

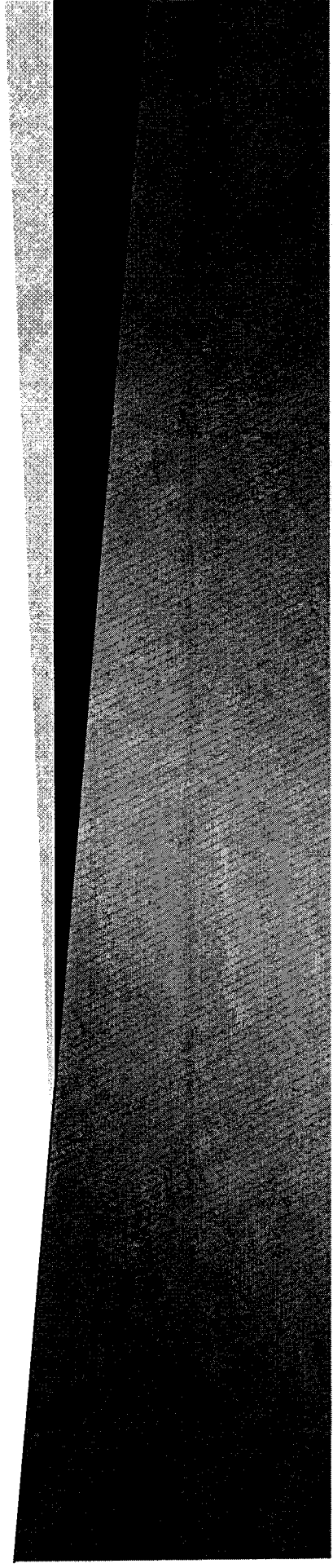
The America Invents Act

October 26, 2011

WIPLA Meeting At Marquette University

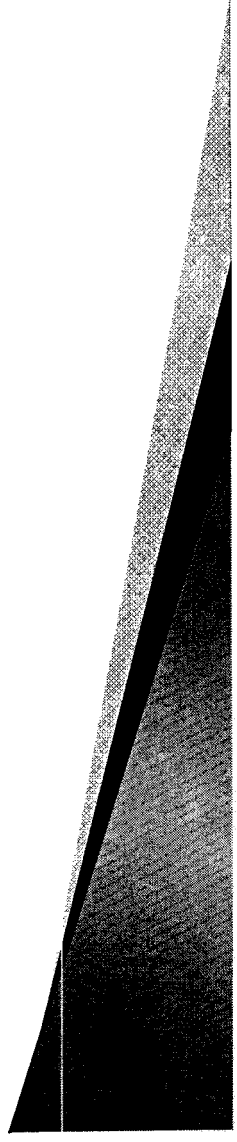
By: Carl R. Schwartz

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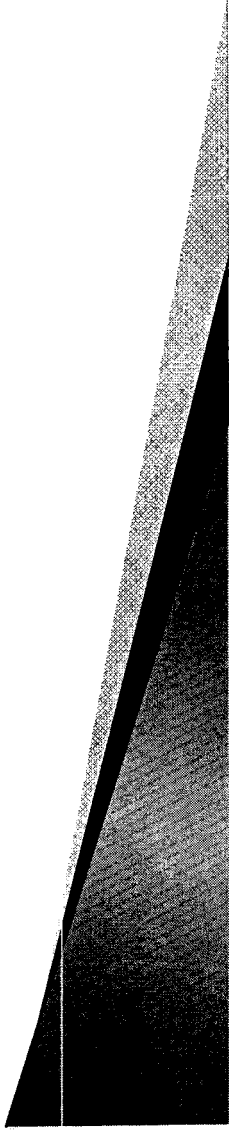
Summary Of Discussion Topics

1. Items that are in effect now or that will be in effect within two months
2. Post grant activities
 - (a) post grant review
 - (b) *inter partes* review
 - (c) *ex parte* reexamination
 - (d) supplemental examination
 - (e) transitional business method review
 - (f) prior art citation post issuance
 - (g) re-issue



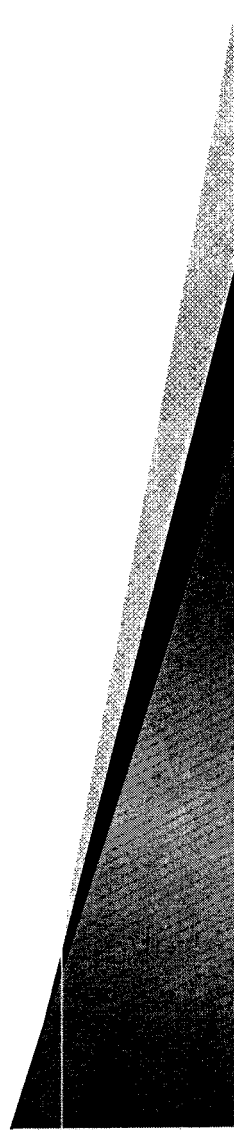
Summary Of Discussion Topics

3. Other litigation related topics
 - (a) failure to seek advice of counsel no inference of willfulness
 - (b) tweaking of judge residency rules
 - (c) other venue issues



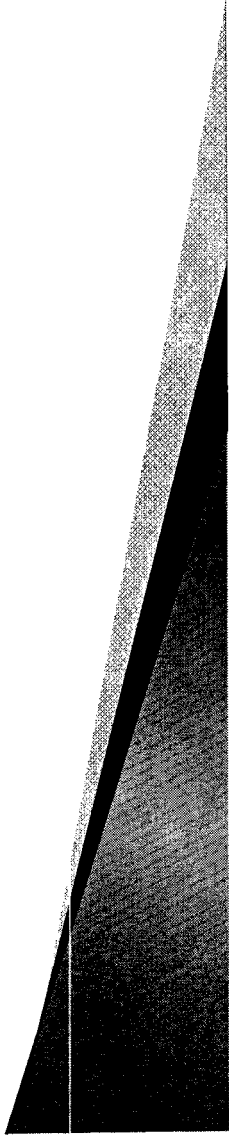
Summary Of Discussion Topics

4. First To File/Prior User
 - (a) priority based on first inventor to file
 - (b) absolute novelty - one year grace period
 - (c) changes to prior user defense
 - (d) derivation procedure replaces interference procedure



Summary Of Discussion Topics

5. Still other topics
 - (a) pre-issuance citation of art
 - (b) assignee can file
 - (c) repeal of statutory invention registrations

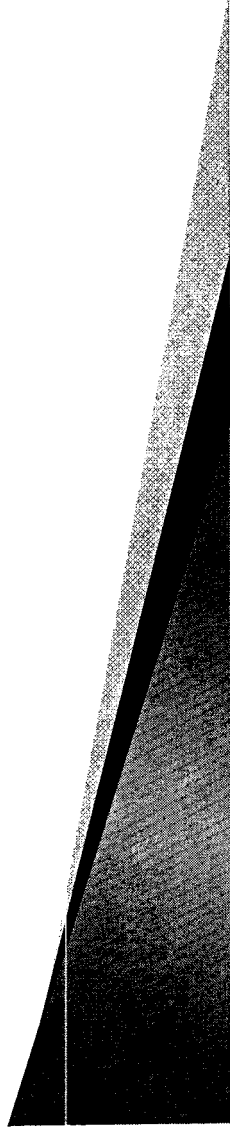


Summary Of Discussion Topics

6. Topics not to be covered

(a) satellite offices

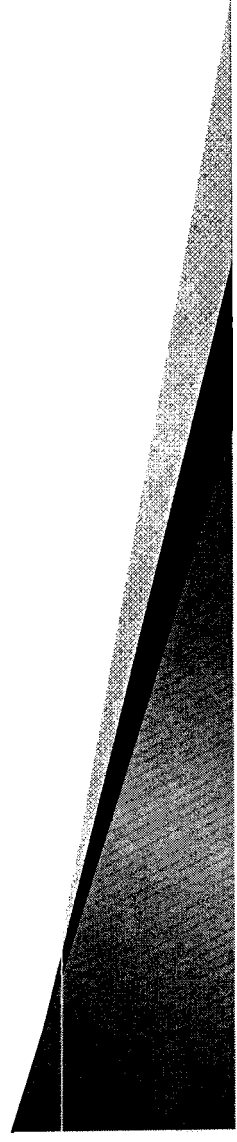
(b) Congressional studies



1. Items in Effect Now or Very Soon

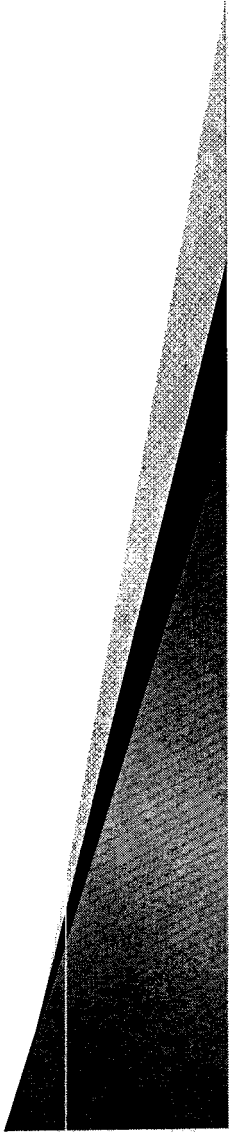
A. In effect NOW:

- ▶ Change in *inter partes* reexamination standard from “raises a substantial new question of patentability” to “a reasonable likelihood that the requestor would prevail ...” 76 Fed. Reg. 59055 Procedure dies where *inter partes* review starts.
- ▶ Authority of Office to adjust statutory fees for cost recovery (subject to rulemaking procedure)
- ▶ New statutory fee amounts
- ▶ Micro entity fee class
- ▶ Tax strategies are within the prior art



A. In effect NOW:

- ▶ Failure to disclose best mode not defense to infringement except if you challenge in the PTO
- ▶ Human organism prohibition
- ▶ Patent term extension tweak
- ▶ Marking (virtual and false)
- ▶ Certain appeals only to Federal Circuit
- ▶ Restricted joinder

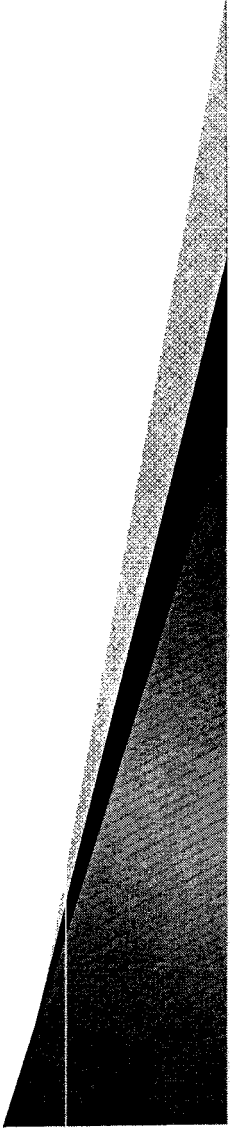


B. In effect September 26, 2011:

- ▶ **Prioritized examination and fees 76 Fed. Reg. 59050**
- ▶ **15% transition surcharge fees PTO Web Site**

C. In effect November 15, 2011:

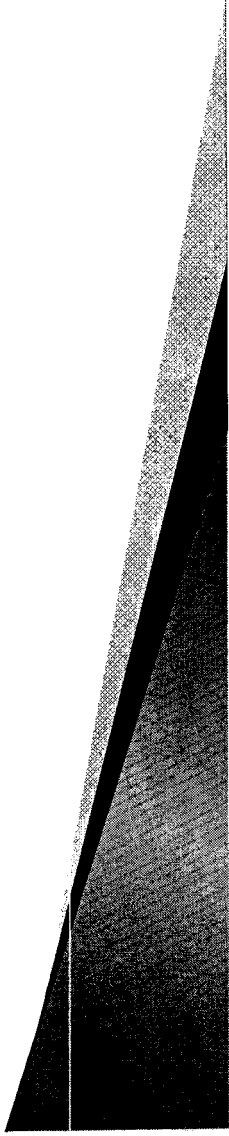
- ▶ **Electronic filing incentive (\$400 fee for not filing electronically)**



2. Post-grant activities

- A. Post Grant Review – September 16, 2012, but only applies to patents subject to first inventor to file rule (i.e. filed on or after March 16, 2013)
 - ▶ Allows third parties to challenge claim(s) of a patent within nine months from the patent issue date, based on any statutory grounds. Thus, this broadens the bases for attack post-issuance.
 - ▶ In order for the post-grant review to proceed, the challenger must demonstrate that it is “more likely than not” that a claim is unpatentable or that the challenge “raises a novel or unsettled legal question that is important to other patents or patent applications.” To prevail, the petitioner must prove unpatentability by a “preponderance of the evidence.”

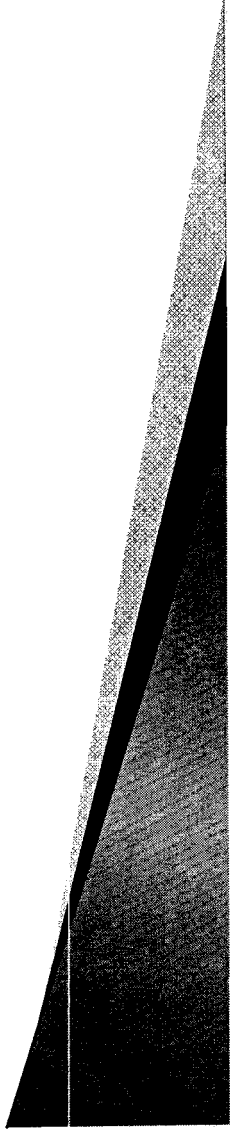
- ▶ Post-grant reviews will be handled by the Patent Trial and Appeal Board, and the Office is given broad discretion on developing post-grant review procedures.
- ▶ A post-grant review may not proceed if the petitioner has filed a civil action challenging the validity of the patent. If an infringement claim is filed within three months of the issuance of a patent, the court cannot stay the consideration of the patent owner's motion for preliminary injunction against infringement based on the post-grant review.
- ▶ The act includes civil action estoppel provisions as currently provided for *inter partes* reexamination, and these provisions are now extended to other proceedings before the Office.



B. *Inter partes* Review – September 16, 2012

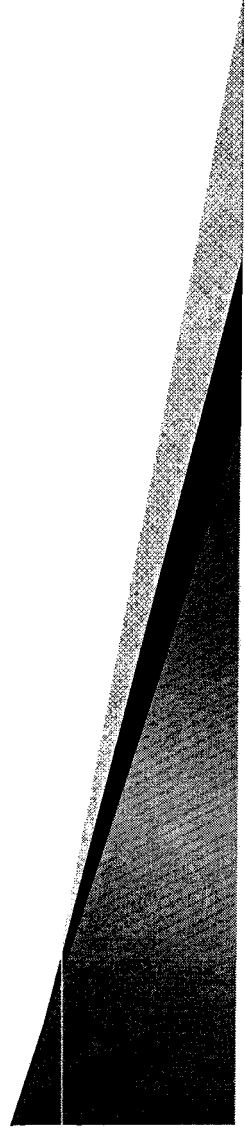
- ▶ A third party may request an *inter partes* review (which replaces *inter partes* reexamination) after the later of nine months after the issuance of a patent or the termination date of any post-grant review. The scope of review is limited to patents and printed publications (challenges under §§ 102 or 103).
- ▶ The standard for granting a request for *inter partes* review has changed to “a reasonable likelihood that the petitioner will prevail with regard to at least one claim” from a showing that the newly cited references raise a “substantial new question of patentability.” To prevail, the petitioner must prove unpatentability by a “preponderance of the evidence.”

- ▶ Unlike the current *inter partes* reexamination, *inter partes* review proceedings will be handled by the Patent Trial and Appeal Board. The Office is given broad discretion on developing *inter partes* review procedures.
- ▶ An *inter partes* review may not proceed if the petitioner has filed a civil action challenging the validity of the patent, or if more than one year has passed since the petitioner was served with a complaint alleging infringement of the patent.
- ▶ The bill includes estoppel provisions as currently provided in *inter partes* reexamination, now extended to other proceedings before the Office.



C. *Ex parte* Reexamination

- ▶ *Ex Parte* reexamination, which allows any person (including the patent owner, the PTO, or a third party) at any time to request reexamination of one or more claims of an issued patent, remains essentially unchanged. Reexamination can be based only on patents and printed publications submitted by the requester.

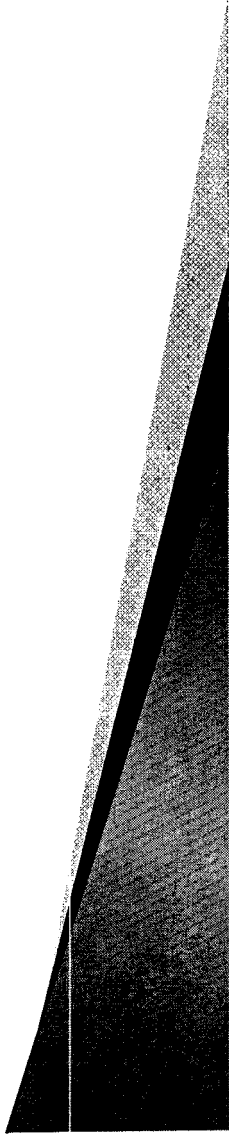


D. Supplemental Examination – September 16, 2012

- ▶ Supplemental examination may be requested by a patent owner to “consider, reconsider, or correct information believed to be relevant to a patent.”
- ▶ If the requester can establish that the newly provided information raises “a substantial new question of patentability,” supplemental examination proceeds before an Examiner under the same procedures as initial examination.
- ▶ Information submitted by the patent owner during supplemental examination cannot be used in litigation as part of an “inequitable conduct” attack on the patent.
- ▶ Thus, a patent owner may wish to consider this procedure before filing an infringement complaint to “whitewash” examination mistakes.

E. Transitional Business Method Review – September 16, 2012

- ▶ This eight year pilot program is a special version of post-grant review that is limited to business method patents.
- ▶ As opposed to post-grant review, business method review is not subject to the nine-month from grant filing deadline. However, business method review may only be requested by a third party that has been sued or charged with infringement of a business method patent.
- ▶ The requester may seek a stay in the corresponding infringement litigation, and if the stay is denied, may make an interlocutory appeal to the Federal Circuit.

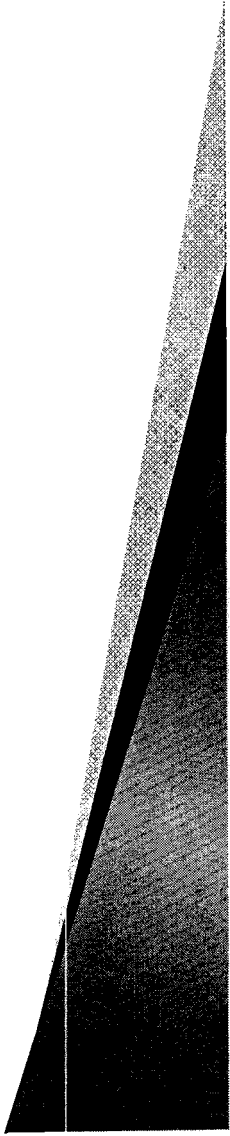


F. Post-issuance Prior Art Citation – September 16, 2012

- ▶ Previously, any person at any time could submit to the Office patents or printed publications that the person believes to have a bearing on the patentability of any claim of an issued patent. The submitted art and any associated explanation is made part of the patent’s official file, but no follow-up proceedings occur, unless reexamination was requested by the Office.
- ▶ This procedure has been expanded to allow the submitter to include, in addition to patents or printed publications, statements of the patent owner filed in a court proceeding or with the Office “in which the patent owner took a position on the scope of any claim...”

G. Reissue

- ▶ Essentially unchanged

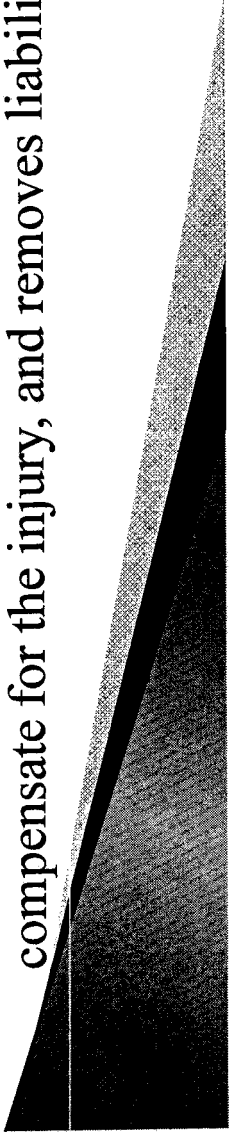


3. Other Litigation Issues – most in effect Now; for willful infringement provisions, September 16, 2012.

A. As previously noted, § 112 currently requires patentee to disclose the best method known to the patentee (“best mode”). The failure to do so can create an invalidity or inequitable conduct defense in litigation. The AIA eliminates best mode failure as a defense, albeit the examiner can still withhold allowance based thereon (e.g. in post grant review).

B. As previously noted, when a defendant is accused of willful infringement, defendant's failure to present advice of counsel cannot be used as evidence of willful infringement (codifies current CAFC law).

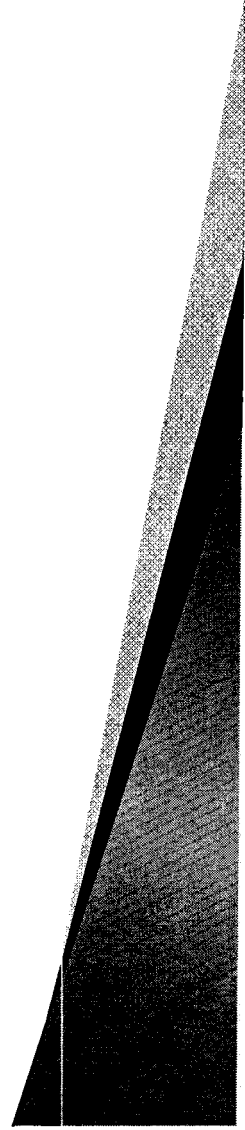
C. As previously noted, currently under 35 U.S.C. 292 “any person” may sue anyone who falsely marks an unpatented article as patented for up to \$500 per article. The AIA adds a requirement of competitive injury before there can be recovery by other than the government, limits damages to that adequate to compensate for the injury, and removes liability for expired patent marking.



D. As previously noted, the AIA restricts a plaintiff from joining numerous unrelated parties on the same patent in one lawsuit.

E. Changes where the District Court of D.C. was specified to Eastern District of Virginia, and provides that an ATM is not a regular and established place of business.

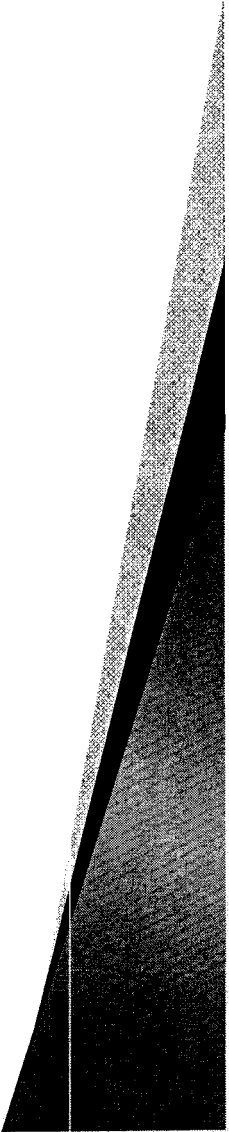
F. Certain judges no longer required to live in the District of Columbia, albeit those judges are not authorized to have any court facilities or administrative support services outside the District.



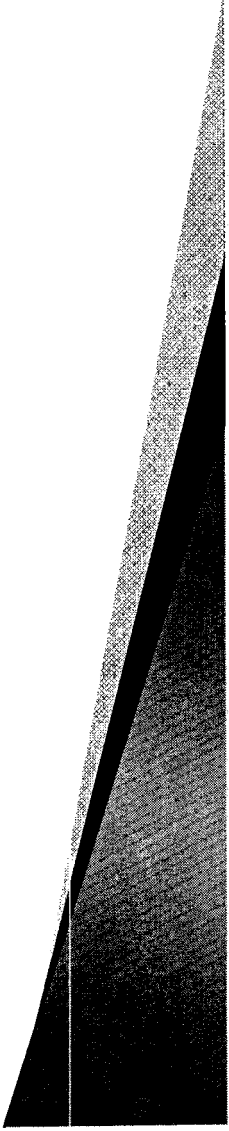
4. First Inventor to File/Prior User – March 16, 2013 for first inventor to file/derivation procedure provisions. Prior user defense provisions apply to patents issued on or after September 16, 2011.

A. The first inventor to file an application now has priority absent derivation from the other. Hence, potential patent applicants may wish to establish procedures to expedite disclosures and drafting (e.g. file more provisionals).

B. Absolute novelty worldwide now applies, subject to limited grace provisions. As one grace provision example an applicant is not barred by its own disclosures for a year. Further, an applicant is not barred by a third party's pre-filing disclosures if occurring after applicant's and within the one year.



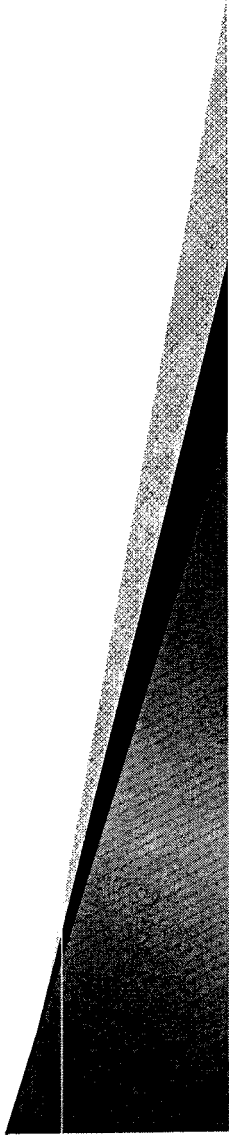
C. The prior user defense is expanded beyond business method patents. It can now be asserted by the person or company that directed a prior commercial use, if the prior commercial use occurred in the United States more than one year before the earlier of either (1) the effective filing date of the asserted patent or (2) any public disclosure that is covered by the grace provision outlined in (B). The prior user defense cannot be asserted against a university-owned patent, but this exception does not apply “if any of the activities required to reduce to practice the subject matter of the claimed invention could not have been undertaken using funds provided by the Federal Government” (e.g. stem cells, human cloning).



D. The interference procedure is removed because priority will normally be based on the effective filing date. However, a derivation procedure is established to confirm that the entity with the earlier filing date did not steal the idea from the other applicant.

E. No Hilmer - Reference is prior art as of its first effective filing date (even if outside U.S.)

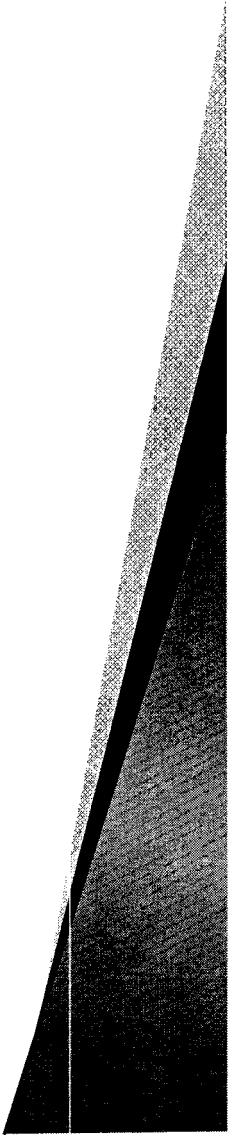
F. Possibly No Metalizing Doctrine – Apparently secret use by Applicant of a patentable method leading to product sales of over a year is not prior art where product doesn't enable method (albeit Senator Leahy thinks otherwise).



5. Still Other Topics

A. Pre-issuance citation of art – September 16, 2012

- ▶ A third party can submit patents or printed publications, or pertinent statements by the patent owner in court or before the PTO. Comments thereon can also be submitted.
- ▶ This permits third parties to have art they know of considered over a broader time period, as well as having their comments considered.

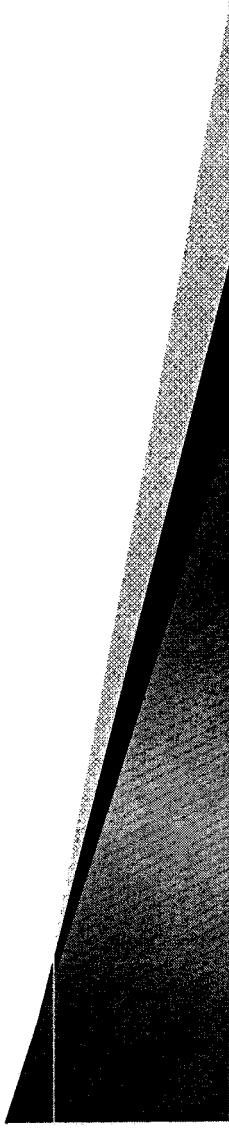


B. Assignee filing of applications – September 16, 2012

- ▶ U.S. applications will now be able to be filed in the name of the assignee, albeit there still will need to be certain statements from the inventors. However, these can be folded into the assignment.
- ▶ Thus, a potential patent assignee may want to tweak its standard assignment language if it wishes to use this procedure. Moreover, inventor declarations, if used, may need to be tweaked to reflect first inventor to file concepts.

C. Statutory invention registrations – March 16, 2013

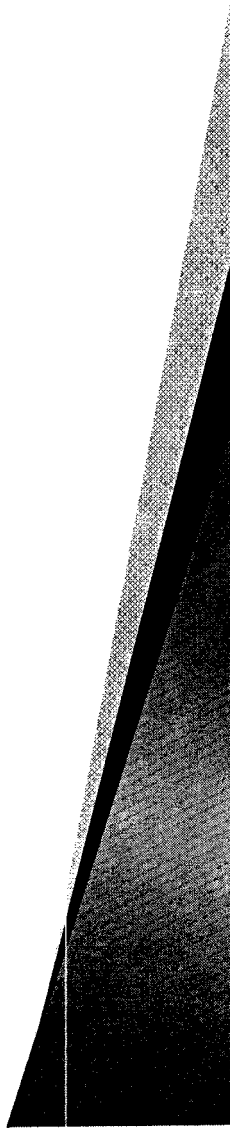
- ▶ In those rare circumstances where someone wanted to publish via this mechanism, rather than a traditional publication, that option will no longer be available.



Conclusion

This bill appears to be a mixed bag for patent owners. Some of it, such as removing the best mode defense and the supplemental examination "white wash" procedure, appear likely to be quite favorable for patent owners in most circumstances.

However, there likely will be burdens in having to face third parties who seek to undermine an application or patent outside of a court context due to expansion of post-grant challenge procedures. Also, the difficulty of effectively expediting disclosures to avoid losing first inventor to file races may be somewhat problematic.



Questions / Discussion

Quarles & Brady ^{LLP}

