

Aftershocks From The AIA: A Seismic Shift In Patent Law?

Law360, New York (March 26, 2012, 1:02 PM ET) -- As is evident from the large amount of commentary already available on the subject, the America Invents Act comprises the most sweeping changes to the patent system in almost 60 years. Several of the AIA provisions have already had a marked effect on patent litigation behavior, while other important provisions have yet to come into effect.



Sasha Rao
 Partner, Silicon Valley
Sasha.Rao@ropesgray.com



Daniel Keese
 Associate, Silicon Valley
Daniel.Keese@ropesgray.com

This article takes a quantitative approach to analyzing some of the recent changes to patent litigant behavior caused by the new joinder provisions. It then proceeds to analyze some of the potential future effects of the recent changes to joinder, venue and jurisdiction in patent cases, as well as the coming shift to a “first-inventor-to-file priority” system.

Immediate Changes to Venue, Joinder and Jurisdiction

Upon enactment, the America Invents Act[1] made several immediate changes to the patent law landscape, including: (1) eliminating false marking qui tam suits, (2) enacting new joinder requirements and (3) altering venue and jurisdiction law in certain patent litigations. The new joinder, venue and jurisdiction provisions, which took effect on Sept. 16, 2011, “apply to any civil action commenced on or after the date of the enactment” of the AIA.[2]

New Joinder Requirements

One of the most important immediate changes enacted by the AIA is the addition of 35 U.S.C. Section 299. In addition to reiterating the Federal Rule of Civil Procedure 20 requirements for joinder,[3] Section 299 also explicitly states 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 have infringed the patent or patents in suit.”[4]

Congress enacted this provision to overturn the contrary rule adopted by several district courts, including the Eastern District of Texas.[5] One important exception to the new Section 299 joinder requirements is that lawsuits alleging infringement under 35 U.S.C. Section 271(e)(2), by ANDA filings, are exempt.[6] Another exception is that defendants may choose to waive the new joinder requirements under Section 299(c).[7]

There is still insufficient data to conclude with certainty whether the new joinder rules will have a significant effect on grant/denial rates for motions to sever. On the other hand, there is some data that indicates plaintiffs have begun to change their behavior with regard to filing multidefendant cases.[8]

For example, plaintiffs filed 30 patent cases naming 75 defendants, averaging 2.5 defendants per case, in the Eastern District of Texas between Sept. 17, 2011, and Oct. 25, 2011.[9] During the same period in 2010, plaintiffs filed 33 patent cases against 258 defendants in the Eastern District of Texas, averaging 7.6 defendants per case.[10] Thus plaintiffs in the limited sample size for Eastern District of Texas discussed above filed cases with an average of three times more defendants in 2010 than 2011.

The change has been less marked in other jurisdictions that tend to have fewer cases filed by nonpracticing entities. Looking at the totality of district courts, the number of defendants per patent case dropped from 2.7 between Sept. 17 and Oct. 25, 2010 to 1.9 during the same period in 2011.[11] There was also a slight increase in number of patent cases filed in the 2011 period over the 2010 period.[12] Thus, across the country, plaintiffs seem to be filing more patent cases against fewer defendants in the wake of the AIA.

What is clear from the multitude of case filings on the eve of Congress' enactment of Section 299, however, is that many plaintiffs believed that Section 299 would make it more difficult to file cases against multiple defendants. Plaintiffs filed 54 separate patent actions against over 800 defendants on Sept. 15, 2011, one day before the AIA's enactment.[13]

Furthermore, at least one plaintiff that filed in the Eastern District of Texas on Sept. 13, 2011, has since amended its pleadings to add over 50 defendants to the single defendant accused in the original complaint.[14] Given the record-high number of cases filed on the eve of enactment, and the unusually large number of defendants per case, it is likely that many of these cases were filed specifically to avoid the soon-to-be-enacted joinder requirements.[15]

Likely Effect(s) of the New Joinder Provisions

In theory, the new joinder provisions are intended squash some of the creative tactics adopted by plaintiffs to keep cases in questionable venues and to gain tactical advantages during litigation. For instance, plaintiffs filing in the Eastern District of Texas began adding local Texas companies in an effort to avoid transfer in the wake of TS Tech.[16] Plaintiffs also tended to file suits against multiple defendants that provide products only tangentially related to each other. Such multidefendant litigations can significantly disadvantage defendants, which often have differing interests with regard to claim construction because of differences in their products.

At least facially, the addition of Section 299 will curtail such behavior by requiring a greater showing of similarity between the defendants, "questions of fact common to all defendants," to proceed against multiple defendants in the same suit.[17] This will likely prevent joining unrelated local companies to preserve venue and may allow defendants to litigate without the burden of being forced to work in joint defense groups alongside competitors that are often bitter rivals.[18]

But even after Section 299, defendants in disparate patent litigations may still find themselves consolidated into a single venue for pretrial purposes under the multidistrict litigation statute, 28 U.S.C. §1407, where consolidation would significantly benefit judicial economy.[19] The standard for consolidating actions under the MDL statute, "civil actions involving one or more common questions of fact,"[20] is similar to the heightened 35 U.S.C. 299(a)(2) standard for joinder, "questions of fact common to all defendants or counter-claim defendants will arise in the action."

Nevertheless, some analyses have shown that a significant number of patent cases are consolidated into multidistrict litigations.[21] If defendants increasingly find themselves in MDLs rather than joined into the same case, then the effect of Section 299's new joinder requirements will be somewhat blunted. This is especially true in patent cases, given that many of the most important events, such as claim construction/Markman hearings, occur before trial.

Technical Changes to Venue

The AIA also makes several technical changes to venue in certain patent actions. Specifically, AIA Section 9 amends 35 USC Sections 32, 145, 146, 154(b)(4)(A) and 293[22] to changes the venue of certain appeals of [U.S. Patent and Trademark Office](#) decisions and certain suits against the USPTO. The new venue is the United States District Court for the Eastern District of Virginia, rather than the United States District Court for the District of Columbia.[23] This change rectifies the incongruity created when Congress shifted the venue for most USPTO appeals and suits to the Eastern District of Virginia, where the USPTO is located, but did not do so uniformly.[24]

Changes to Jurisdiction

Additionally, AIA Section 19 makes a relatively minor change to jurisdiction in patent cases. Section 19(a) amends 28 U.S.C. Section 1338(a) and 28 U.S.C. Section 1295, removing state court jurisdiction and regional circuit court appellate jurisdiction over cases involving patent counterclaims.[25] This amendment legislatively overrules the Holmes Group case, where the U.S. Supreme Court held that regional circuit courts and state courts have jurisdiction over cases where the plaintiff did not assert any patent causes of action but the defendant asserted a patent counterclaim. [26]

The Supreme Court reasoned that such counterclaims do not provide "arising under" the U.S. patent laws jurisdiction, as required by 28 U.S.C. Section 1338.[27] The AIA legislatively overrules this holding by specifically providing for exclusive federal District Court and Federal Circuit appellate jurisdiction in all cases involving "patents, plant variety protection, or copyrights." [28]

Future Changes to the Patent System Brought on by the Switch to "First-to-File"

There is no data available as of yet about the AIA's upcoming changes to the priority system, as those provisions have yet to come into effect. Still, there has been much discussion about the transition to and effects of converting the United States to a first-to-file patent system. It should be noted, however, that the AIA does not enact a true first-to-file system, but rather what the AIA calls a "first-inventor-to-file" system.[29]

While AIA Section 3 contains a "Sense of Congress" provision stating that international harmonization was one of Congress' goals in enacting the AIA,[30] the AIA brings the U.S. system closer to the rest of the world, but does not achieve complete harmonization.

True first-to-file systems, including the patent systems of all the nations that belong to the European patent convention, require absolute novelty to obtain a patent and thus have no grace period after public disclosure.[31] Unlike true first-to-file systems, the first-inventor-to-file system of the AIA retains a grace period for inventors who have previously publicly disclosed the claimed invention. This grace period is discussed below along with other changes to U.S.C. Sections 102 and 103.

A New Priority System

Future Section 102(a), as amended by AIA Section 3, adopts the first-to-file principle by stating that, “[a] person shall be entitled to a patent unless the claimed invention was patented, described in a printed publication, or in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention.”[32] Future Section 102(a) also adopts current Section 102(e)’s principle of barring a patent where the claimed invention was described in patent that is later issued or published but was filed before the barred patent’s effective filing date.[33]

The most obvious change in future Section 102(a) is that patentability of the invention is no longer determined as of the invention date, but rather as of the effective filing date of the application. Thus, an inventor can no longer swear behind a reference that disclosed his or her invention after the inventor’s invention date but before the inventor’s filing date. Standing alone, future 102(a) would adopt a true first-to-file priority system.

Future Section 102(a) also makes several other changes. Current Section 102 recognizes as prior art only those public uses or sales that occurred within the United States.[34] Future Section 102(a) removes the “in this country” modifier, meaning that public use or sale of the invention anywhere within the world will constitute prior art in the future.

Additionally, future Section 102(a) removes the current 102(a) prior art category of “known ... by others in this country,” substituting “otherwise available to the public” (anywhere in the world) instead.[35] It remains to be seen whether this change to “publicly available” will make any substantive difference in the law, as public knowledge has been almost wholly subsumed into the printed publication category of prior art as the definition of “printed publication” has expanded.[36]

As mentioned above, future Section 102(a) would create a true first-to-file system if it was not modified by two provisions in future Section 102(b). First, future 102(b) creates a grace period where direct or indirect disclosure of the invention by the inventor or a joint inventor less than one year prior to the application’s effective filing date does not constitute prior art.[37]

Second, future 102(b) states that public disclosure by the inventor or joint inventor up to a year before filing a patent application, and prior to a public disclosure of the invention by another that also predates the filing date of the inventor’s application, will render the subsequent disclosure of the other person not prior art.[38]

Essentially, an inventor’s public disclosure creates a one-year safe harbor period where Section 102(a) and the first-to-file system does not apply as to art that has an effective date between the inventor’s public disclosure and filing date. This is an important difference between the first-inventor-to-file system of the AIA and the first-to-file system of the rest of the world.

Hilmer Overruled

Another significant change to 35 U.S.C. Section 102 enacted by AIA is found in future Section 102(d), which abolishes the Hilmer doctrine. In the *In re Hilmer* case,[39] the predecessor court to the Federal Circuit, the Court of Customs and Patent Appeals, held that a U.S. patent, which properly claimed foreign priority, was entitled to its foreign priority date to establish novelty, but was only prior art to other applications as of its earliest U.S. filing date. Future Section 102(d) fixes this inconsistency and explicitly states that a patent or patent application is entitled to its foreign (Section 119) priority date when it is used as a prior art reference.[40]

Obviousness Determination Moved Forward in Time

The changes to Section 103 will likely end up being as practically significant as the changes to Section 102. As amended by the AIA, the Section 103 obviousness inquiry will ask whether the invention would have been obvious to a person of ordinary skill in the art as of the effective filing date of the patent.[41] This shifts the obviousness inquiry forward in time from the invention date, which is the relevant date for obviousness under current Section 103. In cases where there is any significant latency between the invention date and the effective filing date, this shift in the relevant time when obviousness is determined may make the difference in whether the claimed invention is obvious or not.

Derivation Proceedings and Suits

Consistent with the switch from a first-to-invent system, the AIA eliminates interference proceedings, which are used to determine which of a multiplicity of inventors claiming the same invention first conceived of and reduced the invention to practice.[42] Such proceedings are rendered superfluous by a system that ignores who was first to invent and instead focuses on who was the first to disclose.

Instead of interferences, the AIA amends 35 U.S.C. Section 135 to add derivation proceedings. Derivation proceedings will allow an applicant to petition to the PTO to institute a proceeding to ascertain whether an inventor named in application, filed prior to the petitioner's application, derived the invention from an inventor named in the petitioner's application.[43]

An applicant may only petition for a derivation proceeding within one year of the first publication of a claim to an invention substantially identical to what the applicant claims.[44] The PTO will institute a requested derivation proceeding only where it determines that the petitioner's claim of derivation is supported by substantial evidence.[45]

Alternatively, newly added 35 U.S.C. Section 291 also allows a patent owner to file suit to establish derivation by the owner of an earlier-filed patent that claims the same invention.[46] The patent owner with the later filing date must file suit within one year of the issuance of the patent with the earlier filing date.[47]

When the New Priority System Takes Effect

As other commentators have noted,[48] the rules to determine which patent filings will be governed under the new first-inventor-to-file system can be fairly complex when put into practice. For the most part, the changes will effect new applications filed on or after March 16, 2013 (18 months from the AIA's Sept. 16, 2011, enactment date).[49] But there are some major exceptions to this general rule.

Some applications originally filed before the March 16, 2013, trigger date will end up being governed by the new priority system. This is because the changes are effective against any patent or application that contains or ever contained any claim that is/was not entitled to a pre-trigger priority date.[50] Thus, if an applicant introduces new matter that was added after the trigger date into a claim, then the application that included the claim will be governed by the new priority system.

Furthermore, because of the "ever contained" language in Section 3(n), once an applicant adds a claim directed at matter unsupported by the pre-trigger date disclosure, that application, and any application that claims priority to that application, will be permanently governed by the new provisions, even if the claim containing the new matter is later removed.

Additionally, certain applications filed after the trigger date will still be governed under the old priority system. Any application that effectively can claim priority to an application filed before the trigger date, and that has never contained a claim directed to post-trigger date matter, as discussed above, will be governed by the old priority system. This assumes, of course, that the post-trigger date application is a proper continuing application with claims that are supported by the pre-trigger date disclosure.

Thus, the USPTO will apply differing priority systems to patent applications for many years after the March 16, 2013, trigger date. Given that it will not always be clear whether a patent should be governed by the old or new priority rules, this will likely provide fertile ground for arguments during future litigations.

Conclusion

In the end, the AIA left many areas of patent law untouched but also made rather sweeping changes to others. Several AIA provisions, such as the elimination of false-marking qui tam suits and the new venue rules, are already affecting the behavior of patent litigants. Moreover, while the most important changes, including the transition to a “first-inventor-to-file” priority system, will not take effect for another six months to a year, intellectual property attorneys are already strategically analyzing the AIA’s past and future changes for possible ways to benefit their clients.

--By Sasha Rao and Daniel Keese, [Ropes & Gray LLP](#)

[Sasha Rao](#) is a partner, and [Daniel Keese](#) is an associate, in Ropes & Gray's Silicon Valley, Calif., office.

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[1] Leahy-Smith Am. Invents Act, Pub. L. No 112-29, 125 Stat. 284-341 (2011) [hereinafter AIA].

[2] AIA Sec. 19(e).

[3] Like FRCP 20, 35 U.S.C. § 299(a)(1-2) (2012) states that joinder of parties is appropriate only where a “right to relief is asserted against the parties jointly and severally, ... arising out of the same transaction, occurrence, or series of transactions ...; and questions of fact common to all defendants ... will arise in the action.”

[4] 35 U.S.C. § 299(b).

[5] Donald S. Chisum, America Invents Act of 2011: Analysis and Cross-References § 19.2 (Dec. 5, 2011), <http://www.chisum.com/wp-content/uploads/AIAOverview.pdf>.

[6] 35 U.S.C. § 299(a).

[7] 35 U.S.C. § 299(c) (“an accused infringer may waive the limitations set forth in this section”).

[8] Statistics courtesy of Lex Machina, <https://lexmachina.com/>.

[9] Id.

[10] Id.

[11] Id.

[12] Id.

[13] Dennis Crouch, *Rush to Judgment: New Dis-Joinder Rules and Non-Practicing Entities*, Patently-O (Sept. 20, 2011, 3:20 PM), <http://www.patentlyo.com/patent/2011/09/rush-to-judgment-new-dis-joinder-rules-and-non-practicing-entities.html>.

[14] Pls.' Original Compl., *GeoTag Inc. v. Circle K Stores Inc.*, No. 2:11-cv-00405-DF-CMC (E.D. Tex. Sept. 13, 2011), ECF No. 1; Pls.' 1st Am. Compl., *id.* at ECF No. 10 (it was possible for GeoTag to add the 50 defendants after the enactment of the AIA because 35 U.S.C. Section 299 applies prospectively only, "any civil action commenced on or after the date of enactment. The authors express no opinion on whether joinder in this case was proper, but do note that Section 299 would likely have prevented joining all 50 defendants if Section 299 had applied."))

[15] 3605 patent cases were filed in 2010 (more than any other year), which computes to almost 14 cases per weekday, more than four times less than the number of cases filed on Sept. 15, 2011.

[16] See e.g., Zusha Ellinson, *IP Forum Shoppers: Any Excuse for Texas*, *The Recorder*, July 24, 2009, available at <http://www.law.com/jsp/iplawandbusiness/PubArticleFriendlyIPLB.jsp?id=1202432513211>; Elizabeth P. Offen-Brown, note, *Forum Shopping and Venue Transfer in Patent Cases: Marshall's Response to TS Tech and Genentech*, 25 *Berkeley Tech L.J.* 61 (2010).

[17] 35 U.S.C. § 299(a)(2).

[18] As noted previously, defendants sued together can choose to waive their joinder and venue objections and to proceed in a joint defense litigation, if they believe doing so would be advantageous. 35 U.S.C. § 299(c).

[19] See also Robert Angle, [Troutman Sanders LLP: Is Multidistrict Patent Litigation the Next Frontier?](#), Feb. 2, 2012, <http://www.lexisnexis.com/community/litigationresourcecenter/blogs/litigationblog/archive/2012/02/03/troutman-sanders-llp-is-multidistrict-patent-litigation-the-next-frontier.aspx> (describing Bear Creek Technologies' efforts to consolidate defendants using multiple means, including MDL).

[20] 28 U.S.C. § 1407(a).

[21] See John R. Allison, Mark A. Lemley & Joshua Walker, *Patent Quality and Settlement Among Repeat Patent Litigants*, 99 *Geo. L.J.* 677, 687 (2011) (reporting a significant number of patent suits involving the most litigated patents that were consolidated under the MDL statute).

[22] 35 U.S.C. § 32 deals with review of a USPTO decision to exclude a practitioner from practice before the office. §§ 145 and 146 address suits against the USPTO director where a patent applicant is dissatisfied with a BPAI decision. §154(b)(4)(A) deals with appeals of patent term adjustment determinations. §293 deals with situations where a nonresident patentee's designated person to receive service of process cannot be found.

[23] AIA Sec. 9(a).

[24] Chisum, *supra* note 5, § 9.

[25] AIA Sec. 19(a) (“No State court shall have jurisdiction over any claim for relief arising under any Act of Congress relating to patents.”).

[26] See *Holmes Grp. Inc. v. Vornado Air Circulation Sys. Inc.*, 535 U.S. 826 (2002).

[27] *Id.* at 830-32.

[28] AIA Sec. 19(a)

[29] AIA Sec. 3.

[30] AIA Sec. 3(p).

[31] Chisum, *supra* note 5, § 3.2.

[32] AIA Sec. 3(b).

[33] *Id.* at § 102(a)(2).

[34] 35 U.S.C. § 102(b).

[35] AIA Sec. 3b at § 102(a)(1).

[36] See e.g., *In re Klopfenstein*, 380 F.3d 1345 (Fed. Cir. 2004) (holding that a presentation of a printed slide presentation and putting it on two poster boards at a conference constituted a printed publication under current 35 U.S.C. Section 102(b), even though no copies were distributed or stored according to an index).

[37] AIA Sec. 3(b) at § 102(b)(1)

[38] AIA Sec 3(b) at § 102(b)(2)

[39] 359 F.2d 859 (C.C.P.A. 1966)

[40] AIA Sec 3(b) at § 102(d)(1)

[41] AIA Sec 3(c).

[42] 35 U.S.C. § 102(g).

[43] AIA Sec 3(i).

[44] *Id.*

[45] *Id.*

[46] AIA Sec. 3(h).

[47] Id.

[48] See Donald S. Chisum, Priority Among Competing Patent Applicants Under the America Invents Act (Chisum Patent Academy, Working Paper, Dec. 5, 2011).

[49] The AIA states that with regard to the Section 3 provisions, “the amendments made by this section shall take effect upon the expiration of the 18-month period beginning on the date of ... enactment ... and shall apply to any application for patent, and to any patent issuing thereon, that contains or contained at any time: (A) a claimed to a claimed invention that has an effective filing date.. that is on or after the effective date ...; or (B) a specific reference under section 120, 121, or 365(c) ... to any patent or application that contains or contained any such a claim.” AIA Sec. 3(n).

[50] Id.

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