



## IP: We passed the America Invents Act—what next?

**FIVE MORE TIPS TO HELP COMPANIES PREPARE FOR IMPLEMENTATION OF THE AIA'S PROVISIONS**

*This is the second in a [series](#) on the America Invents Act (AIA).*

### 1. Monitor and take steps to torpedo pending competitor patent applications

As of Sept. 16, 2012, the AIA will permit third parties concerned about the scope of claims of a pending patent application to bring publications to the U.S. Patent & Trademark Office (USPTO) examiner's attention. The submission must:

1. Be made before the earlier of:
  1. A notice of allowance
  2. Or the later of six months after publication or a first rejection
2. Be accompanied by:
  1. A concise description of the relevance of each document submitted
  2. A fee
  3. A statement affirming the submission complies with 35 USC § 122

Unlike the AIA's other avenues for third party challenges to patents, such as *inter partes* or [post grant](#) review, pre-issuance submissions may be made anonymously and there is no estoppel effect given to the submission of some, but not all relevant publications known to the submitter.

Publications relevant to any aspect of patentability, not just prior art, are fair game. For instance, if subsequent to a first office action but prior to six months after publication, an applicant submits evidence of commercial success in support of patentability, consider submitting publications evidencing the applicant's status as a market leader, or the applicant's heavy advertising of products covered by the application, to undermine arguments that the successful sales were because of claimed features.

In adding 35 USC § 122(e), which permits pre-issuance submissions by third parties, Congress created a paradox. 35 USC Section 122(c) was not amended by the AIA and requires the USPTO to ensure

no protest or other form of pre-issuance opposition to a patent application be initiated after an application is published without express written consent of the applicant. Before the AIA, the USPTO conducted a peer review pilot program soliciting third party submissions of prior art, but to comply with § 122(c), that program required an applicant's express written consent. It remains to be seen whether the USPTO will interpret the AIA as waiving the requirement for applicants' consent to post-publication third party submissions, and if challenged, whether courts will uphold that interpretation.

### 2. Request non-publication or early publication to prevent competitors from raining on your parade

Companies interested in depriving competitors of an opportunity to submit art for the examiner's consideration might weigh the risks of third party submissions versus the benefits of foreign filings. A company willing to forgo foreign filings may file a [non-publication request](#) at the time of initial filing of a U.S.

patent application. Absent a non-publication request, U.S. patent applications are typically published 18 months after filing.

Companies might alternatively consider sidestepping pre-issuance third party submissions by requesting early publication of already-pending applications having projected publication dates between March 22, 2012 and Sept. 13, 2012, and projected first office action dates of September 2012 or earlier. If such applications publish on or before March 15, 2012, the window for third party submissions will close before, or (subject to the accuracy of first action predictions) soon after the Sept. 16, 2012 effective date of 35 USC § 122(e).

**3. Want to have your cake and eat it, too? Bake it in the USA**

The AIA was promoted as legislation to stimulate the economy and create American jobs. Wouldn't it be ironic if the most effective provision in the patent reform act for creating American jobs serves as a disincentive to patenting inventions? The *quid pro quo* for the right to exclude others under a patent is a full, enabling disclosure to the public. This presents companies with a dilemma: Seek a patent for an invention or protect it as a trade secret. Until recently, with the exception of business methods, companies relying on trade secret protection did so at the peril of infringing subsequent third party patents because of obstacles to reliance on secret uses to invalidate patents.

Subject to certain conditions and exceptions, companies can now protect as trade secrets their inventions commercially

used in manufacturing processes, machines, products or compositions of matter in the U.S., and rely on that prior use as a defense to patent infringement allegations by third parties who later apply for and obtain patents on those inventions. Requirements to maintain enforceable trade secret rights vary from state to state and are beyond the scope of this article. The first commercial use, which may be an internal secret use, must occur at least one year before the third party's earliest effective patent application filing date.

Prior commercial use defenses or "prior user rights" are personal to the entity that performed or directed performance of the commercial use, and its parent or sister companies. The right to assert the defense cannot be licensed, assigned or transferred, except as an ancillary part of an assignment of the entire enterprise or line of business to which the defense relates. Assignees of prior user rights can only assert the defense for uses at sites where the assignor performed the commercial use in question before the later of the filing date of the asserted patent or the assignment of the business.

When acquiring businesses or business lines, companies should consider including in asset purchase agreements and other acquisition agreements language assigning the right to assert the prior commercial use defense as to all processes, machines, manufactures or compositions of matter practiced by the seller in the U.S. on or before the effective date of the acquisition. Companies should also consider including language indicating motivations for assigning the

business, as the AIA requires the transfer be for reasons other than transferring the right to assert the prior user defense. If an infringer pleads the prior commercial use defense and cannot demonstrate a reasonable basis for assertion, the AIA compels a finding that the case is exceptional, opening the door to an award of attorney fees.

**4. Consider insisting on products "Born in the USA"**

Although prior user rights are personal to the entity that performed the commercial use, purchasers of a useful end result of that use may also assert the defense. Under the AIA, a patentee's rights are considered exhausted as to downstream transactions involving products resulting from safe harbor commercial use, just as though the products were first sold by the patentee. Companies purchasing from outside sources materials, supplies, equipment and the like that are susceptible to patent infringement allegations should consider revising indemnity or warranty provisions of purchase agreements to preserve entitlement to step into the shoes of their suppliers regarding the suppliers' prior user rights.

For instance, if a supplier with potential prior commercial user rights manufactures widgets at different facilities in the U.S. and abroad, a purchaser might insist that all widgets provided under the agreement be manufactured at the supplier's U.S. facility. The purchaser may want to require the supplier employ bar codes or RFID tracking and provide or maintain records to ensure the widgets supplied were in fact those manufactured in the U.S., as only commercial uses in the

U.S. are entitled to prior user rights.

### **5. Incentive to assign jointly-developed patent rights to universities**

The prior commercial use defense may not be asserted against patents on inventions that, when made, were owned or subject to obligations to assign to universities, unless in reducing the patented invention to practice, the use of federal funds would have been prohibited. As a result, in an effort to shield resulting patents from prior user rights, companies collaborating with universities on sponsored research projects might consider structuring their agreements to include assignments or obligations on the part of inventors to assign patent rights on inventions discovered during the project to the university, with a license from the university to the company. Alternately, consider having inventors' rights assigned jointly to the university and the company.

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