

Oregon State Bar Intellectual Property Law Section,
Oregon State Bar Computer and Internet Law Section,
and Oregon Patent Law Association

John D. Vandenberg, Klarquist Sparkman LLP

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**Immediate and Near-Term Practical Impacts
of the America Invents Act**

WARNING: Not comprehensive. Focus on near-term impacts + high-level strategies – not practice minutia. For Act and PTO initial guidance and Regs.: http://www.uspto.gov/patents/init_events/aia_implementation.jsp

I. Nutshell

- A. Dozens of changes + dozens of retroactivity / effective date permutations.
 - 1. Biggest changes for claims with effective filing dates after March 16, **2013** (“EFD-03/16/13”).
 - a) Practical impact starting March 16, **2012**.
- B. ~~First-to-Invent~~ First-to-File Patent System.
 - 1. EFD-03/16/13.
 - 2. Defensive disclosure (as early as March 16, 2012) may shield against another’s first-filed app.
 - 3. **New and old regimes in parallel for ~ 20 years.**
- C. Expanding “prior art” ... especially foreign activity.
 - 1. Include foreign uses, sales.
 - 2. U.S. patents/published apps. prior art as of foreign filing date.
 - 3. EFD-03/16/13.
- D. Expanding PTO patent challenges.
 - 1. Effective Sept. 16, 2012, mostly.
 - 2. Estoppel provisions may limit use.
- E. Dozen or so changes effective now.

II. The Most Significant Provisions Effective Now

- A. False marking cases nearly eliminated: Only U.S. can collect penalty, only those with competitive injury can bring suit, and no liability for marking with expired patent (Sec. 16).
- B. Virtual patent marking authorized (Sec. 16).
- C. Best mode no longer a basis for invalidity, unenforceability, or non-entitlement to effective filing date, but still required by PTO (Sec. 15) {effective for litigations filed on or after 09/16/11}.
- D. Joinder of defendants limited to those accused vis-à-vis “the same accused product or process,” except for cases brought under § 271(e)(2) (ANDA) (Sec. 19).
 - 1. Most significant impact will be in EDTX.
- E. Prior use defense now applies beyond business method patents, but in some respects is narrower {for patents issued after 09/16/11} (Sec. 5).
- F. PTO has fee setting authority. Micro-entity status is defined (Sec. 10).
- G. Tax strategies deemed within the prior art {for applications pending or filed after 09/16/11 and for patents issued after 09/16/11} (Sec. 14).
- H. Track 1 prioritized examination of utility and plant patent § 111(a) applications. PTO goal is 12 months to final determination (Sec. 11).

III. AIA Provisions Likely To Have Broadest Practical Impact In 2012

- A. New PTO Proceedings.
 - 1. Inter partes review:
 - (a) Nutshell: will replace inter partes reexam, but more litigation like and heightened estoppel.
 - (b) Scope: 102/103 invalidity over printed publications/patents.
 - (c) Threshold Showing: “reasonable likelihood that the requester would prevail” on at least one claim.
 - (d) When: **after** later of (1) 9 mos. of grant or (2) termination of post-grant review (starting 09/16/2012).

- (i) Prohibited If:
 - ◆ Petitioner filed civil action challenging validity of a claim.
 - ◆ Delay more than one year after Petitioner served with infringement complaint.
 - (e) Which Patents: All.
 - (f) Procedures:
 - (i) Limited discovery, deposition of declarants, oral hearing.
 - (ii) Patent Trial and Appeal Board (PTAB).
 - (iii) PTO may limit total number of proceedings.
 - (iv) Resolved in 1 or 1 ½ years.
 - (g) Heightened Penalty For Losing:
 - (i) **Litigation estoppel kicks in when lose at PTAB not (as before) when lose at Fed. Cir.**
 - (ii) Litigation estoppel applies to ITC proceedings + civil actions.
 - (iii) Estoppel applies to “any ground that the petitioner raised or reasonably could have raised.”
 - (iv) Settlement allowed; no estoppel.
2. Post-grant review:
- (a) Nutshell: like European Opposition action. Pounce quickly.
 - (b) Scope: any invalidity ground.
 - (c) Threshold Showing: *prima facie* showing “more likely than not” at least one claim unpatentable (or raised unsettled legal question important to other patents).
 - (d) When: **within** 9 mos. of grant (starting 09/16/2012).
 - (i) Prohibited If:
 - ◆ Petitioner filed civil action challenging validity of a claim.
 - (e) Which Patents: **only** EFD-03/16/13.

- (f) Procedures and Penalties: Essentially same as above.

COMMENT FOR LITIGATION

Post-Grant Reviews Will Pose High Risks For Both Parties: The estoppel penalty for a granted but unsuccessful (Sec. 6) post-grant review is so severe (cannot assert in litigation any defense petitioner reasonably could have raised in post-grant review), that few practicing entities may risk this procedure. But, a practicing entity willing to commit to a slam-dunk non-infringing redesign, might be willing to risk the estoppel in order to invalidate the patent without suffering expensive court litigation. And, Sec. 18 “business method” transitional post-grant reviews are not subject to same estoppel in litigation.

3. Transitional post-grant review for Covered Business Method Patents:
 - (a) Nutshell: banks have lobbyists.
 - (b) What Patents: “covered business method patents” (“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.”)
 - (c) Who May Institute: only someone charged with patent infringement.
 - (d) Scope: any invalidity ground.
 - (e) Threshold Showing: “more likely than not” at least one claim unpatentable.
 - (f) When: starting 09/17/2012 (but not during window when normal post-grant review could be filed).
 - (g) Estoppel Restricted: litigation estoppel extends only to “any ground that the petitioner raised during that transitional proceeding.”
4. Derivation proceedings:
 - (a) Nutshell: PTO proceeding to decide derivation, for EFD-03/16/13. Replaces interferences.

- (b) Scope: show an inventor in earlier filed, unauthorized application derived the claimed invention from inventor named in petitioner's application.
- (c) What Applications: EFD-03/16/13
- (d) When: within one year after the first publication (in petitioner's patent application?) of a claim to an invention the same as or substantially the same as the earlier application's claim to the invention.
- (e) Who May Institute: an applicant for patent.

COMMENT FOR COUNSELING CLIENTS

Record-Keeping; Record-Keeping; Record Keeping: Much of the AIA will benefit those with the best record-keeping. A foreigner defending with its own foreign uses will need admissible evidence to prove that prior art. The party who wins a derivation proceeding, like an interference proceeding, often will be the one with the best record-keeping (e.g., of independent development and disclosures to others). It's not glamorous. But, it's too late to get client's record-keeping act together once you're at PTAB or District Court.

- 5. Supplemental Examination:
 - (a) Nutshell: confessional.
 - (b) Who: patent owner.
 - (c) Scope: any patentability issue, including correcting incorrect information from original prosecution.
 - (d) Threshold Showing: "substantial new question of patentability."
 - (e) Procedure: essential an ex parte reexamination.
 - (f) When: anytime (starting 09/17/2012).
 - (g) Incentive: shields patent owner from new inequitable conduct claims.

B. Revisions to Existing PTO Proceedings.

- 1. Inter Partes Reexamination:
 - (a) Threshold standard changed from "substantial new question of patentability" to "the information in the request shows that there is a reasonable likelihood that

the requester would prevail” on at least one claim{effective immediately for new requests}.

- (i) probably little effect in PTO.
 - (ii) may be easier to get stay ivo pending IPReexam.
 - (iii) may be less impossible to get pending IPReexam into evidence on inducement or willfulness.
- (b) PTAB takes over IPReexams pending on 09/17/2012.
 - (c) No new IPReexams begun after 09/17/2012.
2. Reissue: no longer need show lack of deceptive intent {effective 09/16/2012}.
 3. Ex Parte Reexamination: unchanged, except appeals now go only to Fed. Cir.

C. New Shields Against Prior Art.

1. Expanded Common Ownership and “Joint Research Agreement” Shield.
 - (a) Current 35 U.S.C. § 103(c) (“CREATE Act”): co-ownership of putative 102(e), (f), or (g) prior art, e.g., under a qualifying “joint research agreement,” could remove that prior art for purposes of a Section 103 invalidity challenge, but not for Sec. 102 anticipation.
 - (b) AIA: for EFD-03/16/13, for 102(e)-type prior art, **the protection extends to Section 102 challenges as well**, where putative prior art is a patent or a published application qualifying as prior art solely due to its effective filing date not its publication date.
 - (c) No time limit ... earlier application could be filed today. This can eliminate nominal prior art filed anytime, so you should revisit this legal doctrine with clients who might be inventing as part of some cooperative arrangement.
 - (d) Eliminate Joint Developers’ Prior Art By Buying It?: the AIA provides that the common ownership needs to be “not later than” the effective filing date of the claimed invention (under current law it is when the claimed invention was made). (Sec. 3). This applies only to EFD-03/16/13, but it’s another reason to seek invention

assignment agreements, and/or invention option-to-buy agreements, in contracts with suppliers, customers, etc.

2. First to File tempered by First to Publicly Disclose.

(a) Under New Sec. 102 (for EFD-03/16/13), prior art is anything that before the effective filing date of the claimed invention is:

- [EXPANDED PRIOR ART DEF'N] “(a)(1) ... patented, described in a printed publication, or in public use, on sale, or otherwise available to the public”; or

But, such nominal prior art is eliminated if:

“(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--

[OWN DISCLOSURE OR DERIVATION] “(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

[DEFENSIVE DISCLOSURE SHIELD] “(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.”

- [THE NEW 102(e) ART] “(a)(2) ... 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.”

But, such nominal prior art is eliminated if:

“(2) DISCLOSURES APPEARING IN APPLICATIONS AND PATENTS- A disclosure **shall not be prior art** to a claimed invention under subsection (a)(2) if--

[DERIVATION] “(A) the subject matter disclosed was obtained directly or indirectly from the inventor or a joint inventor”;

[DEFENSIVE DISCLOSURE] “(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

[CO-OWNED] “(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.” (Sec. 3)

(b) Blocking Defensive Disclosures: In addition to above prior art shields, early Defensive Disclosure may defeat a “prior commercial use” defense under Sec. 273.

However:

- (i) In general, the better course will continue to be delaying any public disclosure until filing a provisional application on the invention (to protect foreign patent rights), and often not publicly disclosing the invention at all until commercially necessary (to protect trade secrets as long as possible). Also, note that there undoubtedly will be litigation over the meaning of “publicly disclose.”
- (ii) On the other hand, if foreign patent rights are not desired, and there are reasons to delay filing a provisional application, then not publicly disclosing the invention risks losing U.S. patent rights on account of a public disclosure—

anywhere in the world—by someone who conceived of the idea after you did.

- (iii) Similarly, under the new regime, one in effect can extend the patent term. If one does not want foreign rights, they can do a blocking public disclosure, then a year later file a provisional, and then a year later a non-provisional, with the end of the term measured 20 years from a date two years after the disclosure.

D. **Virtual Patent Marking.**

- 1. Patent marking may now be **virtual patent marking** via Web site (i.e., mark patented article with word “patent” or “pat.” and “an address of a posting on the Internet” associating article with number of the patent). (§ 287) (Sec. 16).

E. **New Micro Entity Status.**

- 1. 75% reduction in most fees (i.e., 50% lower than “small entity” fees), **set or adjusted by the PTO**, for the new category of “**micro entities**,” including a (U.S.) “institution of higher learning.” (Sec. 10).
 - (a) Infrequent Filer Earning Under ~ \$150,000/Year: Must qualify as “small entity” and assert: that the applicant has not been named as inventor on more than four previously-filed US patent applications (excluding any assigned by applicant as a result of prior employment); that the applicant’s gross income the prior year did not exceed three times the US “median household income” (approximately \$50,000/yr. in 2011); and that the application is not assigned or subject to be assigned to an entity having an income over three times the US median household income; OR
 - (b) Institution of Higher Learning: Applicant’s employer is a U.S. institution of higher learning (under 20 USC 1001(a)) or applicant has or is obligated to “assign, grant, or convey, a license or other ownership interest in the particular applications” to a U.S. institution of higher learning.

PRACTICAL TIP FOR PROSECUTION

Micro-Entity Discount Is Not Effective Until PTO Sets Fees: The 75% reduction applies only to fees set or adjusted by the PTO, not those set by Congress in the AIA itself. Nevertheless, evaluate now whether applicant qualifies as a “micro entity” and, implement a procedure for determining whether and when applicant loses his “micro entity” status (e.g., by filing too many applications).

IV. Near-Term Impacts on Start-Up Technology Company

- A. Record-Keeping: Adopt technology and business practices from Day One that will retain admissible, dated evidence of invention activities and invention communications to and from others. E.g., requiring logging into an Intranet system all communications with outsiders re ideas that could possibly be patented.
- B. Decide Whether Foreign Patent Protection In the Cards: If the company knows that it (and future owners) will never want foreign patent protection, that might lead to a policy of early disclosure of inventions it will be seeking to patent in the U.S. (discussed elsewhere).
- C. Monitoring Patent Filings of Others: Continues to be a two-edged sword: downsides of being exposed to “intent” to infringe allegation and possibly derivation; upside of knowing what avenues to design around, and additional upside of being able to more rigorously challenge the patent (starting 09/16/12) in the Patent Office.
- D. Be More Careful About Revealing Upcoming Product Plans or Features: The AIA increases the risks from publicly revealing or hinting at your upcoming product features, or plans. Equipped with even a general sense of your company’s new features, a competitor could quickly brainstorm and publicly disclose detailed possible implementations of that design, possibly blocking your company from getting any useful patent protection on the new feature.
- E. Do a Deal With Local University: Explore agreeing to license a University under invention/patent, e.g., for non-commercial uses, to qualify for “micro entity” status.

V. Impacts On Patent And Patent Application Licensing

- A. Micro Entity Status: Investigate whether granting a non-exclusive right to a U.S. University would trigger “micro entity” patent filing status.

- B. Virtual Patent Marking: Permit, and perhaps require, licensee to use virtual patent marking.
- C. Virtual Patent Marking: Require licensee to mark product with patent owner's web page?
- D. Contractually Prohibit Petitioning the Patent Office?: Consider prohibiting a licensee or parties to other contracts from petitioning for post-grant and/or inter partes review (Sec. 6) and/or transitional post-grant review (Sec. 18), and/or a derivation proceeding (Sec. 3) related to the subject of the agreement;
 - 1. Note: A court may or may not enforce such a restriction, but a point possibly in favor of such enforcement is that the AIA permits parties to settle such proceedings, with certain restrictions.

VI. Impacts On Patent-Clearance Process

- A. Virtual Patent Marking: Clearance opinion that fails to identify patent listed in a competitor's virtual marking Web page will be suspect.
- B. AIA Provision on Clearance Opinions: Effective 09/16/2012 (but possibly only for patents issued after that date), failure to obtain or produce an opinion shall be inadmissible on both inducement and willfulness.
- C. Reconsider Your Patent Search/Clearance Strategy: Previously, some companies took a "bury your head in the sand" approach to patent searching. However, this trend may change with the enhanced ability to (anonymously) challenge patents in pre-issuance submissions (Sec. 8), and enhanced post issuance challenges. While this change does not go into effect for a year, or later, significant changes to search/clearance procedures can take time to implement.

VII. Impact On Manufacturer Who Doesn't Want to File Patent Applications

- A. More Legal Shields: Additional, lower-cost proceedings for challenging an issued patent.
- B. More Prior Art Shields: Additional benefits from quickly disclosing new ideas (to create prior art), to extent record-keeping produces admissible evidence.
- C. Prior Use: Revised prior use defense, but still unlikely to help.

1. Broadens Sec. 273 to any commercial process or machine, manufacture or composition of matter used in a commercial process (not just method of conducting business, as before), in U.S., but the accused commercial use must have occurred at least a year before the earlier of the claimed invention's effective filing date or disclosure to the public by the inventor or one who obtained it from inventor.
2. If assert defense without reasonable basis, "the court shall find the case exceptional for the purpose of awarding attorney fees."
3. Several exceptions and limitations. E.g., cannot be used against patent whose invention was assigned or obligated to be assigned to institution of higher education (or technology transfer organization) at time invention was made.

(Sec. 5) {effective for patents issued after 09/16/11}.

VIII. Impact On Company With Patent-Litigious Competitor

- A. Rethink standard Declaratory Judgment strategy: Filing a civil action (not a counterclaim) challenging validity of a patent claim bars the plaintiff from filing for inter partes review. Presumably, could file DJ of non-infringement, and then assert invalidity defenses in response to patent owner's counterclaim for infringement, and not lose right to seek inter partes review.
- B. Consider pre-issuance submission of prior art: May submit relevant printed publication and concise explanation of its relevance, within certain time windows. Need not identify real party in interest. {effective 09/16/2012}.

IX. Immediate Impacts On Patent Owner Wanting To Enforce Patent

- A. .com/Patents: Consider virtual patent marking (mark product with "pat." and address of web page that associates patented article with patent number).
 1. Record-Keeping: But big mistake if can't later submit admissible evidence of content and version history of that web page.
- B. One At a Time: Can no longer sue competitors in same suit.
- C. No Penalty If Successfully Hid the Ball: "Best mode" no longer a defense.

- D. Suit Timing: Don't delay serving Complaint. Infringement defendant has one year after service of the complaint to seek (on or after 09/17/2012) inter partes review of asserted patent.
- E. Suit Timing: Bonus for suing within 3 months of patent grant (Court prohibited from staying consideration of preliminary injunction motion based on post-grant review petition or proceeding).

X. 2012 Impacts On Patent Owner Wanting To Enforce Patent

- A. Supplemental Examination: Start review of existing patent portfolio to be ready to file for supplemental examination as of 09/16/2012.
- B. More Stays?: May be harder to get your day in court. The later one files suit in 2012, the higher the risk that the defendant will initiate one of the new PTO post-grant procedures, and successfully seek a stay pending that procedure. **Stays may become nearly automatic when a post-grant review is filed.**

XI. Impact On Owner Of A "Business Method" Patent

- A. Sue Early: Asserting infringement (not merely filing suit) allows target to petition (starting 09/16/12) for a "transitional" post-grant review, with limited estoppel downside.

XII. Impacts On Owner Of Patent Filed Before Nov. 29, 1999

- A. Sue Early: Incentive to sue sooner than later on such early-filed patents.
- B. Pre AIA: Subject only to ex parte reexamination. Many defendants reluctant to go that route.
- C. Under AIA: Effective 09/16/2012, all patents subject to inter partes review (but not sooner than 9 mos. from patent's issuance).
- D. Merger: Possible an ex parte reexamination filed now will be merged with inter partes review proceeding filed next Sept.

XIII. Impact On Non-U.S. Filer Of PCT/U.S. Patent Applications

- A. Foreign Applications Will Be Just As Useful As U.S. Applications: Under current law, those who file a foreign application and then wait to file a corresponding PCT or U.S. application are disadvantaged vs. those who file in the U.S. first, because the Sec. 102(b) "one year" bar is tied to filing in the U.S. Also, when applied as 102(e) prior art, their foreign filing date does not count. In 18 months that will no longer be true. All that matters for both offensive and defensive

purposes, under the AIA, is the “effective filing date” and that can be either a U.S., or foreign, or PCT application date. Non-U.S. filers, in particular, should start exploring now whether this change should impact your patent filing policies.

- B. Foreign Art: Additional benefits from quickly disclosing new ideas (to create prior art) outside U.S. (and keeping admissible records of such disclosures).
- C. Best mode: No longer needed to get benefit of foreign filing date, in court/ITC.

XIV. Impact On Patent Prosecutors And Their Firms

- A. Client Wants Trade Secret and Patent: Disclosing “best mode” risks trade secret protection. Not disclosing “best mode” poses little risk to patent protection, because “best mode” no longer a patent invalidity defense. On the other hand, it still is a requirement for patentability. But how will Examiner know that “best mode” has not been disclosed? Best to remain ignorant of the inventor’s best mode? Unethical?
- B. How Quickly Must You Be Able To File?: Invention results from client discussions with a vendor on 09/17/13. You file provisional application 7 days after receiving disclosure from client, without making any changes to that disclosure. Vendor files its patent application two days earlier. Call PLF?
- C. Expanded Foreign Art: Should you do something to become better able to learn of non-publication foreign prior art?

XV. Longer-Term Strategies For First-To-File System

- A. Consider Filing An Immediate Provisional Application Followed Quickly By A Second, Fuller Provisional:
 - 1. File Immediate Provisional Application On Or About Eureka Day: Explore whether your company should become capable of filing a provisional patent application on the very day that a (reliable) company inventor realizes he or she has made an important breakthrough. While same-day filings will, of course, remain exceedingly rare, the AIA favors companies prepared for such rapid filing over their competitors who are not.

2. Follow With Second Provisional Promptly: The second step is to prepare and file a more complete provisional application, with additional data and variations, promptly.
 - (a) Caveats: There can be downsides to this approach. For example, PCT international applications must be filed within one year of the first national application. Also, some inventions cannot be enabled within one year. The main point here is that the AIA changes the patenting landscape substantially, and now is the time to start preparing to adapt.

XVIII. PTO Soliciting And Getting Comments On Rulemaking

- A. PTO expects to complete Notices of Proposed Rulemaking (NPRMs) by early December, setting forth the proposed rules with an explanation of their operation, for Group 2 rulemaking, and is soliciting comments now on following:

Group 2 Rulemakings
<u>Inventor's oath/declaration</u>
<u>Third party submission of prior art for patent application</u>
<u>Supplemental examination</u>
<u>Citation of prior art in a patent file</u>
<u>Priority examination for important technologies</u>
<u>Inter partes review</u>
<u>Post grant review</u>
<u>Transitional program for covered business method patents</u>
Group 3 Rulemakings
<u>First-Inventor-to-File</u>
<u>Derivation proceedings</u>
<u>Repeal of Statutory Invention Registration</u>

B. E.g., IPO/AIPLA/ABA proposed model rules for PGR, IPR, and TPCBMP.

C. Support PTO in PDX!

1. PTO's Federal Register notice:

“Comments should provide information that supports the USPTO's purposes of establishing satellite offices, including that the location will:

(1) Increase outreach activities to better connect patent filers and innovators with the USPTO, including the number of patent filings and grants by the city/region as well as other information that provides insight into the region's innovation activity;

(2) Enhance patent examiner retention, including quality of life indicators such as average household income, cost of living factors, and other factors related to employee retention;

(3) Improve recruitment of patent examiners, including data on employment rates and other economic factors in the area, science and technology professionals, as well as legal professionals in the workforce and other related information;

(4) Decrease the number of patent applications awaiting examination; and

(5) Improve the quality of patent examination.”