

Defeating the Trolls: Prior Use a Viable Defense to Infringement Allegations

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By Peter Nieves

Your client is a company that was founded 10 years ago. After many years of investing time and resources, the company is enjoying profits when, out of the blue, a cease-and-desist letter arrives. The letter claims the company's core technology infringes a patent filed only four years ago; however, your client has been using this technology for eight years. If your client obeys the cease-and-desist letter, the company's profitability will decrease. If your client licenses the patent, the company may appear less appealing to potential investors and purchasers. Anxious and unclear about the potential impact of the patent, your client approaches you for options.

This is not an unusual situation. In fact, it has become more common with the increase in non-practicing entities over the years (also referred to as patent trolls). Fortunately, there are additional options available for your client.

Signed into law Sept 16, 2011, the America Invents Act (AIA) enhances protections previously contained in 35 USC § 273 and known as "Defense to infringement based on prior commercial use." As first in-

troduced in 1999, the provision allowed a prior user a defense to patent infringement where the accused infringer used an accused business method more than one year prior to the earliest priority date of a potentially infringed patent.

Intending to enhance protection available for non-patented inventions and trade secrets (i.e., to provide protection for more than just business methods), the AIA broadened this defense to include not only business methods, but also subject matter consisting of a process, or consisting of a machine, manufacture, or composition of matter used in a manufacturing or other commercial process. If successful, the defense generally results in a finding of non-infringement.

Several questions must be answered before asserting the expanded prior user rights defense.

- Was the asserted patent issued on or after Sept. 16, 2011? If yes, then the defense can be used.
- Does the client fit the description for a prior user rights defense? Those who can use this defense include a person who performed or directed performance of the commercial use; or an entity that

controls, is controlled by, or is under common control with such person.

- Did the person/entity asserting the defense, acting in good faith, commercially use the subject matter of the patent infringement claim in the United States, either in connection with an internal commercial use or an actual arm's length sale or other arm's length commercial transfer of a useful end result of such commercial use?
- Did the commercial use occur at least one year before the earlier of: The effective filing date of the claimed invention; and the date on which the claimed invention was disclosed to the public in a manner that qualified as an exception from prior art.

The person asserting a prior user rights defense under this section must establish the defense under the "clear and convincing" evidentiary standard, which is relatively high. As a result, companies that may need to reply on the defense should maintain strong evidence of the history of technologies. Examples of such evidence may include internal specification sheets, white papers, records of first commercial use, notarized and dated engineering notebooks, and internal memos regarding technologies and processes used by the company.

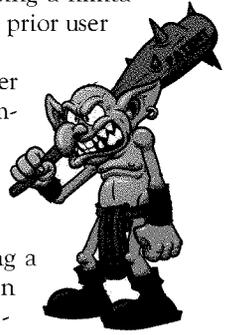
There are drawbacks to using the defense. If the accused infringer is found liable for patent infringement and cannot

demonstrate a reasonable basis for asserting the prior user rights defense, the court may award the plaintiff its attorney fees. As a result, this defense should only be used where there is a strong case for use.

Of course, there are exceptions to the prior user rights defense, which should be reviewed in detail. In short form, the exceptions include: an accused infringer not being allowed to derive subject matter of defense from the actual patent owner, there being increased power to university patents, and there being a limitation to transfer of the prior user rights defense.

The prior user rights defense is an important tool in defending patent infringement claims. Not only can it be used effectively during a lawsuit, but also, when responding to pre-litigation accusations of patent infringement. The defense is not without its exceptions and drawbacks, however, and therefore, an accused infringer should discuss the prior user rights defense with experienced counsel before asserting it.

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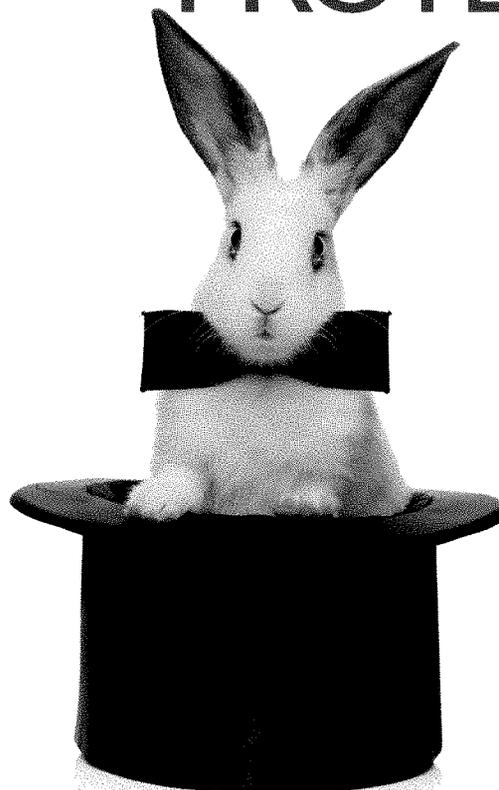
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