

The Leahy-Smith America Invents Act

Presented to the
Licensing Executives Society (LES)
Minnesota Chapter
October 11, 2011

By:

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- *“[T]he America Invents Act represents the most significant reform of the Patent Act since 1952”*
- *“It will give a boost to American companies and inventors who have suffered costly delays and unnecessary litigation, and let them focus instead on innovation and job creation.”*
- *“These reforms were also a key recommendation of the President’s Council on Jobs and Competitiveness, which has been a strong advocate for patent reform as a way to support job creation and strengthen America’s competitiveness in the global economy.”*

The White House 9/16/2011

The AIA will help businesses, inventors, and entrepreneurs in five immediate ways:

- A fast track option for Patent Processing within 12 Months: Instead of an average wait time of almost three years, the [USPTO] will be able to offer startups [and] growing companies an opportunity to have important patents reviewed in one-third the time – with a new fast track option that has a guaranteed 12-month turnaround. Patent ownership is a critical factor venture capital companies consider when investing in entrepreneurs hoping to grow their business.
- Reducing the current patent backlog: [T]he law will allow the Patent and Trademark Office to continue to combat the backlog of nearly 700,000 patent applications and will significantly reduce wait times.

The AIA will help businesses, inventors, and entrepreneurs in five immediate ways:

- Reducing litigation: The Patent and Trademark Office will offer entrepreneurs new ways to avoid litigation regarding patent validity, at costs significantly less expensive than going to court.
- Increasing patent quality: The legislation gives the USPTO additional tools and resources to further improve patent quality, and allows patent challenges to be resolved in-house through expedited post-grant processes.
- Increasing the ability of American Inventors to protect their IP abroad: The new law will harmonize the American patent process with the rest of the world to make it more efficient and predictable, and make it easier for entrepreneurs to simultaneously market products in the U.S. and for exporting abroad.

The Road (Less Traveled) to Reform

- October 2003—FTC Report on Patent Reform
- 2004—NAS Report on Patent Reform
- June 8, 2005—HR 2795 (Patent Reform Act of 2005)
Introduced by 109th Congress
- April 18, 2007—HR 1908; S 1145 (Patent Reform Act of 2007) Introduced by 110th Congress
- March 3, 2009—HR 1260; S 515, 610 (Patent Reform Act of 2009) Introduced by 111th Congress
- January 25, 2011—S 23 (America Invents Act) Introduced by 112th Congress (HR 1249)
- September 16, 2011—AIA Signed into law

**More to come - Many portions of the AIA
to be implemented through “rule making”
by the USPTO**



President Barack Obama signs the America Invents Act September 16, 2011, at Thomas Jefferson High School for Science and Technology in Alexandria, Va.

Effective Dates

§5 Prior User Rights

§11 Fees (surcharge,
Track 1)

§15 Best Mode
Changes

§16 False Marking
(retroactive)

§22 PTO Funding

§4 Oath or Dec

§6 Post Grant
Review, Inter Partes
Review

§8 3rd Party
Submission

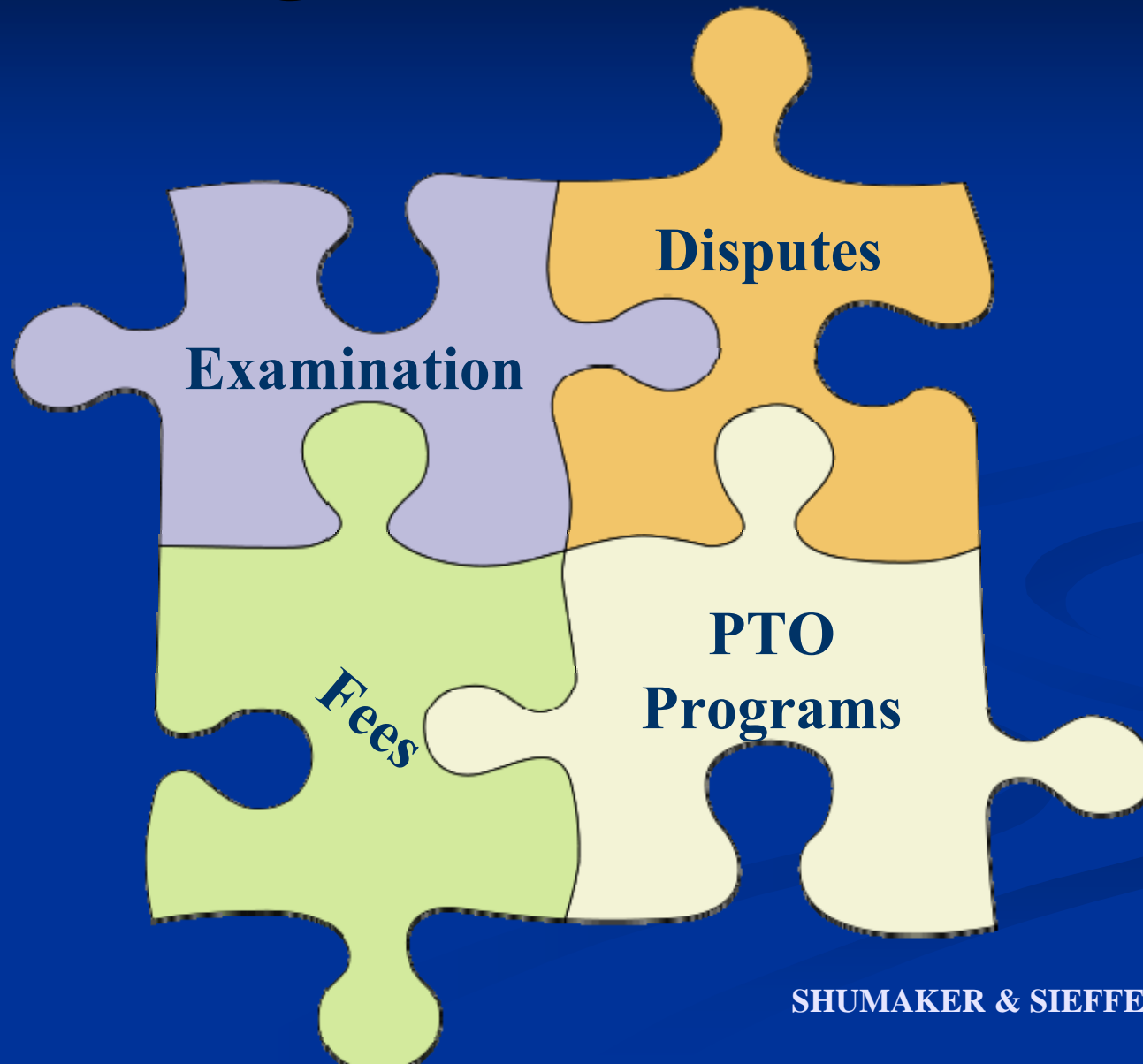
§12 Supplemental
Examination

§12 First Inventor
To File



General Effective date of Sept. 16, 2012 (1 year)

Puzzling out Patent Reform



SHUMAKER & SIEFFERT, P.A.



Patent Examination

- First-Inventor-to-File
- Prioritized Examination
- Best Mode
- Third Party Submission of Prior Art for Patent Application
- Supplemental Examination
- Inventor's Oath/Declaration
- Human Organism Prohibition
- Tax Strategies deemed within the Prior Art
- Priority Examination for Important Technologies
- Inter Partes Reexamination Threshold Transition
- Citation of Prior Art in a Patent File
- Repeal of Statutory Invention Registration



First-Inventor-to-File

Currently First-to-Invent priority framework

- Originates (in statute) in Patent Act of 1793 with the inclusion of interference-type proceedings

Effective 03.16.2013, First-Inventor-to-File priority framework

- Priority awarded to first inventor to file
- Harmonization with the rest of the world
 - Redefined the meaning of “prior art”, shifted US law toward “public disclosure”
 - Eliminated secret commercial prior art
 - Eliminated confidential offers for sale
 - Eliminated internal supplier on-sale bar
 - Recognized OUS public sale as prior art
 - Eliminates opportunity to eliminate 35 U.S.C. 102(a) art by “swearing behind” the art (37 C.F.R. 1.131)
 - Eliminated Hilmer doctrine



First-Inventor-to-File

Priority given to first inventor to file (“Inventor A”) anywhere in the world

- Exceptions may apply
 - E.g., Inventor A derived from another
 - E.g., publication by another, independent inventor (“Inventor B”) within one year prior to Inventor A’s effective filing date
 - Inventor B’s publication is prior art to Inventor A’s application
 - Inventor B has a one year grace period to file
- First-to-Invent may still apply after 03.16.2013
 - E.g., if claims get the benefit of priority date before 03.16.2013



First-Inventor-to-File v. First-to-Invent

Pros of FITF:

- Simplicity
- Certainty
 - Eliminates “secret” prior art

Cons of FITF:

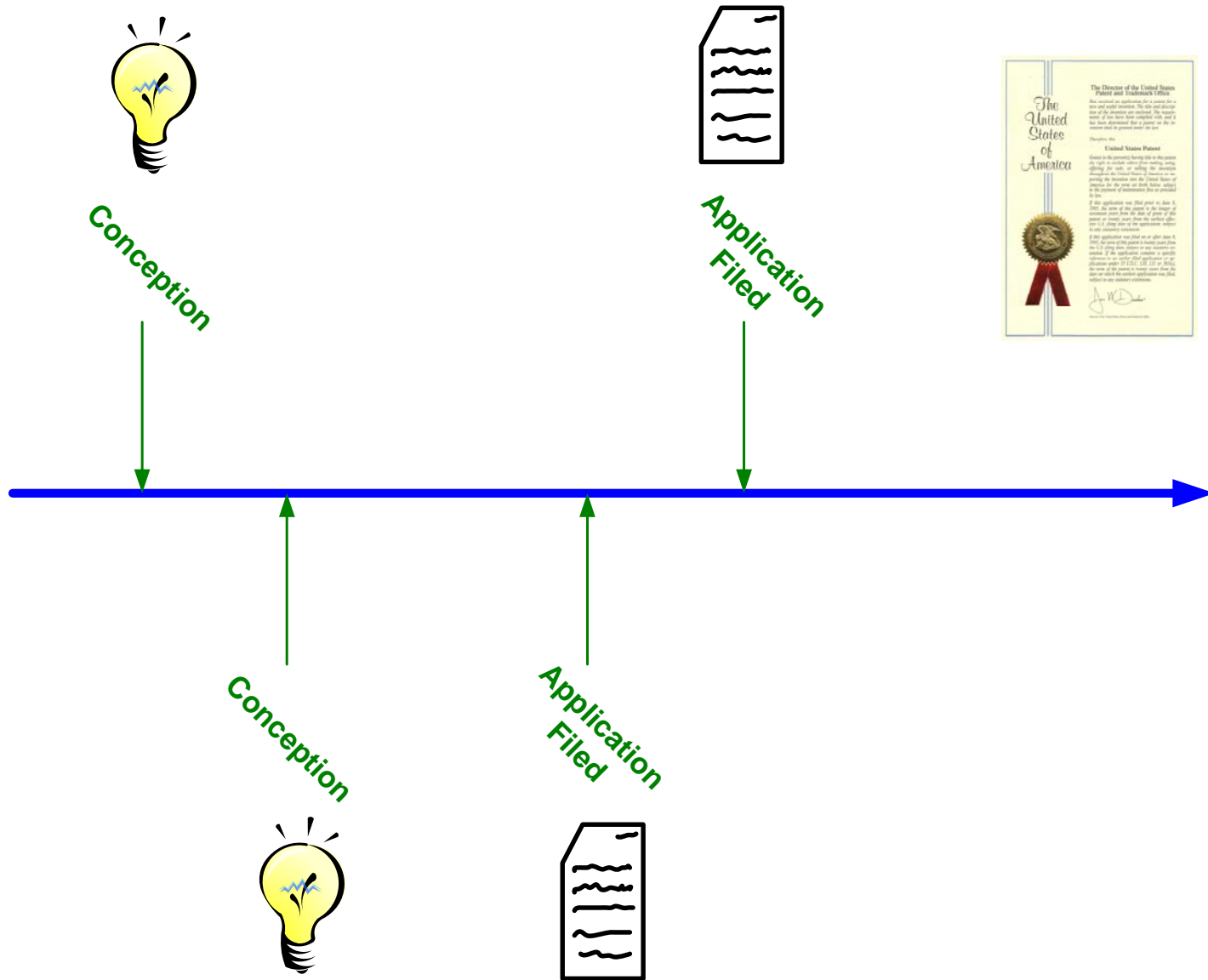
- Creates a burdensome “race” to the USPTO?
- Encourages less robust patent applications?
- Increase USPTO backlog by encouraging applicants to file early & often?

Gray area: Earlier filings = earlier expiration of patents

- Pro to the public; con to companies and inventors

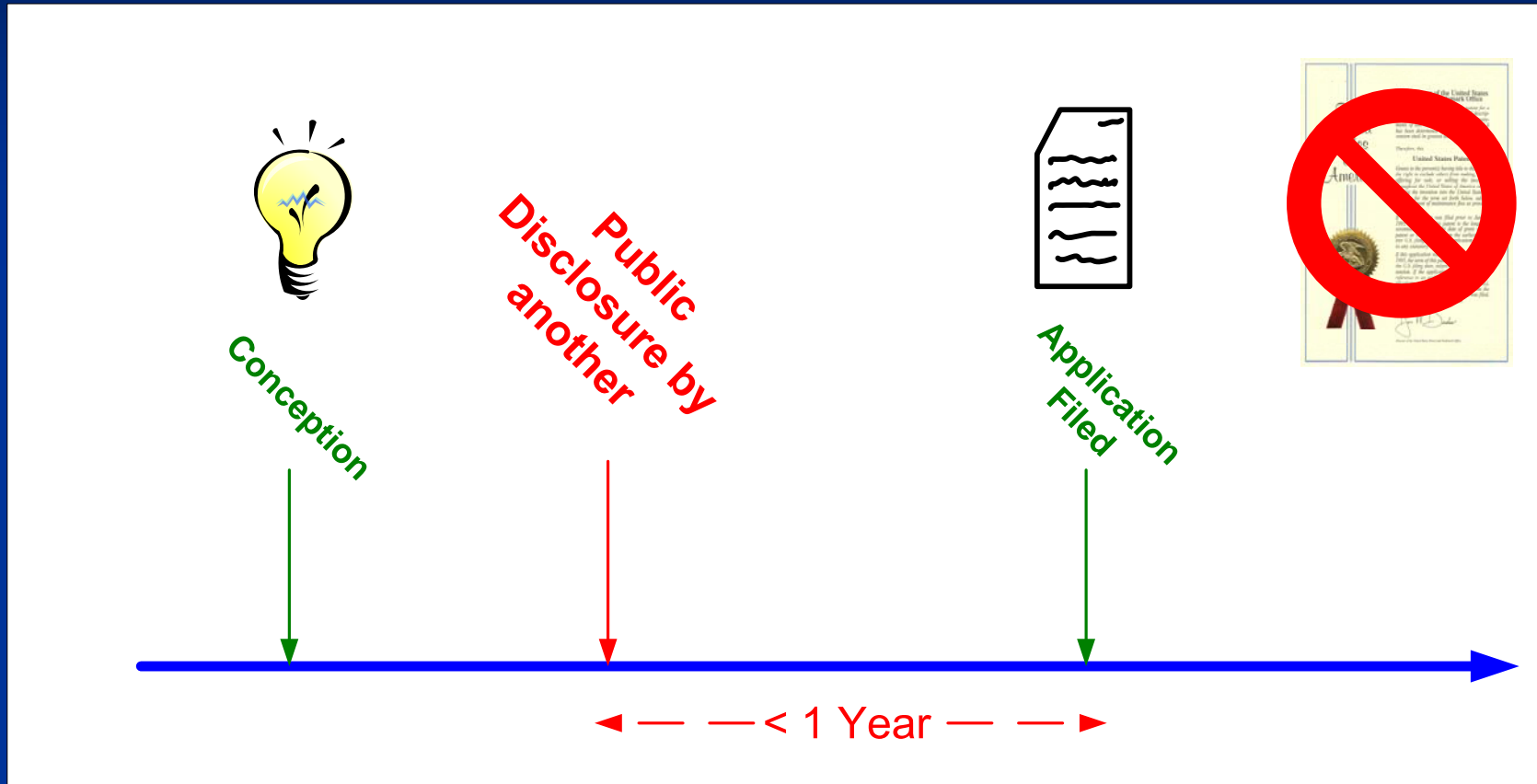


First-Inventor-to-File v. First-to-Invent



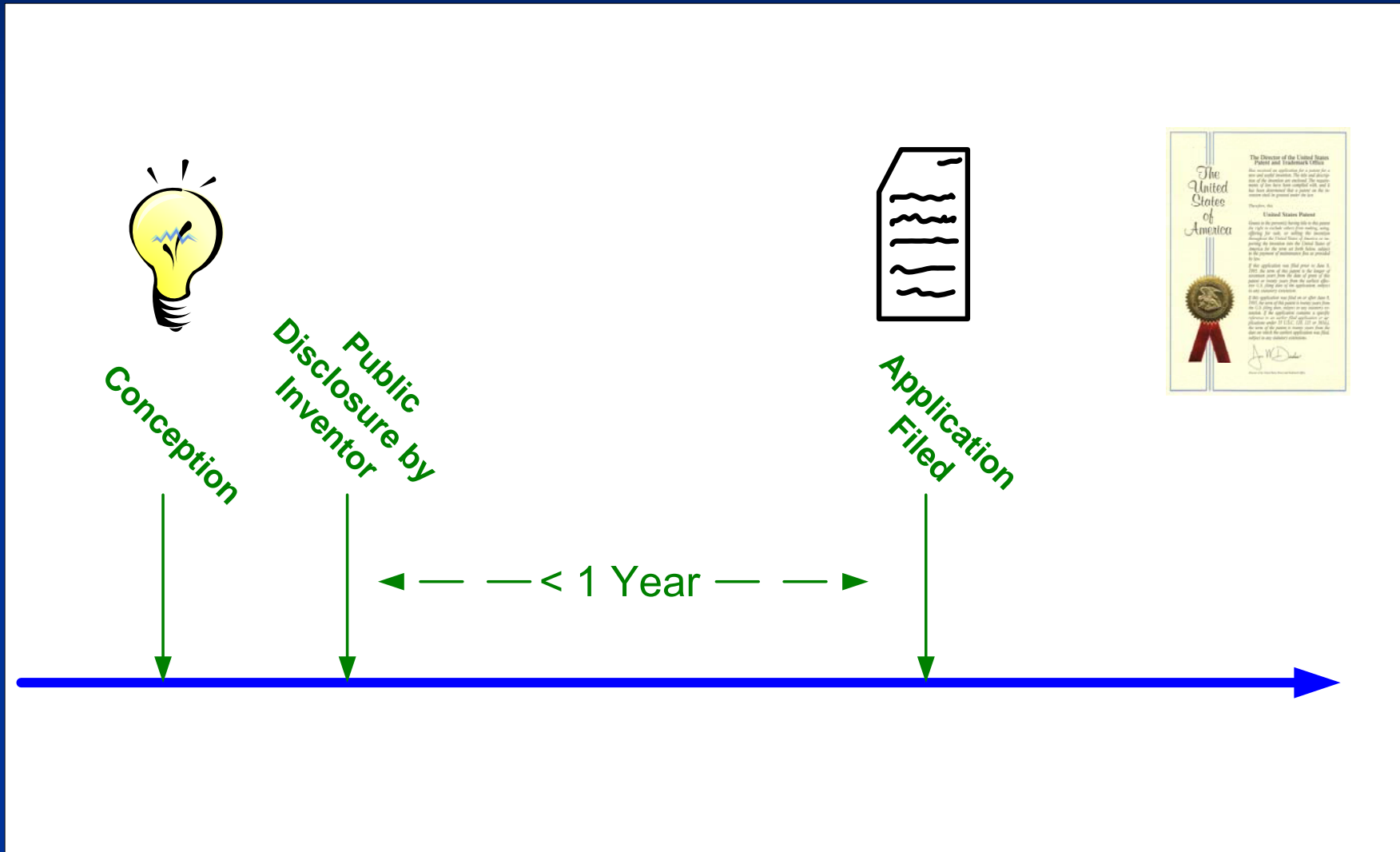


First-Inventor-to-File v. First-to-Invent



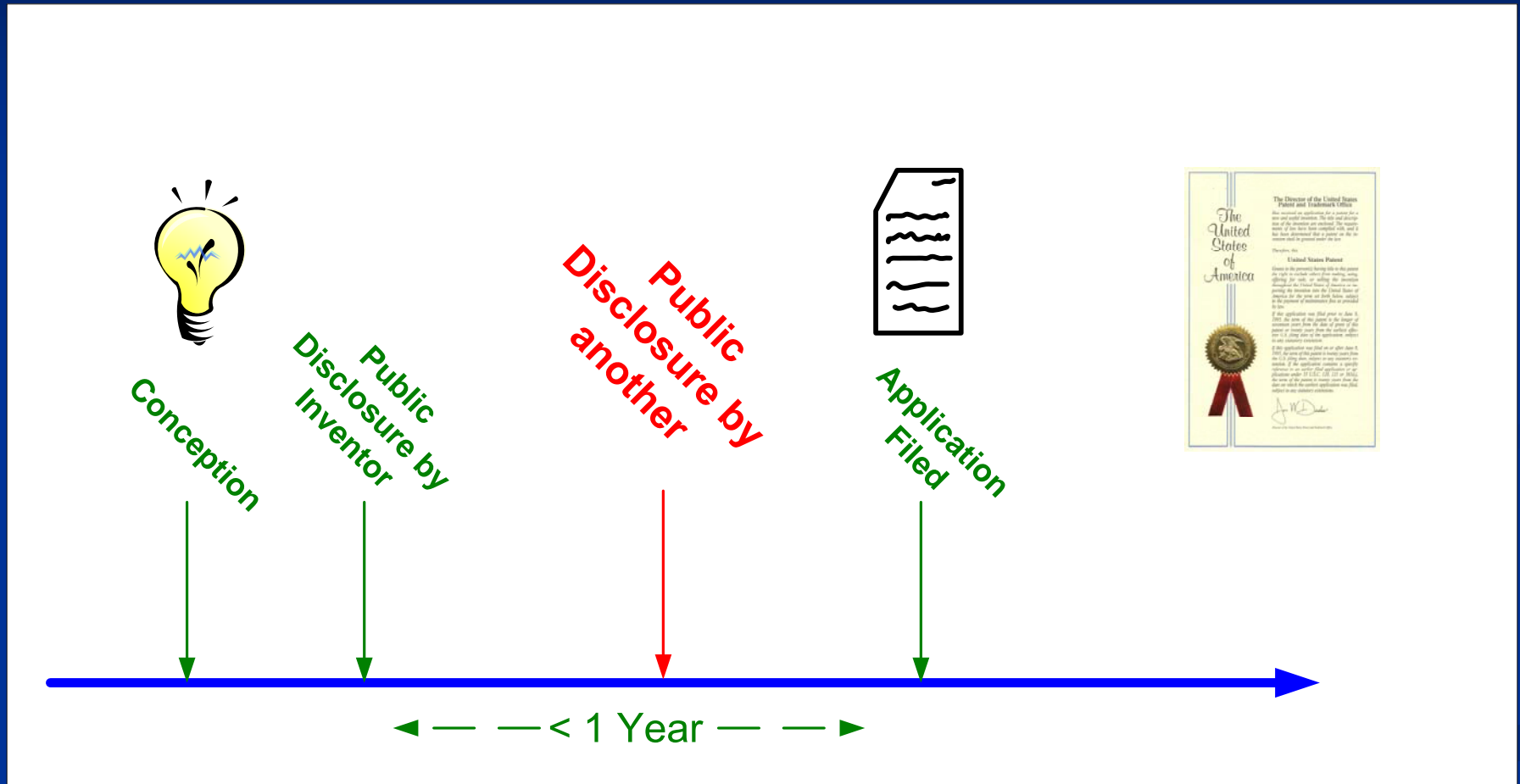


First-Inventor-to-File v. First-to-Invent





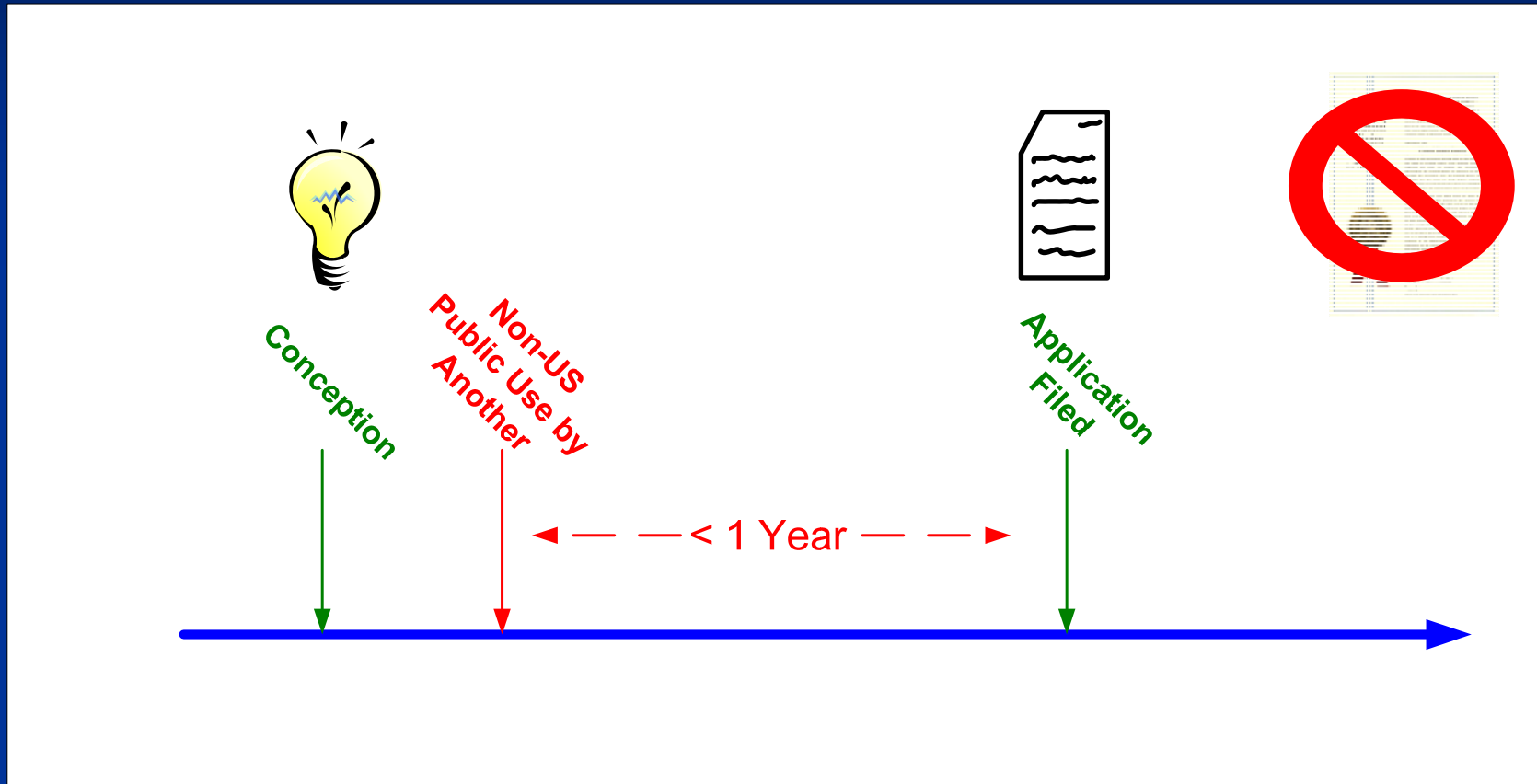
First-Inventor-to-File v. First-to-Invent



Beware the sword and shield!

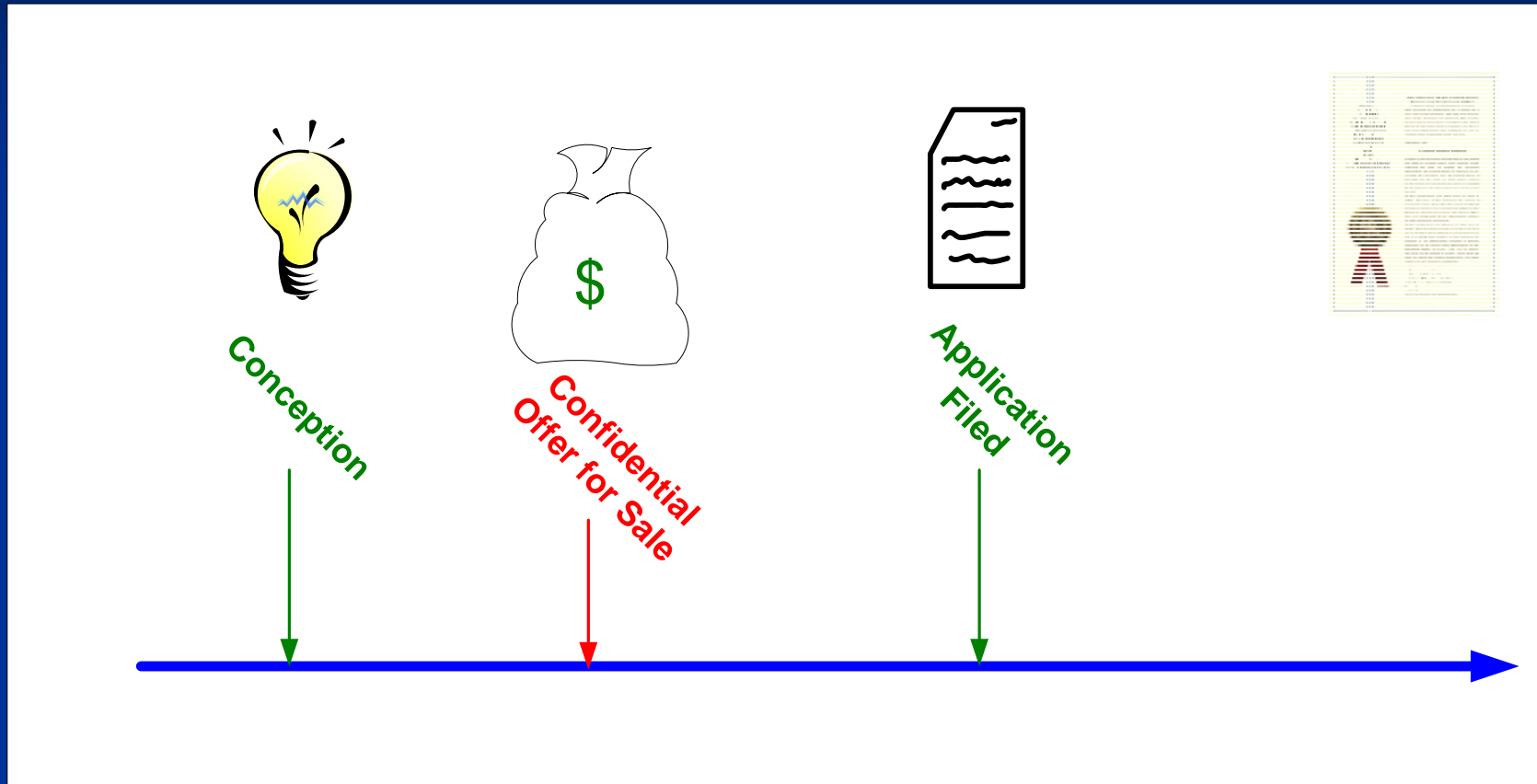


First-Inventor-to-File v. First-to-Invent





First-Inventor-to-File v. First-to-Invent





First-Inventor-to-File v. First-to-Invent

Comparison with other jurisdictions

- Europe
 - No grace period for an inventor's own disclosure
 - Limited 6 month grace period for breach of confidence
 - Beware, must file in that jurisdiction

 - Absolute novelty
 - Confidential offer for sale is not a bar
 - Test for prior art is whether the invention was placed into the public domain

- Japan and Canada
 - Limited 6 month grace period for inventor's own publication
 - Beware, must file in that jurisdiction



Prioritized Examination (Track 1)

- *“This prioritized examination procedure is part of an effort by the USPTO to provide patent applicants with greater control over the timing of examination of their applications.” USPTO*
- PTO Goal – final disposition within 1 year of filing
 - Limited time to respond to office actions (1 month)
- Applications – utility or plant non-provisionals
 - Not for designs, reissues or reexams
- Effective Sept. 2011



Prioritized Examination (Track 1)

- Prior Art – no statement required
- Requires a complete application
 - Inventor signatures, fees
- A maximum of 10,000 requests will be granted per fiscal year
- Claims – limited to 4 independent and 30 claims total
- Fee \$4800

- *Disadvantage to universities and entities that cannot afford?*



Best Mode

Best Mode before AIA enactment

- Requirement for Patentability
 - “The specification ... shall set forth the best mode contemplated by the inventor of carrying out his invention.” 35 U.S.C. § 112, first paragraph
- Defense to Infringement or Validity Action

Best Mode after AIA enactment

- Did not amend requirement under 35 U.S.C. § 112
- However, eliminated as defense to infringement or validity action
 - 35 U.S.C. § 282(3) amended to recite “the 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”
- Eliminated as requirement for right of priority under amended 35 U.S.C. §§ 119(e) and 120



Best Mode

Practical Implications

- Weakened, but Still Standing Requirement for Patentability
 - USPTO can reject application for failure to disclose Best Mode
 - Granted patent cannot be invalidated for failure to disclose Best Mode
 - Granted patent cannot be held otherwise unenforceable, i.e., due to inequitable conduct, for failure to disclose Best Mode
- Level of USPTO Enforcement Unclear
 - Amended § 282(3) “does not alter current patent examining practices set forth in MPEP 2165 for evaluation of an application for compliance with the best mode requirement,” Robert Bahr 9/20/2011
 - “Congress has sent us a very strong message. I see no reason why the USPTO need spend resources on determining best mode when it’s not important later during enforcement.” David Kappos 9/30/2011



Pre-issuance 3rd Party Submission

- A mechanism for third parties to submit patents, published patent applications, or other printed publications of potential relevance to the examination of a pending patent application. 35 U.S.C. 122(e)
- New amendments to 35 U.S.C. 122(e) expand rights of third parties from those previously granted under 37 C.F.R. 1.99



Pre-issuance 3rd Party Submission

- Prior to AIA:
 - Had to be filed within two months after publication or prior to NOA, whichever is earlier
 - For most cases, this provides a narrow window for submissions within two months from publication.
 - Required to serve the submission upon applicant
 - Could not submit an explanation of relevance of documents, and, if an explanation was submitted it would not be entered or considered



Pre-issuance 3rd Party Submission

- AIA expands third party submissions:
 - Time:
 - Must be submitted by earlier of:
 1. Date of notice of Allowance; or
 2. Later of: (a) 6 months after publication or (b) date of first rejection
 - For most cases, window now extended out from publication to the date of first rejection
 - Content:
 - Must provide a concise explanation of the asserted relevance of each document submitted
 - Statement by third party affirming compliance with requirements
 - Other notes:
 - Not required to serve submission on applicant
 - Not required to identify real party in interest



Supplemental Examination

- A patent owner may request supplemental examination of an issued patent. 35 U.S.C. 257
- standard = substantial new question of patentability (SNQ)
- If SNQ, the PTO initiates ex parte re-exam
- Must request that the Office “consider, reconsider, or correct information believed to be relevant to the patent”. The “information” that forms the basis of the request is not limited to patents and printed publications, and may include other issues, e.g., issues under 35 U.S.C. 112. *USPTO*
- Specifically cleanses questions of inequitable conduct



Inventor Oath – New Rights to File

- Requires a statement by the inventor that the patent application “was made or authorized to be made” by the Declarant
 - AIA expressly allows such statements to be made in an assignment document
- Supplemental statement may be made if inventor deceased, cannot be found or recalcitrant
- Assignee given right to file (statement may be made by 3rd party)
 - A person “to whom the inventor has assigned or is under an obligation to assign” may submit the statement
 - As such, Assignee may apply for an application as the applicant.
 - A person of “sufficient proprietary interest” may file an application on behalf of the inventor.



Human Organisms

- “Notwithstanding any other provision of law, no patent may issue on a claim directed to or encompassing a human organism.” - §33(a)
- Does not change existing law or current USPTO policy*
- MPEP §2105: “If the BRI of the claimed invention as a whole encompasses a human being, then a rejection under 35 U.S.C. §101 must be made indicating that the claimed invention is directed to nonstatutory subject matter.
- The term “directed to” in §33(a) appears to be interpreted as merely redundant to “encompassing”

*According to USPTO memo issued 9/20/11



Disputes & 3rd Party Challenges

- AIA established the Patent Trial and Appeal Board (replaces the Board of Patent Appeals and Interferences)
 - Establishes specific proceedings before the PTAB for challenging a patent
 - Certain Expanded Defenses
1. Derivation Proceedings
 2. Post Grant Review
 3. Inter Partes Review
 4. Expanded Prior User Rights
 5. Special proceeding for challenging Business Methods

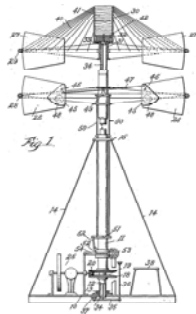
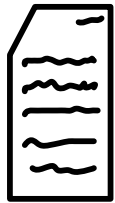


3rd Party Challenges

**DERIVATION
PROCEEDING**

**POST-
GRANT
REVIEW**

**INTER
PARTES
REVIEW**



Application
Filed

Publication

Publication +
1 YR

Grant

Grant + 9
MOS





Derivation Proceedings

- A trial proceeding conducted at the PTAB to determine whether (i) an inventor named in an earlier application derived the claimed invention from an inventor named in the petitioner's application, and (ii) the earlier application claiming such invention was filed without authorization.
- An applicant subject to the first-inventor-to-file provisions may file a petition to institute a derivation proceeding only within 1 year of the first publication of a claim to an invention that is the same or substantially the same as the earlier application's claim to the invention.



Post-Grant Review

- A trial proceeding conducted at the Board to review the patentability of one or more claims in a patent on any patentability issue, including failure to comply with §112
- Timeline:
 - Petition must be filed on or prior to 9 months after patent grant - §321(c)
 - Director must decide on petition within 3 months of preliminary response from patentee - §324(c)
 - Final determination within 12-18 months - §326(a)(11)



Post-Grant Review

- Petition Requirements:
 - Required showing – “more likely than not” that at least 1 of the claims challenged in the petition is unpatentable - §324(a)
 - Likely elevated from the Substantial New Question (SNQ) threshold of re-exam
 - Rulemaking process will influence how this is defined. David Kappos 9/30/2011
 - Must identify real parties of interest - §322(a)(2)
 - Identify each claim challenged, grounds for invalidity, and supporting evidence - §322(a)(3)
 - Appeal only to the Federal Circuit - §329



Post-Grant Review

■ Pros

- Challenge claims on any grounds under §282(b)(2) or (3)
- Faster/cheaper than civil action (within 18 months)
- Burden = preponderance of the evidence - §326(e)
- Limited discovery is allowed - §326(a)(5)
- Broadest Reasonable Interpretation for claim construction
- Settlement allowed (no estoppel) - §327(a)

■ Cons

- Estoppel in PTO, district court & ITC from asserting invalidity on any ground that challenger “raised or reasonably could have raised” during the PGR - §325(e)
- Party is known and petition is public §322(a)(2) and (b)
- Limited 9 month window to file petition



Post-Grant Review

- Typical Uses
 - Faster/cheaper invalidity tool than district court
 - By defendant in an infringement civil action
 - Broadest Reasonable Interpretation standard is important to desired claim construction
 - Not available if petitioner previously filed a DJ

- Practical Implications
 - Civil action by petitioner bars, or stayed by, PGR - §325(a)
 - Petitioner must choose between PGR & District Court
 - Counter-claimant in civil suit not barred from petition for PGR
 - Patents of any commercial value subject to challenge (occurs frequently in Europe)



Inter Partes Review

- A new trial proceeding conducted before the Board to review the patentability of one or more claims in a patent only on patents or printed publications under §§ 102 or 103
- Replaces inter partes reexam before the Examining Corp
- Petition Requirements:
 - Must identify real parties of interest - §312(a)(2)
 - Identify each claim challenged, grounds for invalidity, and supporting evidence - §312(a)(3)
 - Petition threshold = “reasonable likelihood that the petitioner would prevail” with respect to at least 1 of the claims challenged - §314(a)
 - Likely elevated from SNQ threshold
 - Appeal only to the Federal Circuit - §319



Inter Partes Review

- Timeline:
 - Petition must be filed after the later of:
 - 9 months after the patent grants - §311(c)(2) OR
 - The date of the termination of any Post-Grant Review - §311(c)(2)
 - Within 1 year of being served a complaint alleging infringement
 - Director must decide on petition within 3 months of preliminary response from patentee - §314(b)
 - Final determination within 12-18 months - §316(a)(11)



Inter Partes Review

■ Pros

- 3rd party active participant in review
- Review at the Patent Trial and Appeal Board (PTAB)
- Burden = preponderance of the evidence - §316(e)
- Limited discovery is allowed - §316(a)(5)
- Settlement allowed (no estoppel) - §317(a)

■ Cons

- Challenge only under §§102 and 103 on the basis of patents and printed publications - §311(b)
- Estoppel in PTO, district court & ITC from asserting invalidity on any ground that challenger raised or reasonably could have raised during the IPR - §315(e)
- Party is known and petition is public §312(a)(2) and (b)
- Patentee may file a motion to cancel claims or submit replacement claims



Inter Partes Review

- Typical Uses
 - After the 9 month post-issuance window for PRG expires
 - By defendant in an infringement civil action
 - Broadest Reasonable Interpretation standard is important to desired claim construction

- Practical Implications
 - Civil action by petitioner bars, or stayed by, IPR - §315(a)
 - Petitioner must choose between IPR & District Court
 - Counter-claimant in civil suit not barred from petition for IPR
 - If any non-patent or printed publication grounds needed for invalidity, District Court only option >9 months after issuance



Defense to Infringement – Expanded Prior User Rights

- Expands defense to all areas of technology (beyond current restriction to business methods).
- Requires showing of both reduction to practice and commercial use at least 1 year before effective filing date.
 - Use by non-profit research facility or university deemed a commercial use
- Provides exception (i.e., defense cannot be raised) for patents owned by universities or their technology transfer organizations.



Fees and Budgetary Issues

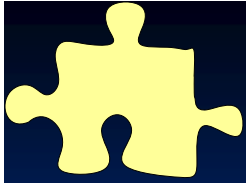
“Micro Entities”

- § 11(g) - introduces “micro entities”
- 75% fee reduction
- Includes Universities;
- And anyone that:
 - Qualifies as a small entity;
 - Has not been named as an inventor on more than 4 previously filed patent applications;
 - Did not, in the calendar year preceding the calendar year in which the applicable fee is paid, have a gross income exceeding 3 times the median household income; and
 - Has not assigned, granted, or conveyed (and is not under obligation to do so) a license or other ownership interest in the application concerned to an entity that, in the calendar year preceding the calendar year in which the applicable fee is paid, had a gross income exceeding 3 times the median household income.



Fees and Budgetary Issues

- §22 Sets a 15% surcharge
- §10(h) Electronic Filing Incentive
- §22 Establishes a reserved fund for the PTO.
 - USPTO required to deposit all fees collected in excess of the annual appropriation amount into the fund.
 - USPTO will have access to the fees upon authorization in the USPTO's annual appropriation.



Mandatory Programs

- Pro Bono Program
- Satellite Offices
 - Detroit
- Diversity of Applicants
- Patent Ombudsman for Small Businesses
- Study on International Patent Protection for Small Business

The AIA - Summary

Comprehensive

- Examination
- Litigation
 - Restructuring Patent Office to better support 3rd Party Challenges
- Initiated Numerous Programs
- Addressed USPTO provided resources & funding

Harmonization - significant strides

- Redefined the meaning of “prior art”, shifted US law toward “public disclosure”
 - Eliminated secret commercial prior art, confidential offers for sale and supplier on-sale bar
- Recognized OUS public sale as prior art
- Eliminated Hilmer doctrine

Balanced

- Attempt to satisfy all interests - small entities, large entities, US / foreign
 - FITF but with grace period,
 - Creation of micro-entity, Patent Ombudsman Program for Small Business
 - Pro bono program for financially under-resourced inventors and small business
 - Study on International Patent Protection for Small Business

More to come - Rule-making process just beginning

The AIA – What you should do*

- Docket / Calendar AIA implementation dates
- Evaluate pending Applications for qualification for Prioritized Examination (consider filing continuations)
- Update patent review committee recommendations and/or invention submission forms to provide an indication of whether the invention warrants accelerated examination
- Update invention submission forms to provide affirmative assignment and declaration of assignee's right to file

The AIA – What you should do

- Establish filing strategy for transition period to First-Inventor-to-File
 - Identify inventions where an interference is likely
 - Strong evidence of conception and RTP, competitors working in same area

- Develop internal culture and processes for FITF regime
 - Shift internal disclosure submissions and filing decision earlier into development / publication process
 - Develop culture for more complete invention submissions
 - Work with in-house or outside counsel to establish process and budget for early and frequent filing

The AIA – What you should do

- Establish procedures and protocols for monitoring and reviewing published applications by competitors
- Establish process, either internally or with outside prosecution / litigation counsel, for leveraging mechanisms for challenging competitors' patents.
Discuss staffing and budgets

Other Resources

- The AIA

http://www.uspto.gov/aia_implementation/bills-112hr1249enr.pdf

- Implementation Overview by USPTO

http://www.uspto.gov/aia_implementation/index.jsp

- Section-by-section summary by PTO

http://www.uspto.gov/patents/init_events/section_summary_26jul2011.pdf