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Potential Liability Issues Arising Under the AIA

*An analysis of changes to practice arising under the AIA
and the relationship to malpractice risk in IP firms.*

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Introduction

The America Invents Act (AIA) alters numerous laws affecting IP protection for a broad range of applicants and affects almost the entire range of prosecution activities. The AIA was intended to modernize the patent system and promote innovation, job creation, and economic growth. This modernization included several changes that will affect the patent prosecutor, including benefits for prosecutors and applicants as well as traps for the unwary.

Since the AIA was signed into law on September 16, 2011, many of the new rules implementing the new laws have been finalized and put into practice. This paper examines how these new rules relate to professional liability from the standpoint of the most common mistakes currently made by intellectual property (IP) counsel, with particular focus on the AIA rules on declarations, the new definition of “applicants”, the one-year grace period exception to first-to-file, and supplemental examination.

Top Five Malpractice Risks

The top five malpractice risks for IP counsel in boutique IP firms are as follows.²

- Inadequate representation
- Conflict of interest
- Planning error
- Inadequate discovery
- Failure to follow client instruction³

The categories of “conflict of interest” and “failure to follow client instruction” are self explanatory. “Planning error” is typically defined as cases involving wrong decisions where the lawyer knows the facts and the law. “Planning error” is usually a strategy or a judgment error.⁴ “Inadequate discovery” is typically defined as including cases where certain facts which should have been discovered by the attorney were not discovered.⁵

Using the historic top five malpractice risks for IP counsel as a lens through which to view the AIA yields the following relationships between the AIA and malpractice risk:

AIA IMPACT	ERROR AVOIDED
Companies can now be “applicants”	Conflict of interest
Anticipate trouble obtaining inventor declarations	Inadequate representation
First to file – 1-year grace period issues	Planning Error
Supplemental examination available to cleanse patents, e.g., after acquisition	Inadequate discovery
First to file – establish agreed/usable timelines with client	Failure to follow client instruction

These AIA impacts are examined in the sections that follow. Specifically, Section III discusses the revised definition of “applicant”; Section IV discusses the new requirements for inventor declarations; Section V looks at issues with the new first-to-file regime, including the new one-year grace period; and Section VI covers the new supplemental examination procedure and its potential uses.

² According to CNA claim data from 2006-2011.

³ Note that failure to calendar and failure to timely file (combined) represent the second highest claim exposure for general practitioners, but are not in the top five for IP practitioners in boutique IP firms. Other types of firms may be more susceptible if they lack a robust docketing infrastructure.

⁴ See “Profile of Legal Malpractice Claims,” *American Bar Association*, 2012, at 25.

⁵ *Id.*

Revised Definition of “Applicant”

The revised definition of an “applicant” in the rules implementing the AIA will probably reduce the likelihood for conflict of interest issues to arise for the attorney, between his representation of the applicant and a perceived representation of the employee inventor.

When a person other than the inventor or inventors acts as the applicant, the Patent Application Data Sheet (ADS) specifying the applicant information is required.⁶ The final rules provide that the applicant can file an application and take various actions that only inventors could previously perform. The revisions to the rules based upon the AIA implementation allow for an assignee,⁷ a person to whom the inventor is obligated to assign the invention (e.g., an employer),⁸ or person with a sufficient interest⁹ to act as the applicant. The amount of information required to demonstrate the right to act as the applicant varies depending on who is applying for the patent. When the applicant is the assignee or a person to whom the inventor is under an obligation to assign the invention, the corresponding information “should” be provided no later than the date on which the issue fee is provided.¹⁰ This would generally include an assignment for an assignee, or evidence of an obligation of assignment (e.g., an employment agreement containing an obligation to assign) when the applicant is the person to whom the inventor is obligated to assign the invention.¹¹ It should be noted that no petition is required in order to be the applicant for an assignee or person having an obligation of assignment from the inventor.

The change in the rules also should simplify Patent Cooperation Treaty (PCT) filings. With the revised definition of who may be an “applicant,” PCT applications may now be filed in the name of the applicant rather than the inventors for purposes of designating the U.S.¹² Other than the procedural simplifications of filing in the name of the applicant, the ability to list the assignee as the applicant may change the number of PCT applications eligible to be filed in the U.S. Receiving Office. For example, when a U.S. company hires all foreign inventors residing in foreign countries, the U.S. may not be available as a receiving office based on the citizenship and residency of the inventors. Under the new rules, the U.S. company may act as the applicant, thereby allowing the U.S. to act as the receiving office. Further, the options for the International Searching Authority are based on the choice of the receiving office, and the expansion of the definition of the applicant may provide for additional patent offices to act as the International Searching Authority (ISA). However, the non-inventor applicant may also result in a narrowing of the choices for the receiving office, and consequently, the ISA. In particular, where more than one inventor provides a diversity of citizenship, listing a single non-inventor applicant may narrow the potential choices. Thus, the option to list a non-inventor applicant may be considered when determining who should be listed as the applicant, and for which locations, when filing a PCT application.

⁶ 37 C.F.R. § 1.46(b).

⁷ 37 C.F.R. § 1.43.

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.*

¹² See 37 C.F.R. § 1.421; 37 C.F.R. § 1.424.

For pre-AIA applications (i.e., those filed prior to September 16, 2012) Patent and Trademark Office (PTO) form PTO/SB/81 was available to grant the power of attorney. Using this form, the applicant/inventor could grant the power of attorney. In this circumstance, the inventor may become mistaken regarding who is representing him or her, which could cause problems if there was later a dispute in which the company and the inventor are on opposing sides. The new definition of applicant helps to avoid any confusion between the attorney and the inventor regarding the party represented by the attorney.

Inventor Declarations Under AIA

In order to avoid issues related to inadequate representation, practitioners should become conversant with new requirements for inventor declarations under the AIA.

Which Oath or Declaration – Old or New?

The requirements for using the revised oath or declaration are based on an application's filing date. For applications filed before September 16, 2012, the previous form of the oath or declaration (the "old" form) should be used. The revised oath or declaration (often referred to as the "new" form declaration) must be filed in any patent application filed on or after September 16, 2012. Since all continuing applications, including continuations, divisionals, and continuation-in-part applications, are considered new and separate applications (even though they may have a priority claim), the new form of the declaration is required if the filing date of the application (i.e., not the priority date) is on or after September 16, 2012. In terms of a PCT application, an international application designating the United States is considered a U.S. patent application.¹³ Accordingly, the U.S. national phase application of a PCT application will rely on the international filing date to determine whether the new declaration form applies or if the previous language should be used. The following simple flow charts can be used to determine which oath or declaration ("old" form vs. "new" form) should be used in any specific application:

FOR U.S. APPLICATIONS (e.g., original utility application, divisional application, continuation application, continuation-in-part application)	NO	YES
Is the U.S. filing date on or after 9/16/2012?	Use the "Old" form oath/declaration.	Use the "New" a oath/declaration.

FOR U.S. NATIONAL STAGE APPLICATIONS entering from a PCT designating the U.S.	NO	YES
Is the PCT filing date on or after 9/16/2012?	Use the "Old" form oath/declaration.	Use the "New" a oath/declaration.

¹³ See 35 U.S.C. § 363 ("An international application designating the United States shall have the effect, from its international filing date under article 11 of the treaty, of a national application for patent regularly filed in the Patent and Trademark Office except as otherwise provided in section 102(e) of this title.").

Content of the “New” Declaration

With respect to the content of the oath or declaration, each revised oath or declaration must include:

1. an identification of the inventor executing the oath or declaration;
2. an identification of the application to which the oath or declaration is directed;
3. a statement to the effect that “I believe that I am the original inventor or an original joint inventor of a claimed invention in the application”;
4. a statement to the effect that “the application was made or authorized to be made by me.”¹⁴

Additional information must be supplied in the oath or declaration if an ADS is not supplied including an identification of all of the inventors and mailing and residence addresses for each inventor.¹⁵

The final rules change the content of the oath or declaration in several ways. First, the oath or declaration need only identify the single inventor signing the oath or declaration rather than all of the inventors as long as an ADS is submitted in the application.¹⁶ This change recognizes the ADS as the appropriate document to identify the relevant information for the application, including the list of all of the inventors for the application. The requirement to list only the inventor executing the oath or declaration also means that the inventor is not making any statements about the total inventive entity of the application. While not required, it is permissible to include additional information in the declaration, such as an identification of all of the inventors.

Second, the required number of statements in the oath or declaration has been reduced. For example, the inventor is no longer required to state that he or she is the “first” inventor, which comports with the switch to the first-to-file system. Having been moved to the new ADS, foreign priority claims are also no longer required to be listed in the declaration. Further, the inventor no longer must state that he or she acknowledges the duty of disclosure or has reviewed and understands the content of the application. While these statements are not required, the new rules declare that a person cannot execute an oath or declaration without first reviewing the application and is aware of the duty to disclose all information known to the person to be material to patentability.¹⁷ Each practitioner also must take measures to ensure that the person signing the oath or declaration satisfies these requirements.

Practice Point:

It may be wise to include statements in the oath or declaration to provide evidence that the person executing the oath or declaration understood the requirements at the time of signing. This may be important when working with foreign inventors who might not otherwise be aware of the requirements in the U.S. Further, placing these statements in the oath or declaration provides a convenient location for maintaining evidence of the inventor’s statements rather than having to keep additional documentation evidencing the inventor’s understanding for the life of any patent resulting from the application. For example, the following statements may also be included in the oath or declaration:

“I have reviewed and understand the contents of the application, including the claims.

I am aware of and acknowledge the duty to disclose to the U.S. Patent and Trademark Office all information known to me to be material to patentability as defined in 37 C.F.R. 1.56.”

¹⁴ 37 C.F.R. § 1.63.

¹⁵ *Id.*

¹⁶ See 37 C.F.R. § 1.63(b); see also 37 C.F.R. § 1.76 (listing the requirements for the content of an ADS).

¹⁷ 37 C.F.R. § 1.63(c).

Declarations – Timing

The revised rules have changed the timing for filing the oath or declaration. The timing of declarations has implications regarding adequacy of representation and planning errors on the part of IP counsel.

The oath or declaration in a regular application may be delayed until the application is otherwise in condition for allowance¹⁸ provided that an ADS is submitted that provides the legal name of each inventor and a mailing address and residence for each inventor. The rules indicate that a notice of allowability will indicate if the oath or declaration has not been received and set a time period for reply, which cannot be extended.¹⁹ A surcharge of \$140 is required (for large entities) for an oath or declaration not filed with the application.²⁰ For re-issue applications, the rules require that the various re-issue requirements and statements appear in the oath or declaration, which therefore must be provided prior to examination.²¹

For applications granted or issuing after January 14, 2013, the Interim Final Rules²² resulting from the AIA Technical Corrections Bill have clarified that the 14 month period used for adjustment of patent term due to delays by the patent office (sometimes referred to as “A-delay”), begins on the date on which an application is filed under 35 U.S.C. 111(a) or the date of commencement of the national stage under 35 U.S.C. 371 in an international application, which does not require that the oath or declaration be filed. While it is unclear at this point, any delay in filing the oath or declaration that requires a notice in the notice of allowability will likely reduce the amount of extension available to applicants. For example, this may have an effect on the amount a patent term is reduced due to applicant delay. Thus, the implications on patent term should be considered for each application in deciding whether to file the oath or declaration at the outset or delaying filing the documents until a notice of allowability is received.

Practice Point:

The previous practice of obtaining an oath or declaration at or near filing the application allowed the inventors to execute the oath or declaration when they could likely still be located and were on good terms with the assignee or company. Any delay in obtaining an oath or declaration in an application past the initial filing, may increase the risk that an inventor becomes unavailable or uncooperative. Further, the notice of allowability cannot be extended, leaving only three months to obtain an oath or declaration and record it in the application. Thus, as a practice point, the oath or declaration should still be obtained as soon as possible in an application.

¹⁸ 37 C.F.R. § 1.53.

¹⁹ *Id.*

²⁰ See 37 C.F.R. § 1.16(f).

²¹ See 37 C.F.R. §§ 1.172, 1.175.

²² See 78 Fed. Reg. 62 at 19417 (April 1, 2013)

First-to-File, Prior Art, and One-Year Grace Period

First-to-File Regime

The AIA's new first-to-file regime places more emphasis on the filing date.

Practice Point:

Establish with the client an agreed and feasible timeline for filing a patent application.

Prior Art

The effective date of the first-to-file provisions of the AIA version of 35 U.S.C. §102 is March 16, 2013.²³ The first-to-file provisions will apply to any application or patent (i) with a claim having an effective date on or after March 16, 2013, or (ii) having a specific reference under §120, 121, or 365(c) to an application having such a claim.²⁴ Applications that are pending before March 16, 2013 and continuation and divisional applications that claim priority to such applications will continue to be governed by the current version of 35 U.S.C. § 102.

The new 35 USC § 102(a)(1) defines prior art generally as certain events that occurred anywhere in the world prior to the effective filing date:

(a) NOVELTY; PRIOR ART.—A person shall be entitled to a patent unless—

(1) 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.

Note that as compared with the previous version of the statute prior art, under 35 U.S.C. § 102(a)(1) is no longer based on the date of invention and is no longer limited to public use or on sale in the U.S., and the effective filing date now includes non-U.S. priority.

Further, the new 35 USC § 102(a)(2) defines “prior art” effect of earlier filed U.S. patent applications:

(a) NOVELTY; PRIOR ART.—A person shall be entitled to a patent unless—

...

(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.

Note that 35 U.S.C. § 102(a)(2) is parallel to the pre-AIA § 102(e) but with broader impact (e.g., prior art patents or publications are no longer limited to the U.S. filing date and can reach back to foreign priority applications).

²³ See America Invents Act, Section 3(n)(1).

²⁴ *Id.*

One-year Grace Period

The AIA retains the pre-AIA grace period only for the inventor's own disclosure and disclosures obtained from the inventor as provided in new 35 § 102(b):

(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.

An important question left open by the AIA is the extent to which prior disclosure by an inventor defeats an intervening third-party disclosure during the grace period. The PTO takes the stance that an intervening third-party disclosure is removed by a prior disclosure to the extent the intervening third-party disclosure overlaps with the prior disclosure.²⁵ As a preliminary matter, the PTO has clarified that:

there is no requirement that the mode of disclosure by an inventor or joint inventor be the same as the mode of disclosure of an intervening disclosure (e.g., inventor discloses his invention at a trade show and the intervening disclosure is in a peer-reviewed journal). Additionally, there is no requirement that the disclosure by the inventor or a joint inventor be a verbatim or *ipsissimis verbis* disclosure of an intervening disclosure in order for the exception based on a previous public disclosure of subject matter by the inventor or a joint inventor to apply.²⁶

In other words, the PTO states that the disclosure by the inventor/joint inventor does not have to be "verbatim" the same as an intervening disclosure in order to defeat the intervening disclosure. However, it is unclear at this point the extent to which the two disclosures can differ before the intervening disclosure is no longer defeated.

²⁵ See 78 Fed. Reg. 31, starting at 11059 (Feb. 14, 2013) (entitled "Examination Guidelines for Implementing the First Inventor To File Provisions of the Leahy-Smith America Invents Act").

²⁶ *Id.* at 11059.

The PTO Examination Guidelines provide a number of examples to determine to what extent an intervening third-party disclosure can be removed.²⁷ Several examples are summarized in the table below.

PRIOR INVENTOR DISCLOSURE	INTERVENING THIRD-PARTY DISCLOSURE	RESULT
Elements A, B, and C	Elements A, B, C, and D	Only element D is available as prior art.
Species	Genus	Disclosure of genus is not available as prior art
Genus	Species	Disclosure of species is available as prior art
Species	Alternative species	Disclosure of alternative species is available as prior art.

The first, third, and fourth rows of the table highlight a risk involved in relying on the prior inventor disclosure to defeat intervening prior art. If an intervening third party develops variations of the earlier disclosed invention that a prior disclosing party would want to cover in a later-filed patent application, the intervening disclosure may prevent the prior disclosing party from obtaining coverage on the variations. The first example most clearly illustrates this point. If an inventor (or joint inventors) discloses elements A, B, and C less than one year before applying for a patent, the inventor is not prohibited from applying for a patent covering elements A, B, and C. However, if it turns out that element D would have provided the only patentable distinction, the inventor would be blocked from patenting the combination of A, B, C, and D.

Therefore, an IP practitioner should be aware of trade-offs when advising clients on public disclosure. There are advantages and disadvantages to public disclosure. One advantage is that public disclosure gives a client one year to determine whether to patent. However, in addition to loss of foreign patent rights (a risk that also existed pre-AIA), a disadvantage is that obviousness is determined as of the effective filing date of claimed invention,²⁸ so intervening extensions or variations disclosed by a third party could be available to defeat patentability.

Practice Point (if unconcerned regarding foreign patent rights):

If you already have a good publication (and so foreign rights are no longer an issue), you should not need to file a provisional application. If you have several ideas about potential directions you might go from an invention starting point which is or is not public, but do not want the potential directions published – a provisional application could let you document the state of that idea generation while keeping it secret for the time being. It could even later be abandoned without a priority claim if the ultimate decision is to keep those ideas secret rather than pursue patent protection.

²⁷ *Id.* at 11077.
²⁸ See 35 U.S.C. § 103.

Mechanics of Overcoming Intervening Prior Art

An applicant can remove third-party disclosures within the one-year grace period only with proof of prior public disclosure by the inventor. New rules provide a convenient means of identifying in the patent application itself any prior disclosures by an inventor within the one-year grace period for the purpose of defeating potential prior art disclosed within the grace period.²⁹ The alternative is that an applicant is allowed to overcome a rejection by submitting an affidavit or declaration to disqualify a third-party disclosure as prior art due to prior disclosure by an inventor.³⁰

Practice Point:

If an inventor-based disclosure is cited against a patent application, a response addressing the disclosure must be prepared, which includes the cost of the response as well as the affidavit or declaration. Ensuring that the first disclosure is in a patent application will reduce this cost.

Are "Secret" Commercial Uses Prior Art?

There is some ambiguity in the AIA and prior case law on whether "secret" (i.e., non-public) commercial uses, such as an offer for sale under a confidentiality agreement, trigger the one-year grace period. The PTO's position is that the clause "otherwise available to the public" in the revised § 102 implies that pre-filing secret sales and commercial uses do not qualify as prior art under the revised § 102.³¹ In effect, according to the PTO certain conflicting case law no longer applies and was overruled by the AIA.³² The American Intellectual Property Law Association (AIPLA) agrees with the PTO's position.³³ However, a few prominent legal commentators disagree with the PTO's position.³⁴

Practice Point:

Looking forward (conservative approach) – assume non-public sales and uses trigger of the one-year period and follow prior practice on this point where you can.

Looking backward – a review of pre-AIA filing decisions on past ideas that were not filed due to a sale or use more than a year before the application could have been filed could desirably be conducted to determine if a potential application could benefit from the interpretation of the first-to-file rules.

²⁹ See 37 C.F.R. § 1.77.

³⁰ See 37 C.F.R. § 1.130.

³¹ See 78 Fed. Reg. 31 at 11062 (Feb. 14, 2013) ("Examination Guidelines for Implementing the First Inventor To File Provisions of the Leahy-Smith America Invents Act," Discussion of Public Comments, Comment 7).

³² *Id.*

³³ AIPLA Comments to USPTO on First-Inventor-to-File, October 5, 2012, p. 8, http://www.uspto.gov/patents/law/comments/aipla_20121005.pdf.

³⁴ See Lawrence Pope, Comments in Response to 26 July 2012 FR 43742 and 43759 Proposals on Rules and Guidelines, http://www.uspto.gov/patents/law/comments/l-pope_20121003.pdf; see also Mark Lemley, Comments on PTO 1st to File Guidelines, http://www.uspto.gov/patents/law/comments/m-lemley_20121005.pdf.

Supplemental Examination

A supplemental examination procedure is available as of September 16, 2012 that allows a patent owner to seek a low level review of an issued patent to ensure that it was properly issued based upon newly submitted information. The supplemental examination procedure could be helpful in mitigating risk with respect to inadequate discovery. The benefit of the supplemental examination procedure is that it provides a way to immunize a patent against allegations of inequitable conduct.³⁵

Supplemental examination could be particularly useful in the following contexts: (1) after a corporate acquisition and (2) prior to litigation. Specifically, supplemental examination may be considered after a corporate acquisition to cleanse acquired patents of any issues, such as missing art or misunderstood inventorship. Further, supplemental examination may be used to cleanse a patent or have the patent office consider newly discovered prior art prior to litigation.

The total fee for filing a supplemental examination request is currently \$16,500 (for a large entity),³⁶ which breaks down as \$4,400 for filing the request plus an additional \$12,100 for any *ex parte* reexamination ordered as a result of the supplemental examination proceeding (the fee of \$12,100 is refunded if no substantial new question of patentability is raised).

The requirements on timing for filing a supplemental examination are as follows.³⁷ (1) the supplemental examination (and any subsequent reexamination) must be completed prior to the filing of a lawsuit where inequitable conduct may be raised as a defense; and (2) the supplemental examination must be filed prior to the inequitable conduct being alleged in a pleading or Paragraph IV certification.

One may contrast the acquisition scenario to a scenario in which a company uses supplemental examination on patent(s) that it prepared and prosecuted to cite prior art that should have been cited during prosecution. Supplemental examination in the non-acquisition scenario may arguably open the door to an implication of a breach of duty in not disclosing art. In contrast, in the acquisition scenario a stronger argument can be made in favor of using supplemental examination due to the fact that a different company prosecuted the patent in question. For example, perhaps the acquired company was a small company that did not have adequate safeguards in place to capture and submit the relevant art. Such a scenario may look different if presented to a trier of fact in a litigation context.

Finally, another situation worth mentioning is one in which supplemental examination may prove useful outside of an inequitable conduct consideration. Often, a U.S. patent is granted and issued before examination of a foreign counterpart is complete. Suppose that after a U.S. patent granted a patent examiner in a related foreign counterpart discovers a piece of relevant art that was not cited by the examiner in the U.S. Supplemental examination could be used to cite the art in the U.S. case before being asserted in litigation, thereby making it more difficult for a defendant to use the art against the patent later. As one commentator has noted, one benefit of supplemental examination, as opposed to reexamination, is that the patent holder does not have to make any statements to convince the USPTO that the patent has a problem, thereby avoiding potential prosecution history issues.³⁸

³⁵ See 35 U.S.C. § 257(c)(1).

³⁶ See 37 C.F.R. § 1.20(k).

³⁷ See 35 U.S.C. § 257(c)(2).

³⁸ See Dennis Crouch, "Is the New Supplemental Examination a Complete Replacement for Owner Initiated Ex Parte Reexamination?", October 3, 2012, at <http://www.patentlyo.com/patent/2012/10/is-the-new-supplemental-examination-a-complete-replacement-for-owner-initiated-ex-parte-reexamination.html>.

Conclusion

In the exercise of prudence, and with an eye to best serving the client, a practitioner must have detailed conversations with the client regarding, for example, identification of the applicant, target dates for filing applications, and options for handling both secret and public disclosures (ideally, prior to any disclosure). Further it is recommended that a process is implemented for obtaining timely declarations which used the “magic” language discussed above. Additionally, a practitioner must not rely on old form declarations from a parent case if the parent case was filed before September 16, 2012. Finally, supplemental examination is available to cleanse high value patents of prior oversights (such as non-cited prior art), but the inherent risk of an implied breach of duty must be considered before the supplemental examination option is exercised. Supplemental examination can be a valuable tool in and following an acquisition, especially if the intellectual property is a key value driver for the acquisition.

While all the implications of the America Invents Act have yet to be realized, a practitioner can, through his or her diligence, work within the new parameters presented by the Act and develop strategies to best serve the client and in so doing reduce his or her own risks of error and the liability entanglements that come with it.



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