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President's Message

by Brian G. Arnold

Greetings to all of the LAIPLA members, and thank you for your continued support of LAIPLA. We have enjoyed tremendous success this year, with a strong membership and active participation at all events. We look forward to several other excellent events, leading to the highlight of the year - our Spring Seminar at The Lodge at Torrey Pines on June 8-10. Save the date and stay tuned for registration details.

LAIPLA began calendar year 2012 with another outstanding Washington in the West conference. The Hyatt Regency Century Plaza proved to be an outstanding venue for our annual event, bringing together practitioners, in-house counsel, professors, and representatives from the United States Patent and Trademark Office for a day of presentations and networking opportunities. Thanks go to Greer Shaw for chairing the event.

LAIPLA celebrated its annual Judges' Night on March 27, with nearly 20 judges and over 100 attendees enjoying a presentation on intellectual property practice before the Ninth Circuit Court of Appeals, followed by a wonderful dinner at the historic Biltmore Hotel. LAIPLA thanks our panelists - the Honorable Richard A. Paez and the Honorable Milan D. Smith, Jr., both from the Court of Appeals for the Ninth Circuit, and the Honorable S. James Otero and the Honorable Andrew J. Guilford from the Central District of California. In addition, we thank Vern Schooley and the Judge Paul R. Michel Intellectual Property American Inns of Court, as well as the LAIPLA Judges' Night chair Sanjesh Sharma and Board liaison Laura Burson. Congratulations to all on another successful Judges' Night program.

On April 11, we will return to the California Club for a dinner presentation regarding "Beyond the Headlines of Section 337 at the ITC: What It Is, Why It Is So Popular, and How It Can Inform Your Global IP Portfolio Strategies". Patrick Flinn, Michael Newton, Ben Pleune, and Jamie Underwood from Alston & Bird will have an informative presentation, and we look forward to seeing you there.

If you have any interest in getting involved with LAIPLA, or in sponsoring any of our events, please contact me at 310-282-2160 or barnold@loeb.com. We have opportunities available for committee involvement and sponsorship for all of the events listed above.

Event Notice: April 11, 2012 Dinner Event

Beyond the Headlines of Section 337 at the ITC:
What It Is, Why It Is So Popular,
and How It Can Inform Your Global IP Portfolio Strategies
April 11, 2012
The California Club, Los Angeles

LAIPLA is pleased to announce our next monthly dinner will be held on Wednesday, April 11, 2012 at The California Club, 538 S. Flower Street, Los Angeles, CA 90071. Our guest speakers, Patrick Flinn, Michael Newton, Ben Pleune, and Jamie Underwood from Alston & Bird, will go behind the headlines to offer practical insight of what Section 337 investigations really entail, the advantages the ITC has to offer that make Section 337 so popular, and how you can use Section 337 to maximize your global IP portfolio. Don't miss this informative event! We encourage you to invite your colleagues and join us on April 11th. An event flyer and regsitration form is attached to this Bulletin.

Article: Searching For Patent Drafting Pointers in Prometheus

By: Charles E. Lyon
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Law360, New York (March 29, 2012, 1:49 PM ET) -- There is little doubt that the U.S. Supreme Court's recent decision in Mayo v. Prometheus will have an impact on the type and scope of claims that will be awarded by the U.S. Patent and Trademark Office (and upheld by the courts). Mayo Collaborative Servs. v. Prometheus Labs. Inc., 566 U.S. ___ (2012). While the full scope of the case's impact will likely take several years to play out in the courts, life sciences companies are left to consider how they can adapt their patent drafting strategies in order to protect inventions that involve "laws of nature."

What are some of the more encouraging statements made by the court? How might these be used to implement strategies that will maximize the likelihood of differentiating future claims from the claims that were invalidated in Prometheus? Before tackling these questions, consider the facts of the case. The patents-in-suit (U.S. Patent Nos. 6,355,623 and 6,680,302) relate to methods of optimizing therapeutic efficacy and reducing toxicity when using thiopurine drugs to treat immune-mediated gastrointestinal disorders such as Crohn's disease. When ingested, the body metabolizes these drugs to produce metabolites in the bloodstream. Claim 1 of the '623 patent was used by the court to exemplify the patented methods and is concerned with optimizing therapeutic efficacy based on levels of the metabolite 6-thioguanine (6-TG):

1. A method of optimizing therapeutic efficacy for treatment of an immune-mediated gastrointestinal disorder, comprising:

(a) administering a drug providing 6-thioguanine to a subject having said immune-mediated gastrointestinal disorder; and

(b) determining the level of 6-thioguanine in said subject having said immune-mediated gastrointestinal disorder, wherein the level of 6-thioguanine less than about 230 pmol per 8x108 red blood cells indicates a need to increase the amount of said drug subsequently administered to said subject and wherein the level of 6-thioguanine greater than about 400 pmol per 8x108 red blood cells indicates a need to decrease the amount of said drug subsequently administered to said subject.

The court held that claims such as this one are not patentable under 35 U.S.C. §101 because they do not do enough to transform "unpatentable natural laws" (specifically "relationships between the concentration in the blood of certain thiopurine metabolites and the likelihood that the drug dosage will be ineffective or induce harmful side-effects") into "patent eligible applications of those laws". Mayo, slip op. at 3.

Did Prometheus Claim the Wrong Type of Invention?

Prometheus chose to claim its invention from a diagnostic perspective — the steps of the methods are all geared toward diagnosing whether a particular patient should receive a higher or lower dose of the drug by giving the drug to the patient, waiting for the patient's body to metabolize the drug, determining metabolite levels and using these levels to come up with a diagnosis. In general, this particular type of diagnostic claim is always going to be harder to distinguish from the "natural laws" that underlie the diagnosis because the diagnosis is based on a result (metabolite levels) that is driven entirely by how the patient's body metabolizes the drug (a "natural law" according to the court). While the claimed methods involve steps of administering the drug to the patient and determining the metabolite levels, these were dismissed by the court as necessary but insignificant "pre-solution activity" that simply serves to observe the "natural laws" at work: "Anyone who wants to make use of these laws must first administer a thiopurine drug and measure the resulting metabolite concentrations.." Id. at 10.

Instead of claiming its invention from a diagnostic perspective, Prometheus could have claimed it from a therapeutic perspective. For example, the invention could have been presented as a method of treating a patient with a particular dose of drug that was optimized for that patient based on a prior diagnostic test. Another approach might have been to claim a method of treating a patient where the dose is lower or higher than a standard (prior art) dose and yet produces a level of metabolites within a desired range. While such therapeutic claims would need to consider joint and indirect infringement issues, they would have the advantage of applying the diagnostic information instead of simply gathering it.

The court makes it clear that merely adding the words "apply it" after "an unpatentable law of nature" will not transform it into a "patent-eligible application of such a law." However, the court also makes a point of recognizing that

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patents on "a new way of using an existing drug" are more likely to be patent eligible because they "confine their reach to particular applications of [natural laws]." Id. at 3 and 18. Some may take the position that this statement was meant to cover traditional second medical use claims where the "new way" involves using an existing drug to treat a new disease. However, the statement seems broad enough to also encompass personalized medicine methods where an existing drug is used to treat an old disease in a "new way," e.g., using a different dose for a particular population as in Prometheus, treating a population that overexpresses a particular biomarker, etc. Until this is fully tested, drafters should consider describing and claiming diagnostic inventions as both diagnostic and therapeutic methods.

Should the "Inventive Concept" Be Embraced?

One of the themes that runs throughout the court's decision is that patent eligible claims must include an "inventive concept" that goes beyond the natural law itself: "a process that focuses upon the use of a natural law [must] also contain other elements or a combination of elements, sometimes referred to as an 'inventive concept,' sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the natural law itself." Id. at 3 citing from Parker v. Flook, 437 U.S. 584, 594 (1978). Thus, in finding that the Prometheus claims were not patent eligible, the court stated that, "the steps in the claimed processes (apart from the natural laws themselves) involved well-understood, routine, conventional activity previously engaged in by researchers in the field." Id. at 4. In contrast, the court noted that in Diehr (where the claims were held to be patent eligible), "[the court] nowhere suggested that all [the] steps, or at least the combination of those steps, were in context obvious, already in use, or purely conventional." Id. at 12 discussing Diamond v. Diehr, 450 U.S. 175, 177-179 (1981).

Similarly, in discussing Neilson (where the claims were also held to be patent eligible) the court noted that: "[T]he claimed process included not only a law of nature but also several unconventional steps (such as inserting the receptacle, applying heat to the receptacle externally, and blowing the air into the furnace) that confined the claims to a particular, useful application of the principle." Id. at 15 discussing Neilson v. Harford, Webster's Patent Cases 295, 371 (1841).

The court explicitly acknowledged that this approach to patent eligibility could sometimes lead to an overlap with criteria such as novelty: "We recognize that, in evaluating the significance of additional steps, the §101 patent-eligibility inquiry and, say, the §102 novelty inquiry might sometimes overlap." Id. at 21. While this reliance on concepts of novelty and obviousness when assessing eligibility under §101 creates a confusing standard, it may provide another approach for differentiating future claims from the Prometheus claims.

Early in the opinion, the court makes a point of noting that at the time the Prometheus patents were filed it was already known in the art that levels of metabolites (including 6-TG which forms the basis for exemplary claim 1 of the '623 patent) were somehow correlated with the likelihood that a particular dosage of a thiopurine drug would be effective or toxic: "At the time the discoveries embodied in the patents were made, scientists already understood that the levels in a patient's blood of certain metabolites, including, in particular, 6-thioguanine and its nucleotides (6–TG) and 6-methyl-mercaptopurine (6–MMP), were correlated with the likelihood that a particular dosage of a thiopurine drug could cause harm or prove ineffective." Id. at 4. This may be a significant fact because it allowed the court to characterize the "administering" and "determining" steps (i.e., the steps that went beyond the "natural law" itself) as steps that were "well-understood, routine, conventional activity already engaged in by the scientific community." Id. at 11.

In contrast to the Prometheus patents, many existing diagnostic method patents were filed at a time when a particular diagnostic marker was not already being assessed, or at least not in the claimed context. Will that make a difference, or will the courts treat any step of assessing a diagnostic marker as "insignificant pre-solution activity" irrespective of novelty? Will it make a difference if the claims involve assessing a panel of markers that have never been tested as a group? What if the methods employ an artificial algorithm to combine results generated by the panel? These are hard questions to answer at this stage, but they identify the fact that the Prometheus claims were on the weaker end of the scale and can therefore potentially be distinguished. As long as the courts rely on concepts of "inventiveness" to analyze patent eligibility, drafters may want to consider including (and emphasizing) novel steps and novel combinations of steps in their methods. As discussed above, the novelty could result from the nature of the marker or markers but it could also result from the nature of the sample, the nature of the technique used to assess the marker, etc.

In certain situations it may also be beneficial to claim some of these features more narrowly than one might have done before the Prometheus decision. Indeed, some of the comments made by the court imply that the breadth of Prometheus' "determining" step was a factor in its decision: "the 'determining' step tells the doctor to determine the level of the relevant metabolites in the blood through whatever process the doctor or the laboratory wishes to use" and "the claim simply tells doctors to: (1) measure (somehow) the current level of the relevant metabolite." Id. at 10 and 13. See also: "The 'determining' step too is set forth in highly general language covering all processes that make use of the correlations after measuring metabolites, including later discovered processes that measure metabolite levels in new ways." Id. at 18.

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Therefore, if the "inventive concept" results in part from the nature of the sample (e.g., the test works unexpectedly better with saliva samples than blood samples) or the nature of the technique used to assess the marker (e.g., protein detection is unexpectedly superior to nucleic acid detection) then these more specific aspects of the invention should be emphasized and claimed.

Finally, it is also worth noting that the Prometheus claims involved a relatively simple and direct correlation, especially when viewed in light of the prior art. Indeed, there is a direct link and therefore correlation between the two "variables" in the method (i.e., the drug dose and the level of metabolites that are produced by metabolizing the drug). In contrast, many diagnostic and prognostic methods involve correlations that are much less direct. For example, a method of identifying a suitable therapeutic by measuring expression levels of a biomarker is likely to be much less obvious than a method of adjusting drug dose based on how extensively the drug is metabolized. While these differences may arguably relate to the "natural law" itself instead of its application they may well provide other ways of differentiating these types of claims from those in Prometheus and be another reason to embrace rather than reject the "inventive concept."

Moving Forward

While the full impact of the Mayo v. Prometheus decision remains to be seen, there are clearly some new "useful clues" in the decision that could provide avenues for protecting inventions that involve "laws of nature." Patent applicants should consider these carefully and try to incorporate them into drafting and claiming strategies going forward in order to maximize the likelihood of obtaining patent eligible claims.

Article: Aftershocks from the AIA: A Seismic Shift in Patent Law?

By: Sasha Rao & Daniel Keese
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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. 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,

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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

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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

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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 petition'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.

Article: NPEs Trolling the ITC

By: Brittany A. Boswell
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The view and opinions expressed in this article are those solely of the author(s) and are not of the Los Angeles Intellectual Property Law Association or its members.

Law360, New York (March 22, 2012, 1:08 PM ET) -- Though troll work is welcomed by plaintiffs attorneys, patent trolls have been the bane of corporate attorneys' existence for more than a decade.[1] Trolls, also known as nonpracticing entities, build their company's patent portfolio with the patents serving as the primary and, oftentimes, only asset. While rarely, if ever, manufacturing any invention disclosed by their patents, trolls set out to obtain patent-infringement judgments against companies that actually make products. Targets tend to be large, well-known corporations with deep pockets.

If infringement is proven in district court, two remedies desirable to a patent troll are available. First, a reasonable royalty may be granted. This is an award of monetary damages. Second, and more importantly, the troll could be awarded an injunction. This equitable relief would require the infringer to stop making and selling any of its products found to infringe the troll's patent(s). The threat of such an injunction is accompanied by the devastating reality that this could substantially affect the accused infringer's bottom line and, in some cases, even put the company out of business. Trolls rely on this threat to license patent(s) to the accused infringer or settle the litigation in some other manner.

While trolls seeking these remedies have become a staple in district courts, they are now trying to establish their existence on a new playing field — the U.S. International Trade Commission. A statutory federal agency, the ITC investigates complaints of unlawful importation into the United States. If the ITC discovers importation of products that infringe a valid and enforceable U.S. patent, it has but one remedy — to issue an injunction.

Just over a year ago, the ITC decided a series of cases associated with ITC Investigation No. 337-TA-650. The controversial decisions were interpreted as throwing open the ITC's doors to nonpracticing entities (i.e., patent trolls). These decisions revolve around a requirement unique to the ITC — "domestic industry." The domestic industry requirement is a threshold question to determining whether infringement occurred. In other words, if the ITC does not find the existence of a domestic industry, the ITC cannot find that a patent has been infringed, unlawful importation occurred or injunctive relief is appropriate.

To meet the domestic industry requirement, a complainant[2] must establish that a domestic industry relating to the products protected by the patent at issue within the United States existed at the time or is in the process of being established. (19 U.S.C. 1337(a)(2)). This can be proven in three ways. (19 U.S.C. 1337 (a)(3)). First, the complainant may demonstrate a significant investment in plant(s) and equipment within the United States relating to the products covered by the patent at issue. Second, a showing of significant U.S. employment of labor or capital relating to the products covered by the patent at issue may satisfy the domestic industry standard. Finally, if a substantial investment in the exploitation of the products protected by the patent within the United States, including engineering, research and development, or licensing, has been made, then the domestic industry requirement will be met.

It would seem that trolls cannot establish the existence of a domestic industry simply because they have no other business than enforcing their patents. Likely, their licensing efforts have failed to date and that is why the troll has resorted to litigation or an ITC investigation. Again, trolls are hoping to scare the accused infringers into settling the matter, which usually includes taking a license to continue using the invention disclosed in the troll's patent(s). As such, the ITC appeared to be an inappropriate forum in which a patent troll could pursue relief.

However, the aforementioned ITC decisions changed all that. The ITC held that substantial costs related to enforcing patent(s) through litigation could satisfy the licensing element mentioned in the final substantial-investment prong of the domestic industry standard. Thus, prelitigation and post-litigation licensing activities, if substantial enough, alone could satisfy the domestic industry requirement. "One commentator lamented that if litigation costs are permitted to count toward the domestic industry requirement, 'access to the ITC [will] functionally require only ownership of a patent and a team of aggressive lawyers engaged in enforcement suits.'"[3] Despite similar concerns, the Federal Circuit affirmed the ITC's ruling that the domestic industry requirement is not limited to prelitigation licensing efforts.[4]

Not long after, the ITC issued a decision thought to curtail the use of its investigations for licensing-based cases typically associated with trolls. Specifically, the ITC, in regard to Investigation No. 337-TA-694, held in July 2011 that licensing activities "reflecting a revenue-driven licensing model targeting existing production rather than industry-creating, production driven licensing activity that Congress meant to encourage" was insufficient to establish a domestic industry. Therefore, a business whose sole goal is to accumulate patents and attempt to license them (i.e., a patent troll) will not meet the domestic industry standard with those activities alone.

This precedent remains intact. But with cases chipping away at the clarity of the ITC's decision, this may not ring true in coming years. Even with this decision, trolls have not been entirely precluded from initiating investigations within the ITC. Indeed, trolls continue to pursue ITC relief, and corporations continue to be targeted by these strategies. For example, Walker Digital LLC, a nonpracticing entity, recently filed a complaint with the ITC alleging that companies such as Denon Electronics (USA) LLC, Funai Corp. Inc., LG Electronics Inc., Panasonic Corp., Philips Electronics North America Corp, Pioneer Corp., Samsung Electronics Co. Ltd, Sharp Corp., Sony Corp., Toshiba Corp., VIZIO Inc. and Yamaha Corp. unlawfully import and/or sell certain infringing Blu-ray disc players within the United States.

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Article: NPEs Trolling the ITC

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The patent at issue, U.S. Patent No. 6,263,505, is also the subject of a District of Delaware case involving 28 defendants styled Walker Digital LLC v. Ayre Acoustics Inc. et al. Previously in Delaware, seven other companies were accused of infringing this same patent in a case styled Walker Digital LLC v. Apple Inc. et al. Currently, the company has more than 30 active cases alleging patent infringement within its portfolio. This is, however, Walker Digital's only ITC investigation.

Walker Digital claims that it has "made substantial investment in the exploitation of the '505 patent through licensing activities." Walker Digital allegedly licensed the patent to Oppo Digital Inc. Oppo Digital is a California-based electronics designer, manufacturer and seller. Walker Digital also asserts additional confidential licenses with other entities.

Without being privy to all the licensing details, there is no way determine or even predict whether the ITC will find that the domestic industry requirement has been met by Walker Digital. But several companies, namely the respondents,[5] are hoping the ITC's precedent in Investigation No. 337-TA-694 will be affirmed in this investigation.[6]

In the meantime, the ITC remains attractive to trolls for several reasons. They can threaten to pursue injunctive relief, which provides great settlement leverage, the time involved with an ITC investigation is typically much shorter than a district court action, the ITC has broader jurisdiction, and summary determinations are frequently not granted. Yet, with precedent like Investigation No. 337-TA-694, various aspects still discourage trolls from using the ITC.

First, if the domestic industry requirement is not satisfied, the troll is not entitled to anything. Second, monetary damages are not available in ITC proceedings, so the troll can never recover in that manner. Third, the administrative law judges who preside over the ITC investigations are patent-savvy, and no sympathetic jury is available to convince that the big bad companies took advantage of the little guy. Fourth, due to the speed with which the investigation proceeds, the parties have hardly any down time to negotiate a settlement.

Trolls may be a permanent fixture in district courts, but with the increasing amounts of complaints before the ITC, overwhelming ITC case load, and precedent like Investigation No. 337-TA-694, they may not be trolling around the ITC for long.

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