

6 KEY TAKEAWAYS

Considerations Before Relying on AIA Prior User Rights

Patent Partner Karam J. Saab shares key considerations before relying on AIA Prior User Rights:

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Trade secret can serve as an effective tool to protect internal processes and systems that are not exposed to the public; however, companies should anticipate that a competitor could later obtain a valid patent on the same technology. Processes, software, or devices used in-house that cannot be discerned from a final product may be well-suited for trade secret protection. Examples of such processes can include manufacturing processes that are not detectable in a manufactured product or server-side software improvements that are not readily discernable to end users. While patents include significant up-front costs, public disclosure of the invention, and have a fixed term of protection, trade secrets tend to be less expensive to maintain, are by definition kept secret, and potentially can be maintained indefinitely. However, trade secret protection does create risk if another

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Trade secret owners can rely on the AIA's "prior user rights" as a defense to patent infringement asserted by a competitor that obtained a patent in certain circumstances. 35 U.S.C. § 273 provides a defense to patent infringement for companies that have developed and use technology that is being protected as a trade secret. However, there are several caveats that a company's counsel must understand before making the decision to rely on prior user rights as a potential future defense to patent infringement.

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In order for prior user rights to be a valid defense to patent infringement, the trade secret must have been used in practice for at least one year ahead of when the competitor's patent application was filed. Establishing the date of when use of the secret invention began is of paramount importance for § 273. In most instances, a time period of one year from when use of the trade secret began will exist during which if a patent application is filed by another party, prior user rights will not be available as a valid defense. This time period can be up to two years if the patentee publically disclosed the invention prior to filing the patent application.

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The trade secret must have been practiced in the United States for at least the one year time period ahead of filing of the patent application in order for prior user rights to be a valid defense to patent infringement. If a company develops a new process or technology that is initially only practiced outside of the United States but is later practiced within the United States, the time during which the process or technology was being practiced only outside of the United States would not establish an initial date of prior use for the purposes of § 273. This caveat is particularly important for situations in which a company is relocating manufacturing facilities or server facilities to the United States. Even though the trade secret may have been practiced for many years outside the United States, this use would not establish prior user rights under 35 U.S.C. § 273.

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Establishing prior user rights as a defense to patent infringement requires "clear and convincing" proof. Clear and convincing proof requires that evidence be highly and substantially more likely to be true than untrue. Typically, in civil litigation, the burden of proof is "preponderance of the evidence." By 35 U.S.C. § 273 specifically requiring clear and convincing evidence, establishing prior user rights as a valid defense to patent infringement will require a substantial evidentiary record established by the company.

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If a company is willing to assume the risk of relying on prior user rights to defend against patent infringement, trade secret can offer substantial cost savings over the patent process. If a company elects to maintain a technology or process as a trade secret, an extensive evidentiary record should be established of the use of the secret technology or process. Records could include sworn declarations from the inventor and other employees detailing when the process was developed and began being implemented in secret in the US, dated manufacturing schematics, and dated procedures proving internal use of the secret process. While creating such records may be time consuming and ultimately unnecessary if patent infringement is never asserted against the company, patent infringement being asserted in the absence of such evidence could be disastrous to the company's ability to set forth a strong prior user rights defense. If infringement is found, even more damaging than monetary damages may be the prohibition of practicing the patented process. If a competitor patent subsequently issues covering the secret process, it may be prudent to obtain a prior user rights opinion of counsel. Such an opinion could help support a prior user rights defense if litigation arises.