Patent Reform 2011:
The “America Invents Act”:
What You Need to Know

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Presented by

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The “America Invents Act” (AIA) Enacted September 16, 2011
References:

- “AIA” = “America Invents Act” (H.R. 1249)
- “Sec.” = Section of the AIA
- “§” = Section of the Patent Law, as codified, 35 United States Code (U.S.C.), as amended
Topics

- Three Major Areas:
  - What you need to know **NOW**!
  - What you need to think about in the next **12 months** until **September 16, 2012**
  - What you need to know by **March 16, 2013** (18 months) from now
Topics

- What you need to know NOW!
  - PTO Fees & Funding
  - Prioritized Examination
  - Litigation Reforms
Topics

- What you need to think about in the next 12 months (take effect on September 16, 2012)
  - Inventor Declarations
  - Third Party Pre-Issuance Submissions
  - Post-Issuance PTO Proceedings
  - Transitional Program for Business Methods
Topics

- What you need to know by **18 months from now (take effect on March 16, 2013)**
  - First-Inventor-to-File Procedure
  - Changes in Substantive Patent Law
  - Derivation Proceedings
Patent Reform 2011:
Prosecution Fees, PTO Funding, and Other Laws \textbf{Now} in Effect
PTO Fees (Sec. 10 & 11, § 41)

- The PTO Director now has fee-setting authority by rule-making
  - Subject to review by Public Advisory Committee & Congress
- 15% fee surcharge (effective September 26, 2011)
  - Substantially all patent & trademark fees
- New “micro entity” category
  - Includes certain applicants
    - Individuals and small companies
    - Applicants primarily employed by, or who assign their application to, an institution of higher education
  - Entitled to a 75% fee reduction
PTO Fees (Sec. 10 & 11, § 41)

- A Micro Entity is:
  - An applicant who has not been named as an inventor on more than four US utility applications AND has a gross income not exceeding $3 \times \text{“the median household income”}$
  - An applicant who is employed by or assigns to an “institution of higher education” as defined in 20 USC 1001 (a), which states (in part):
    - (3)provides an educational program for which the institution awards a bachelor’s degree or provides not less than a 2-year program that is acceptable for full credit toward such a degree, or awards a degree that is acceptable for admission to a graduate or professional degree program, subject to review and approval by the Secretary....
PTO Funding (Sec. 22, § 42(c))

- The PTO’s revenues are less likely to be subject to diversion as a result of the AIA
  - Fees collected by the PTO shall be solely for the use of the Office and any excess over the amounts authorized (“appropriated”) for expenditure shall be placed in a separate reserve fund and—in theory—will not be subject to diversion (Sec. 22)
  - The Senate’s PTO revolving fund proposal was not approved by the House; therefore, annual appropriations will be necessary to approve PTO spending
Prioritized Examination (Sec. 11)

- Available without a prior art search burden
- $4,800 fee ($2400 for small entities)
- The total filing cost, with no excess claims, will be $6,480
- A maximum of 4 independent claims and 30 claims total
- Must file with complete Declaration and all fees
- First Office Action within 4 months of filing
- “Final Disposition” in 12 months
- Filing extension or appeal terminates prioritized status
- No more than 10,000 such applications per fiscal year
Other Laws Now in Effect

- Any strategy for reducing, avoiding, or deferring tax liability is now deemed insufficient to differentiate a claimed invention from the prior art (Sec. 14)
  - Certain tax return preparation and filing, and financial management programs are excluded
- Issuance of patents with claims directed to or encompassing a human organism is barred (Sec. 33)
  - Appropriations in recent years have included a similar bar
- The PTO is to conduct studies of effects on small business, prior user rights in other countries, implementation of the AIA, genetic testing, the diversity of applicants, and patent litigation (Sec. 3(l & m), 26, 27, 29, 31 & 34)
Other Laws Now in Effect

- Priority examination was established for technologies important to the national economy or national competitiveness (Sec. 25)
- A pro bono program to assist financially under-resourced independent inventors and small businesses was established (Sec. 32)
- Calculation of 60-day period for application of patent term extension was clarified (Sec. 37) (A controversial, special interest provision, effective upon enactment, including pending cases)
Other Laws Soon to be in Effect

• Deferred examination rules are expected to follow soon

• $400 “incentive” penalty fee for non-electronic filing of applications (Effective November 15, 2011)
Patent Reform 2011:
Litigation Reforms Now in Effect
Litigation Reform Overview

- Patent Number Marking
- Joinder of Unrelated Defendants
- Best mode defense
- Willfulness & Inducement - Advice of Counsel
- Prior User Defense
- What’s NOT in the AIA
Patent Number Marking  
( Sec. 16, §§ 287, 292 )

- False marking claims restricted
  - For private suits
    - Requirement to show “competitive injury”
    - Damages limited to the amount “adequate to compensate for the injury”
  - Limits violations for marking with an expired patent number
- Includes litigation pending on September 16, 2011
- Virtual marking allowed
  - Provide Internet address where full listing provided
Joinder of Parties (Sec. 19, § 299)

- Mere allegation that multiple accused infringers each have infringed a patent is insufficient for joinder in one action.
- Parties that are accused infringers may be joined in one action as defendants, or have their actions consolidated for trial, only if:
  1. any right to relief is asserted against the parties jointly, severally, or in the alternative with respect to or arising out of the same transaction, occurrence, or series of transactions or occurrences relating to the making, using, importing into the United States, offering for sale, or selling of the same accused product or process; and
  2. questions of fact common to all defendants or counterclaim defendants will arise in the action.
Best Mode Defense (Sec. 15, § 282)

- Best mode remains a requirement for patentability
- BUT, the best mode defense for invalidity or unenforceability will be eliminated
- A toothless tiger?
  - Disciplinary rules

“failure to disclose the best mode shall not be a basis on which any claim of a patent may be canceled or held invalid or otherwise unenforceable”
Willfulness & Inducement—Advice of Counsel (Sec. 17, § 298)

Neither the failure to obtain advice of counsel, nor the failure to present such advice, may be used to prove willfulness or inducement:

“The failure of an infringer to obtain the advice of counsel with respect to any allegedly infringed patent, or the failure of the infringer to present such advice to the court or jury, may not be used to prove that the accused infringer willfully infringed the patent or that the infringer intended to induce infringement of the patent.”
Prior User Defense (1)  
(Sec. 5, § 273)

- Prior user defense is expanded from existing law:
  - Existing law only provides a defense to certain business method claims
  - New law includes “subject matter consisting of a process, or consisting of a machine, manufacture, or composition of matter used in a manufacturing or other commercial process”
  - Applies to any patent issued on or after the date of the enactment of the AIA
Prior User Defense (2)  
(Sec. 5, § 273)

- The prior use must be:
  - A prior commercial use of the subject matter of a claimed invention,
  - By the party asserting the defense - a personal defense,
  - In the United States, and
  - At least one year before the earlier of the effective filing date of the claimed invention, or the date on which the claimed invention was disclosed to the public.

- This defense would not be applicable where the subject matter of the patent was developed pursuant to a federal government funding agreement, or by a nonprofit institution of higher education or an affiliated technology transfer organization that did not receive private funding in support of that development.
Prior User Defense (Sec. 5, § 273)

(a) In General- A person shall be entitled to a defense under section 282(b) with respect to subject matter consisting of a process, or consisting of a machine, manufacture, or composition of matter used in a manufacturing or other commercial process, that would otherwise infringe a claimed invention being asserted against the person if--

   (1) such person, acting in good faith, commercially used the subject matter 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; and

   (2) such commercial use occurred at least 1 year before the earlier of either--

      (A) the effective filing date of the claimed invention; or
      (B) the date on which the claimed invention was disclosed to the public in a manner that qualified for the exception from prior art under section 102(b).
Other Provisions

- Venue for suits against Patent Office is changed from the District of Columbia to the Eastern District of Virginia
- Denying state courts jurisdiction over patents, plant variety, copyright actions and vesting all appellate jurisdiction for patent or plant variety claims and counterclaims in the CAFC (Modifying *Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.*, 535 U.S. 826, 122 S.Ct. 1889 (2002))
Litigation Proposals NOT in the AIA

The AIA omits prior proposals:

- Restricting venue in patent infringement cases
- Imposing standards for pleading willfulness
- Prohibiting mention in court of the fact of post-grant review as evidence of invalidity
- Allowing interlocutory appeal of *Markman* rulings

**Damages:**

- Establishing “sequenced trials” for liability and damages
- Limiting damages to the “specific contribution over the prior art”
- Establishing “gatekeeper” role for court on damages theories
- Barring enhanced damages if a “close case” on liability
Patent Reform 2011:

PTO Proceedings That Take Effect on September 16, 2012
Inventor’s Declaration (Sec. 4)

- Inventors must still be named on applications
- Inventors still should sign a Declaration or Oath
- However, the statements required in a Declaration can be made in an Assignment, which can be recorded in lieu of filing a Declaration
- A “Substitute Statement” can be filed if the inventor:
  - Is deceased
  - Is under legal incapacity
  - Cannot be found
  - Is under an obligation to assign, but has refused to sign a declaration or oath
Patent Trial and Appeal Board (PTAB)

- The Board of Patent Appeals and Interferences becomes the Patent Trial and Appeal Board (PTAB)
  - Derivation proceedings replace Interferences
  - PTAB takes responsibility for the two new types of inter partes proceedings:
    - “Post-Grant Review”
    - “Inter Partes Review”
  - PTAB inter partes procedures are expected to be similar to Interferences
# PTO Proceedings - Overview

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<th>Threshold</th>
<th>Prior Art</th>
<th>Estoppel?</th>
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<tr>
<td>Third party pre-issuance submissions</td>
<td>N/A</td>
<td>Patents/printed pubs</td>
<td>N/A</td>
</tr>
<tr>
<td>Post-grant review (9 month window)</td>
<td>More likely than not that at least 1 claim unpatentable</td>
<td>Any ground</td>
<td>Raised or could have raised</td>
</tr>
<tr>
<td>Inter partes review (after P.G.R.)</td>
<td>Reasonable likelihood that petitioner would prevail on at least 1 claim</td>
<td>Patents/printed pubs</td>
<td>Raised or could have raised</td>
</tr>
<tr>
<td>Ex parte reexam (unchanged)</td>
<td>Substantial new question of patentability</td>
<td>Patents/printed pubs</td>
<td>None (although courts may differ)</td>
</tr>
<tr>
<td>Supplemental Examination</td>
<td>Substantial new question of patentability</td>
<td>Any information</td>
<td>N/A</td>
</tr>
<tr>
<td>Derivation Proceedings</td>
<td>Claimed invention derived from another</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>
Third Party Pre-Issuance Submissions (Sec. 8)

During prosecution, any third party may submit:

- Any patent application, patent, or printed publication
- Concise statement of relevance and fee required
- May include statements of the patent owner before a federal court or the Office taking a position on the scope of any claim of a particular patent. (See Sec. 6(g) and 8)

§ 122(e) Any third party may submit for consideration and inclusion in the record of a patent application, any patent, published patent application, or other printed publication of potential relevance to the examination of the application, if such submission is made in writing before the earlier of--

(A) the date a notice of allowance under section 151 is given or mailed in the application for patent; or
(B) the later of--
(i) 6 months after the date on which the application for patent is first published under section 122 by the Office, or
(ii) the date of the first rejection under section 132 of any claim by the examiner during the examination of the application for patent
Post-Grant Review (1)  
(Sec. 6, §321-329)

- **Who?** Any person, other than the patent owner
  - Must identify all real parties in interest
- **When?** Within 9-months of issuance or reissue of patent
- **Art?** Any ground of invalidity (not just patents or publications)
- **Threshold?** More likely than not that at least one challenged claim is unpatentable, or novel question of law
- **Phase-in:** PTO may limit number of PGRs in first 4 years
Post-Grant Review (2)

- **Proceedings:**
  - Patentee may respond (deadline to be determined)
  - PTO issues preliminary response w/in 3 months of patentee statement, or lapse of patentee’s window
  - Completion w/in one year after instituting PGR (+ six month extension for good cause)
  - Discovery allowable
  - Patentee may comment, amend claims
  - May be settled
Post-Grant Review (3)

- Relationship to other proceedings
  - No PGR if challenger already filed DJ action
  - If patentee sues within three months of patent grant, court may not stay motion for P.I. in view of PGR
  - PTO may consolidate multiple PGRs
- Estoppel:
  - Challenger cannot re-assert art that was raised or reasonably could have raised in PGR in:
    - Another PTO proceeding
    - District court/ITC
- Intervening rights apply for new, amended claims
**Inter Partes Reexamination**

- *Inter-partes reexamination* will be abolished, effective September 16, 2012.
- A transitional provision provides for *Inter Partes Reexamination* requests filed on or after September 16, 2011:
  - The **threshold** has changed:
    - From “a substantial new question of patentability affecting any claim”
    - To “a reasonable likelihood that the requester would prevail with respect to at least 1 of the claims challenged in the request....”
**Inter Partes Review (Sec. 6, §§ 311-319): Comparison to Current Inter Partes Reexam**

<table>
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<tr>
<th>Aspect</th>
<th>Inter Partes Reexam (now)</th>
<th>Inter Partes Review (reform)</th>
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<tr>
<td>Tribunal</td>
<td>Central Reexamination Unit</td>
<td>Patent Trial and Appeals Board</td>
</tr>
<tr>
<td>Timing for filing</td>
<td>Any time</td>
<td>After the later of closing of PGR window (or termination of PGR)</td>
</tr>
<tr>
<td>Threshold</td>
<td>Substantial new question of patentability</td>
<td>Reasonable likelihood that petitioner would prevail on at least 1 claim</td>
</tr>
<tr>
<td>Conclusion</td>
<td>Open-ended</td>
<td>Within 1 year after institution</td>
</tr>
<tr>
<td>Prior art</td>
<td>Patents and printed pubs</td>
<td>Patents and printed pubs</td>
</tr>
<tr>
<td>Appeal</td>
<td>To BPAI, then Fed Circuit</td>
<td>Directly to Fed Circuit</td>
</tr>
<tr>
<td>Barred if D.Ct. proceedings</td>
<td>No bar</td>
<td>Barred if already filed DJ suit; or barred if &gt; 1 yr after being sued</td>
</tr>
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</table>
Ex Parte Reexamination

- Unchanged under AIA

- Central Reexamination Unit (CRU) apparently retains responsibility for Ex Parte Reexamination.

- The present threshold of a “substantial new question of patentability” (SNQ) continues.
Supplemental Examination
(Sec. 12, § 257)

- For the patentee’s benefit
- Inoculates patent against potential inequitable conduct
- Patentee may submit any information
- If substantial new question of patentability, PTO reexamines patent
- A patent shall not be held unenforceable based on information considered in supplemental examination
  - Exceptions:
    - Inapplicable to cure existing allegations
    - “Fraud” still referable to Attorney General
Transitional Program for Business Methods

- A transitional post-grant review proceeding for review of the validity of covered business method patents

  The term “covered business method patent” means a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.

- Similar to a Post Grant Review procedure
- The petitioner must have been charged with infringement of the challenged patent
- 8-year sunset provision – expires September 16, 2020
- The petitioner is estopped in court or before the ITC from arguing invalidity on the same grounds as raised in the PTO
Patent Reform 2011:
First-Inventor-to-File and Other Laws that Take Effect on
March 16, 2013
First-Inventor-to-File (1)  
(Sec. 3, § 102)

- After March 15, 2013, a claimed invention is not novel if it:
  - “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” (§ 102(a)(1))
  - “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.” (§ 102(a)(2))
First-Inventor-to-File (2)

- Major points:
  - Applicant must be the true inventor or assignee
  - “Effective filing date” = Earliest priority date
    - U.S. or foreign
  - Prior art is expanded
    - Disclosure available to the public anywhere
    - “Effectively filed” includes foreign priority dates
      - In re Hilmer doctrine would be abolished
    - The priority date will be the effective date for both novelty-defeating and obviousness
Exceptions To Prior Art:

**One-year grace period** for inventor or joint inventor

- Applies to all “disclosures”
  - Query: does “disclosures” include offers, sales and public uses
  - Legislative history question

§ 102(b)(1) 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.
Exceptions To Prior Art:

- The applicant’s own "disclosures" within 1 year before the "effective filing date" (first priority date) of a U.S. application, and information derived therefrom
  - Includes Applicants’ own publications
  - The grace period right is expanded in cases claiming foreign priorities and provisional applications
Exceptions To Prior Art:

**Patent application disclosures** are not prior art under § 102(a)(2) if

- Subject matter was obtained from inventor or joint inventor, or
- if there is common ownership or a joint research agreement

§ 102(b)(2) A disclosure shall not be prior art to a claimed invention under subsection (a)(2) if-

(A) the subject matter disclosed was obtained directly or indirectly from the inventor or a joint inventor;
(B) the subject matter disclosed had, before such subject matter was effectively filed under subsection (a)(2), 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; or
(C) the subject matter disclosed and the claimed invention, not later than the effective filing date of the claimed invention, were owned by the same person or subject to an obligation of assignment to the same person.
Derivation Proceedings

- Interference proceedings:
  - Transition: continues to apply to claims having effective filing date before March 16, 2016 (Sec 3, § 146(n)(2))

- Derivation proceedings (Sec 3, §§ 135, 146, 291):
  - Requires proof that a claim was derived from other inventor
  - PTO proceeding within one year of claim’s publication
  - District court action within one year of issuance
  - Derived claims will be invalidated
What’s NOT in the AIA

- The PTO was not granted **substantive rule-making** authority
- No ability for an applicant to rely on invention before the effective filing date of another inventor (first-to-invent)
- No novelty bars based on abandoning, suppressing, or concealing an invention
- U.S. adoption of “first-to-file” is not conditioned on Europe and Japan adopting a U.S.-style grace period.
  - An impractical, earlier proposal
- No ability to transfer an application based on derivation to the true inventor
  - Applications based on derivation can only be invalidated
Strategic Considerations

- Race to the Patent Office to be first to file?
  - Tension with disclosure requirements in § 112, to provide sufficient enabling description and to support full breadth of claims
- Commonly-owned patents will be exempt as 102(a)(2) prior art
- Consider whether to file follow-on applications as stand-alones (rather than as CIPs) to maximize patent term
- Prior art searching
  - How to identify worldwide sales and public uses?
- Laboratory notebook practices
Patent Reform 2011

Thank you

For further information, see “Patent Reform” at www.fr.com

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