$100 *minimum* fine with a \$500 *maximum* fine.^[4] Many courts continued following the guidelines of the *London* decision after the 1952 law went into effect and continued imposing a single fine for continuous false marking of products.^[5] Other courts recognized that a single \$500 fine on false markers would be inconsequential, and therefore adopted a new approach of imposing time-based penalties, such as a fine applied on a monthly, weekly or daily basis.^[6]

The Explosion of False Marking Suits

In December 2009, the Federal Circuit in *Forest Group, Inc. v. Bon Tool Co.* recounted the history of this statute and disagreed with earlier approaches.^[7] The Court held that a single \$500 fine for continuous false marking “would render the statute completely ineffective.”^[8] The Court also held that time-based penalties had no support in the plain language of section 292.^[9]

In reversing the long-standing *London* decision, the Federal Circuit addressed the public policy need to impose a fine for each product falsely marked, and found that the 1952 amendment from a \$100 *minimum* fine to a \$500 *maximum* fine rendered the reasoning in *London* outdated because Courts now had “the discretion to strike a balance between encouraging enforcement of an important public policy and imposing disproportionately large penalties for small, inexpensive items produced in large quantities.”^[10] In other words, after the 1952 amendment, courts had the authority to levy fines of just pennies per product if that made sense, and

there was therefore no reason not to impose fines on a per product basis.

Even with the likelihood of very small fines being awarded per product, the total damages award for widely-sold products could be significant, and the potential for huge recoveries following the *Forest Group* decision led to an immediate explosion of over 1,000 false marking suits by various individuals and companies set up to file such suits.^[11] It appears that there have been over 400 settlements in recent false marking suits, with a combined payout of over \$20 million (an average of about \$48,000 per case), with half of the money going to the government.

Indeed, one argument presented to the Court in *Forest Group* was that per product fines would “encourage ‘a new cottage industry’ of false marking litigation by plaintiffs who have not suffered any direct harm,” but the Court found the argument unavailing at the time.^[12]

Radical Changes to Section 292

The elimination of *qui tam* actions for false marking suits under 35 U.S.C. § 292 in the new Patent Act is clearly Congress’s response to the *Forest Group* decision and the resulting aftermath. The new law restricts the \$500 statutory penalty provided in § 292(a) to lawsuits brought by U.S. government.^[13] Section 292(b), which previously provided for *qui tam* suits, has been stricken and replaced by a provision that allows those who have suffered a “competitive injury” from the alleged false marking to sue for damages, which must be shown as necessary “to compensate for the injury.”

In addition, section 292(c) has been added to explicitly provide that the marking of a product with “a patent that covered that product but has expired” is not a violation of § 292. This change also appears directed at the recent growth of false marking suits, as many of them were based on a company’s failure to remove a patent marking from its products after expiration of the patent.

As a result of these amendments to section 292, nearly all of the 450 ongoing false marking suits will be subject to dismissal, and the recent spike in such suits is likely to drop to near zero for the foreseeable future. Other than competitor suits where actual injury can be proven, the new law effectively eliminates false marking suits.

Overall, the amendments to section 292 will be likely be hailed as eliminating frivolous lawsuits by plaintiffs seeking easy money for patent marking mistakes that resulted in no meaningful harm. The potential downside to the amendment is that companies may take a more lax approach to accurate marking of their products.

^[1] H.R. 1249 at § 16(b)

^[2] Patent Act of 1870, Ch. 230, § 39 (July 8, 1870), 16 Stat. 198, 203.

^[3] See *London v. Everett H. Dunbar Corp.*, 179 F. 506, 508 (1st Cir. 1910).

^[4] Patent Act of 1952, Pub. L. No. 82-593, Ch. 950 at 773-74 (July 19, 1952), 66 Stat. 792.

^[5] *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295, 1302 (Fed. Cir. 2009).

^[6] *Id.*

^[7] *Id.* at 1302-03.

^[8] *Id.* at 1303.

^[9] *Id.* at 1302.

^[10] *Id.* at 1303-04.

^[11] See Justin E. Gray, *Cases Alleging False Marking*, available at <http://www.grayonclaims.com/false-marking-case-information/> (last visited September 19, 2011).

^[12] 590 F.3d at 1303.

^[13] H.R. 1249 at § 16(b).

New gTLDs and October 28, 2011 Deadline for Brand Owners to Block BRAND.XXX

Katie McCarthy

Top-level domains (TLDs) appear in internet addresses as the string of letters following the last dot, such as the “com” in www.kslaw.com. Prior to this year, while there were hundreds of country code top level domains (ccTLDs) ranging from .ac (Ascension Island) to .zw (Zimbabwe), there were only 21 generic top level domains

(gTLDs) like .com, .org, .net.^[1] This will soon change.

Starting on January 12, 2012, applications for new gTLDs covering any letter string of three or more letters will be accepted by the Internet Corporation for Assigned Names and Numbers (otherwise known as ICANN). The application window will close April 12, 2012.

Many brand owners are now struggling with the issue of whether or not to apply for .BRAND. One factor is the cost, since the application fee alone - without taking into consideration the costs of running the new domain registry - is \$185,000. The new gTLD program also has brand owners concerned about enforcement and infringement problems created by the potential for increased cybersquatting and fraud across multiple new gTLDs. While there are rights protection mechanisms in place, the onus will still be on the brand owner to enforce these mechanisms. Details can be found in the new applicant guidebook, posted on September 19, 2011 on a new microsite created by ICANN to promote the new gTLD program.^[2]

Meanwhile, brand owners are getting a sense of costs associated with new gTLD launches due to the recent launch of a new adult-themed generic top level domain - .xxx. ICM Registry, the company responsible for .xxx, is providing a "Sunrise" period during which trademark owners can, for a fee, file applications to block their brand names from being registered as domain names in .xxx. To qualify for a Sunrise filing, the brand owner must have a registration covering the mark issued on or before September 1, 2011. The block

will only cover an exact match of the registered mark.

Any domain names reserved during the Sunrise period will resolve to a standard informational page that indicates that the name is reserved. The current rules provide that blocked domain names will be classified as "reserved" and publicly available WHOIS database records will identify the domain name registry as opposed to the brand owner. The block lasts for 10 years.

There will also be a process to challenge infringing .xxx domains similar to that in place for other TLDs. Under current UDRP rules applicable to .com and other gTLDs, for example, a brand owner can recover a domain name that is identical or confusingly similar to its trademark where the domain owner has no rights or legitimate interests in the domain name and the domain name has been registered and is being used in bad faith.

The fee for the Sunrise filing to block brand.xxx domains varies depending upon the registrar used but is generally around \$200 per mark. This process can quickly become very expensive for owners of multiple brands, but the fee is still much less than the likely cost of recovering brand.xxx using a dispute resolution procedure where the filing fee alone is about \$1500. Act quickly if you are interested in blocking your mark, as the Sunrise Period runs only through October 28, 2011.^[3]

^[1] A list of all TLDs can be found at <http://www.iana.org/domains/root/db>.

^[2] See <http://newgtlds.icann.org/>.

^[3] Further details on .xxx and the Sunrise period can be found at <http://www.icmregistry.com>.

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