

## How Will Patent Reform Affect the Software and Internet Industries?

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On September 16, 2011, President Obama signed into law the Leahy-Smith America Invents Act (H.R. 1249) (AIA).<sup>1</sup> In contrast to the mood of Congress on many other important matters, the AIA received strong bipartisan support and makes the most significant changes to the U.S. patent laws since the Patent Act of 1952<sup>2</sup> created the modern patent system. The debate over comprehensive patent reform dates back to a 2003 Federal Trade Commission report<sup>3</sup> and a 2004 National Academy of Sciences publication,<sup>4</sup> both recommending changes to the patent laws and the U.S. Patent and Trademark Office (USPTO).

The AIA represents the culmination of six years of effort and compromise. This article cannot address the entire AIA in detail (the AIA consumes 58 pages of dense statutory language). Instead, in the section entitled "Major Provisions," we address certain changes important to the computer and Internet industries, such as the redefinition of prior art, third-party challenges to patents, prior commercial uses, business-method patents (including patents on tax strategies), joinder (preventing suits against multiple, unrelated defendants), and USPTO funding. We then briefly describe other aspects of the bill in the section entitled "Other Provisions." At the end of this article, we provide an Appendix A summarizing the effective dates of the various provisions of the AIA. We also include as Appendix B a chart comparing the different mechanisms for challenging the validity of a patent claim.

### Major Provisions

**Prior-Art Repercussions of Changing to a First-Inventor-to-File System** The AIA brought the United States into line with the rest of the world by abandoning a first-to-invent system in favor of a first-inventor-to-file system.<sup>5</sup> One major ramification of this change will be the slow demise of interferences.<sup>6</sup> Interferences were never an important part of the patent landscape for computer and Internet-related inventions, so the real impact for our industry is the effect on the prior art against which an invention is measured. All the changes in this section go into effect in 18 months, on March 16, 2013.<sup>7</sup>

Under the AIA, the key date for evaluating issues of novelty or obviousness is the effective filing date. The AIA amends 35 U.S.C. § 100(i)(1) to define "effective filing date" for a claimed invention (the subject matter

of a claim) as the earliest priority date for the claim or the actual filing date if there is no priority claim to an earlier application.<sup>8</sup> Priority dates can come from either corresponding applications filed in another country or parent applications filed in the United States (35 U.S.C. §§119-121 or 365).<sup>9</sup>

Before the AIA, 35 U.S.C. § 102 defined a host of different forms of prior art, some related to the filing date and some related to a date of invention. The AIA replaced § 102 entirely, so it now identifies only two categories of prior art. Section 102(a)(1) includes any "printed publication, public use, sale, or other material available to the public" anywhere in the world dated before the effective filing date of the claim in question.<sup>10</sup> Section 102(a)(2) includes U.S. patents or applications that have (1) issued, been published, or been deemed to have been published; (2) at least one inventor different from the inventors of the claim in question; and (3) an effective filing date before that of the claim in question.<sup>11</sup> Section 102(d) defines the effective filing date of a patent or application for § 102(a)(2) as the earlier of (1) the actual filing date of the patent or (2) the filing date of a prior application that meets the requirements of 35 U.S.C. §§ 119-121 or 365.<sup>12</sup>

The new § 102(b) defines two kinds of exceptions from the prior art in § 102(a), both of which involve disclosures by a claim's inventive entity (sole or joint inventor) or by an obtainer (someone who obtained the disclosed subject matter disclosed directly or indirectly from the inventive entity).<sup>13</sup> Section 102(b)(1) removes from the prior art in § 102(a)(1) disclosures by the inventive entity or an obtainer within the year preceding a claim's effective filing date.<sup>14</sup> Section 102(b)(2) removes from the prior-art applications or patents in § 102(a)(2) any disclosures with subject matter that was (1) obtained from the inventive entity or an obtainer; (2) publicly disclosed by an inventive entity or an obtainer; or (3) commonly owned or subject to an agreement to assign by the owner of the claimed invention.<sup>15</sup> Section 102(c) explains that common ownership occurs when (1) the subject matter was developed (not defined) and the claimed invention was made (not defined) by or on behalf of parties to a joint research agreement in effect on or before the claimed invention's effective filing date; (2) the claimed invention resulted from activities within the scope of the joint research agreement; and (3) the patent application identifies the parties to the joint research agreement.<sup>16</sup>

The AIA also changed 35 U.S.C. § 103 to move the date on which to gauge the obviousness of an invention from "the time the invention was made" to "before the effective filing date of the claimed invention."<sup>17</sup>

**Pre-Grant and Post-Grant Patent Reviews** The AIA created two new procedures for challenging patents and strengthened an existing mechanism, perhaps moving the center of validity challenges from the courts to the USPTO. To help address the onslaught, the AIA also repackages and renames the Board of Patent Appeals and Interferences as the Patent Trial and Appeal Board (PTAB), which will now render the primary decisions in appeals, reexaminations, and the new proceedings.<sup>18</sup> Another procedure, supplemental examination, assists patent owners.

These new procedures become effective September 16, 2012.<sup>19</sup> Although the AIA expands the number and type of tools for patent challengers, each has a different window of opportunity and different features, and some even offer an opportunity for discovery. Attorneys will need to decide which procedures to use to attack the validity of patents. As an aid, we include as Appendix B a chart comparing the different mechanisms for challenging the validity of a patent claim in the USPTO, including the *ex parte* reexamination, which the AIA did not change.

**Preissuance Submissions** The AIA revises the current procedure under 37 C.F.R. § 1.99 for submitting prior art by third parties during prosecution of the patent.<sup>20</sup> This provision will go into effect on September 16, 2012. Before the AIA, a third-party challenger could submit no more than 10 references to the USPTO for each application and could not submit any arguments or explanation of the references.<sup>21</sup> This made preissuance submission an unattractive option. The AIA does not limit the number of references in a preissuance submission and requires the challenger to accompany each reference with a concise description of its relevance.<sup>22</sup> As long as the USPTO has not issued a notice of allowance, a challenger may use this procedure up to six months after the application's publication or the first office action, whichever is later.<sup>23</sup> In addition, challengers may raise any ground of patentability, such as enablement, written description, or definiteness, if they identify a document relevant to those requirements.<sup>24</sup>

One disadvantage of this mechanism is that a challenger has no recourse if the USPTO does not appreciate the importance of a reference. As a result, a patent may issue indicating that the USPTO considered the reference, which makes it more difficult to challenge the patent later using that reference. On the other hand, this mechanism has several advantages. First, a challenger can present relevance arguments, similar to *ex parte* reexaminations; second, the cost is low; and third, the challenger can remain anonymous.

**Post-Grant Review** The AIA added a completely new weapon for patent challengers in the form of a procedure for post-grant review (PGR).<sup>25</sup> The PGR, which the PTAB decides, will allow challenges to a patent based on any ground of invalidity, including challenges to utility, patent eligibility, enablement, written description, and definiteness.<sup>26</sup> The AIA requires the USPTO to issue regulations governing the PGR by September 16, 2012.

Significant restrictions will delay the effect of the PGR. First, the new PGR procedures apply only to patents on applications filed on or after March 16, 2013 that contain a claim that has an effective filing date on or after that date<sup>27</sup>—patents that will normally not issue for several years. Second, the AIA allows the USPTO to limit the number of PGRs instituted during the first four years after the PGR rules go into effect, possibly to give the USPTO time to adjust.<sup>28</sup> Third, the AIA requires the USPTO to implement a "transitional program" for the PGR of business-method patents in litigation, even though they were filed under the previous law.

A challenger must file a PGR petition within nine months after the USPTO grants the patent or reissue patent.<sup>29</sup> The USPTO must grant the PGR petition if it finds that the claims are more likely than not unpatentable or if the challenge raises a novel or unsettled legal question of importance to other patents.<sup>30</sup> Setting a low threshold for PGRs may encourage earlier challenges to patents.

The PGR procedure will resemble the current reexamination process in that the PGR petition must identify each claim being challenged and the grounds for challenge, including affidavits and declarations.<sup>31</sup> Unlike the current *ex parte* reexamination process, where the patent owners may file a statement only after the USPTO grants the petition for reexamination, in the PGR the patent owner can file a preliminary response to the petition before initiation within a time frame that the USPTO Director shall set.<sup>32</sup> The USPTO will determine whether to initiate PGR in the three-month period after receiving the patent owner's comments or after the last date for such a response if the patent owner files no comments.<sup>33</sup>

In determining whether to grant a petition, the USPTO may take into account whether it considered the same arguments or references during prosecution.<sup>34</sup> The challenger, who cannot be anonymous,<sup>35</sup> may not appeal the USPTO decision denying the grant,<sup>36</sup> and the USPTO's decision on the grant must be in writing and publicly available.<sup>37</sup> As with current reexaminations, the USPTO may consolidate petitions for PGR or reject later-filed requests.<sup>38</sup>

During PGR, the patent owner may amend the patent once as a matter of right by canceling the challenged claims or proposing a "reasonable number" of substitute claims that do not enlarge the scope of the claims or introduce new matter.<sup>39</sup> The PTAB can allow motions to amend "upon good cause."<sup>40</sup>

The AIA also requires the USPTO to allow discovery during PGR, but the scope and procedures for conducting discovery are not yet known.<sup>41</sup> The AIA provides only that the USPTO must limit discovery to "evidence directly related to factual assertions advanced by either party," develop guidelines for a protective order governing exchange of documents, and prescribe sanctions for abuse of discovery.<sup>42</sup>

A challenger cannot petition for a PGR after filing a civil action challenging validity; any civil suit alleging invalidity filed after requesting PGR will be stayed.<sup>43</sup> If the patent owner files a suit alleging infringement against the petitioner, however, the defendant may counterclaim for invalidity even if it previously initiated PGR.<sup>44</sup> Further, courts cannot stay a patent-infringement action filed within three months of grant of the patent simply because of the filing or institution of a PGR petition.<sup>45</sup>

The PTAB's final determination of validity on any claim bars the challenger from attacking that claim again either before the USPTO or in the courts on any ground that the challenger "raised or reasonably could have raised" during PGR.<sup>46</sup> Furthermore, once a PGR is commenced, the proceeding may result in a final determination even if the parties settle.<sup>47</sup> Parties may avoid any estoppels, however, by withdrawing before the Office has decided the merits of the proceeding.<sup>48</sup>

***Inter Partes* Review** Effective September 16, 2012, the AIA replaces the current *inter partes* reexamination procedure with an *inter partes* review (IPR) procedure.<sup>49</sup> Pending *inter partes* reexaminations, however, will continue under the old rules.<sup>50</sup>

A challenger can request an IPR only after the period for PGR elapses or a prior PGR terminates.<sup>51</sup> Similar to a PGR, a challenger cannot initiate both a civil action and IPR but may request IPR while counterclaiming within one year after service of the complaint.<sup>52</sup> Similar to the existing *inter partes* reexaminations, IPR can consider only patents and printed publications.<sup>53</sup>

The AIA sets the threshold for granting IPR at a showing of a "reasonable likelihood that the petitioner would prevail" on at least one of the claims challenged.<sup>54</sup> This change became effective immediately for requests for *inter partes* reexamination filed on or after September 16, 2011.<sup>55</sup>

IPR procedures resemble PGR procedures in that (1) petitions will require the same content, (2) the patentee will have an opportunity to respond, (3) the USPTO will have to decide whether to grant the petition within

three months after the response or the expiration of the response period, (4) a challenger cannot appeal a denial of the petition to initiate but may appeal from the final decision itself, (5) the challenger cannot be anonymous, and (6) the challenger cannot petition for IPR after filing a civil action challenging validity but may after counterclaiming for invalidity.<sup>56</sup> In addition, discovery is available but limited to depositions of fact and expert witnesses providing declarations and "what is otherwise necessary in the interest of justice."<sup>57</sup>

The new IPR procedure has several advantages over the current *inter partes* examination process. First, IPR will not be restricted to patents granted after November 29, 1999, making this a new option for older patents.<sup>58</sup> Second, IPR under the new rules is expected to take less than two years, making it significantly faster than the more than three-year current average.<sup>59</sup> Those eager to test the new IPR procedures should file their requests as soon as possible after the new rules go into effect, as the AIA allows the USPTO to cap the number of IPRs granted during each of the first four fiscal years after institution at 281, far less than the number of *inter partes* reexamination requests expected in this fiscal year (about 400).<sup>60</sup> Few parties currently in litigation can use the IPR because the AIA bars use of IPR more than one year after a complaint is filed.<sup>61</sup>

**Supplemental Examinations** In a new procedure, "supplemental examination," which becomes available on September 16, 2012, for any patent,<sup>62</sup> the AIA provides patent owners an opportunity to correct prosecution mistakes or omissions in granting a patent to avoid unenforceability holdings. Specifically, section 12 of the AIA permits a patent owner to request supplemental examination in the USPTO "to consider, reconsider, or correct information believed to be relevant to the patent" under 35 U.S.C. § 257.<sup>63</sup> Within three months of the request, the USPTO will issue a certificate indicating whether the request raises "a substantial new question of patentability."<sup>64</sup>

If the request is granted, a reexamination will be conducted according to procedures for an *ex parte* reexamination, and the patent owner will not have the right to file a statement.<sup>65</sup> During the reexamination, the USPTO "shall address each substantial new question of patentability identified during the supplemental examination."<sup>66</sup> Unlike a reexamination, however, supplemental examination is not limited to patents or printed publications. The broad reference to "information" appears to invite submission of any document or information, including prior art, data, related case information, foreign prosecution, inconsistent arguments, and related litigations.

The key portion of this section provides that "[a] patent shall not be held unenforceable on the basis of conduct relating to information that had not been considered, was inadequately considered, or was incorrect in a prior examination of the patent if the information was considered, reconsidered, or corrected during a supplemental examination."<sup>67</sup>

Supplemental examination does not apply to allegations raised in a district court action<sup>68</sup> or to issues raised in International Trade Commission actions, unless the reexamination pursuant to the supplemental examination concludes before the filing of the action.<sup>69</sup> If the USPTO becomes aware that a "material fraud" may have been committed in connection with the patent under supplemental examination, however, the USPTO may cancel any claims found to be invalid and "shall also refer the matter to the Attorney General."<sup>70</sup> The provision does not define "material fraud" or how the investigation would be conducted.

Supplemental examination presents both opportunity and risk for computer and Internet companies. Patent owners can now "purge" activities that might constitute inequitable conduct, which the statute did not previously sanction, through either reissue or reexamination. Thus, supplemental examination may provide a useful tool to correct errors or omissions uncovered during due diligence, clearance, or prelitigation analysis that could provide a basis for future allegations of inequitable conduct.

This new mechanism, however, may highlight potential weaknesses in a patent, and accused infringers can challenge acts or omissions during the supplemental examination itself as additional basis for inequitable conduct. Thus, rather than exposing the patent to double scrutiny—once at the USPTO and then later in court—it might be better to limit exposure to litigation where inequitable conduct holdings are reserved for situations in which the patent would not have issued "but for" the omission or misrepresentation of relevant information.<sup>71</sup>

**Prior Commercial-Use Defense** Before the AIA, the patent statute, in 35 U.S.C. § 273, provided a commercial-use defense: good-faith activities by a party who reduced the subject matter of a business-method patent to practice at least one year before the effective filing date of a patent, and commercially used the subject matter before the effective filing date of such patent, had a defense to infringing that patent.<sup>72</sup> As of September 16, 2011, the AIA expanded these "prioruser" rights to any "subject matter consisting of a process, or consisting of a machine, manufacture, or composition of matter used in a manufacturing or other commercial process"<sup>73</sup> for any patent issued on or after that date.<sup>74</sup>

Now, any commercial use—whether an internal commercial use or an arm's length sale or commercial transfer of a useful end result—that occurred at least one year before the effective filing date of the patent or the inventor's public disclosure of the invention is entitled to a prior-user-right defense to infringement.<sup>75</sup> This defense does not extend, however, to a prior use derived from the patentee.<sup>76</sup>

This provision covers a nonprofit laboratory or entity, "such as a university or hospital, for which the public is the intended beneficiary" but only for "continued and noncommercial use by and in the laboratory or other nonprofit entity."<sup>77</sup> The "university exception," however, precludes asserting this defense against a university-owned patent.<sup>78</sup>

A sale by the protected prior user exhausts the patent owner's rights, which protects all downstream customers from that sale.<sup>79</sup> The defense is personal. It cannot be licensed, assigned, or transferred to another except as a good-faith transfer of an entire line of business.<sup>80</sup> Moreover, the defense is not a general license to all claims but extends only to the specific subject matter in the prior commercial use.<sup>81</sup>

An unreasonable assertion of the defense of prior commercial use can be a basis for finding a case exceptional for awarding attorney fees under 35 U.S.C. § 285.<sup>82</sup> In addition, raising this defense does not affect validity under § 102 or § 103.<sup>83</sup>

**Business-Method Patents and Patents on Tax Strategies** Two provisions of the AIA introduce new limitations on obtaining and enforcing patents on business methods. Although these provisions do not alter

the definition of the types of inventions eligible for patents, they effectively prevent certain patents that might have issued and been in force before the AIA.

**Challenging Business-Method Patents** Section 18 of the AIA, scheduled to take effect September 16, 2012, and expire in eight years,<sup>84</sup> will make it easier to invalidate business-method patents related to financial services and products. Under this section, a party accused of infringing a "covered business-method patent" can initiate a special review proceeding at the USPTO and ask the court to stay the patent-infringement litigation during this review.<sup>85</sup> A "covered business-method patent" includes claims for methods and machines for "performing data processing or other operations used in the practice, administration, or management of a financial product or service" but not "technological inventions."<sup>86</sup>

In the review proceeding, the accused infringer may ask the USPTO to cancel claims on any ground relating to unenforceability or invalidity, such as lack of patentable subject matter, obviousness or anticipation by prior art, or lack of sufficient written description.<sup>87</sup> One area of confusion comes from § 18(a)(1)(C) of the AIA, which limits the prior art in a challenge to § 102(a) prior art according to the law in effect on the day before the effective date of the patent in question, or

prior art that—

(I) discloses the invention more than 1 year before the date of the application for patent in the United States; and

(II) would be described by section 102(a) of such title (as in effect on the day before the effective date set forth in section 3(n)(1)) if the disclosure had been made by another before the invention thereof by the applicant for patent.<sup>88</sup>

The confusion arises because before the AIA, 35 U.S.C. § 102(a) referred to activities before the invention date, which always involved disclosures "of the invention" by another.

**Tax Strategies** Effective immediately, § 14 of the AIA limits an inventor's ability to patent inventions related to tax strategies. If an invention includes a "strategy for reducing, avoiding, or deferring tax liability," the AIA deems that tax strategy to be in the prior art.<sup>89</sup> The novelty-defeating provision, however, does not apply to inventions used solely for preparing tax returns or for financial management.<sup>90</sup> Congress availed itself of the opportunity to take a gratuitous swipe at business-method patents by adding § 14(d), entitled "RULE OF CONSTRUCTION," which reads: "Nothing in this section shall be construed to imply that other business methods are patentable or that other business method patents are valid."<sup>91</sup>

The USPTO recently issued guidelines explaining how patent examiners should apply this new law.<sup>92</sup> Those guidelines explain that this section applies to inventions especially suitable for tax-favored structures meeting certain requirements, such as employee-benefit plans or tax-exempt organizations, but not to all software-related inventions involving data related to taxes.<sup>93</sup> For example, the USPTO does not believe the AIA would automatically deny a patent to a computer-implemented method for organizing data for tax filing or a

software-related invention enabling individuals to file tax returns or manage their finances.<sup>94</sup>

**Joinder of Parties** In an apparent reaction to cases brought by nonpracticing entities, the AIA added 35 U.S.C. § 299, which severely limits the number and types of defendants that a patent owner can join in a single action.<sup>95</sup> The new law, which took effect immediately, allows only the joinder of accused infringers in one action if (1) the alleged right to relief is from joint liability or arises "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) there will be common questions of fact for all defendants, other than that they each allegedly infringe the patent or patents in suit.<sup>96</sup> An accused infringer can waive this provision.<sup>97</sup>

**Fee-Setting Authority and USPTO Funding** The AIA gives the USPTO fee-setting authority.<sup>98</sup> The AIA only limits the Director to setting fees to recover for aggregate estimated costs to the USPTO for its processing, activities, services, and materials relating to patents and trademarks.<sup>99</sup>

Some are concerned that the USPTO could use this fee-setting authority to "encourage" behavior that the USPTO prefers, such as fewer claims, shorter applications, or more expensive continuation practice. The AIA does, however, create a microentity rate (with a fee reduction of 75 percent) that can benefit start-up companies and certain individual inventors.<sup>100</sup>

## Other Provisions

**Derivation Proceedings** The AIA includes provisions for the PTAB to determine whether the disclosure in an earlier-filed patent or application was "derived" from the inventor of a later-filed application or patent. Derivation occurs when inventors communicate the conception of their invention to others, who claim the invention as their own.<sup>101</sup> As in the prior system, the AIA does not recognize one who "derives" an invention from another as an inventor.<sup>102</sup>

The derivation provisions in the AIA replace the sections of title 35 directed to the disappearing interference proceedings, which were used to determine the first inventor under the first-to-invent system. As in the former interference proceedings, a derivation determination can be pursued in a civil court action (among two or more patentees) or in a USPTO proceeding.<sup>103</sup> Any court action must be initiated within one year of the issuance of the first patent claiming the derived invention, while the USPTO proceeding must be initiated within one year of the first publication of a derived claim.<sup>104</sup> The provisions related to derivation proceedings go into effect March 16, 2013.<sup>105</sup>

**Best Mode** 35 U.S.C. § 112, first paragraph, still requires that the patent specification "shall set forth the best mode contemplated by the inventor or joint inventor of carrying out the invention." The AIA added 35 U.S.C. § 282(3) (A), which provides that failure to comply with the best-mode requirement is no longer a basis to hold a patent claim canceled, invalid, or unenforceable.<sup>106</sup> The USPTO recently announced that it will continue to examine applications for compliance with the best-mode requirement<sup>107</sup> but acknowledged that "[i]t is extremely rare that a best mode rejection properly would be made in ex parte prosecution."<sup>108</sup> The changes to the best-mode requirement took effect on September 16, 2011, and apply to all cases filed on or

after that date.<sup>109</sup>

**Marking and False Marking** The patent-marking portion of the statute has been amended to address the spate of *qui tam* false-marking cases that have plagued the court system in recent years. Although recent court decisions have greatly diminished the effect of these cases, the AIA virtually eliminates nuisance false-marking cases by (1) eliminating a private right of action for false marking, absent competitive injury, (2) limiting damages in private actions to amounts adequate to compensate for the injury, and (3) eliminating false-marking cases based on expired patents.<sup>110</sup> The AIA also modified 35 U.S.C. § 287(a) to permit marking products with a reference to a Web site that associates the patented article with patent numbers.<sup>111</sup> The changes to the marking statute went into effect on the date of the enactment of the AIA and apply to all pending and later cases.<sup>112</sup>

**Advice of Counsel** The AIA essentially codifies existing Federal Circuit law regarding willful infringement<sup>113</sup> and adds 35 U.S.C. § 298 to establish that the failure to obtain advice of counsel or present such advice to the court or jury may not be evidence of willful infringement.<sup>114</sup> The AIA goes further to provide that these same factors are not evidence of induced infringement,<sup>115</sup> which is contrary to Federal Circuit precedent.<sup>116</sup> The advice-of-counsel provisions go into effect September 16, 2012.<sup>117</sup>

**Jurisdiction and Venue** The AIA includes several provisions that address jurisdiction and venue. First, the AIA replaces the U.S. District Court for the District of Columbia with the U.S. District Court for the Eastern District of Virginia for the filing of certain actions and appeals.<sup>118</sup> Second, the AIA clarifies that state courts have no jurisdiction over any claim arising under patents, plant-variety protection, or copyrights.<sup>119</sup> The AIA also abrogates the Supreme Court case<sup>120</sup> that denied that compulsory patent counterclaims gave the Federal Circuit appellate jurisdiction over a case.<sup>121</sup> The changes to jurisdiction and venue went into effect on September 16, 2011, and apply to any case filed on or after that date.<sup>122</sup>

**Other Items** The AIA made it easier for assignees (and parties to whom the inventor is obligated to assign) to file patent applications without a formal oath from the inventor by amending section 115 of title 35. The AIA amends § 115 to permit the use of a substitute statement in lieu of an inventor's oath.<sup>123</sup> It revised § 118 to authorize filing of an application by "a person to whom the inventor has assigned or is under an obligation to assign."<sup>124</sup> Changes related to the oath go into effect one year after the enactment of the AIA and apply to any patent application filed on or after the effective date.<sup>125</sup>

The AIA permits the Director to prioritize "examination of applications for products, processes, or technologies that are important to the national economy or national competitiveness."<sup>126</sup> The AIA also requires several studies over the next several years in areas such as the effect of the implementation of the AIA,<sup>127</sup> the effect of eliminating the use of invention dates on small businesses,<sup>128</sup> genetic testing,<sup>129</sup> diversity of applicants,<sup>130</sup> international patent protection for small businesses,<sup>131</sup> and patent litigation by nonpracticing entities.<sup>132</sup>

## Conclusion

The AIA will significantly affect all patent issues, but especially business-method patents, lawsuits by

nonpracticing entities, and patents in which the USPTO may not have had certain relevant prior art during prosecution (such as those involving software). As this new law takes effect, practitioners and industry will experience a series of disruptions. To avoid harm from those disruptions, all interested parties must monitor the actions of the courts and the USPTO closely over the next few years.

## Appendix A - America Invents Act Effective Dates

Effective date of provisions is one year from enactment unless otherwise provided (Sec. 35)			
Not "otherwise provided": advice of counsel (Sec. 17), travel expenses (Sec. 21), satellite offices Sec. 23/24), priority examination for important technologies (Sec. 25), Study on implementation (Sec. 26), Study on genetic testing (Sec. 27), Patent Ombudsman (Sec. 28), Study diversity of patent applicants (Sec. 29), Sense of Congress (Sec. 30), Study international patent protections for small businesses (Sec. 31), Budgetary effects (Sec. 36)			
Effective Date: October 1, 2011			
USPTO Funding (Sec. 22)			
Effective Date: Immediate upon enactment: scheduled to be September 16, 2011			
Best mode (Sec. 15)	Defense of Prior Commercial Use (Sec. 5)	Venue (Sec. 9)	Appeals from Board to CAFC (Sec. 7(e))
Marking (Sec. 16)	Micro-entity	Fees for Patent Services (Sec. 11)	Jurisdiction, incl. joinder (Sec. 19)
Funding agreements (Sec. 13)	Amendment to §306 (changing 145 to 144)	USPTO Fee Setting Authority (Sec. 10) (7-year sunset clause)	Limitation on issuance of human organism patents (Sec. 33)
Tax Strategies (Sec. 14)	Pro bono program (Sec. 32)	Patent term extension (Sec. 37)	Standard for inter partes reexam changes from SNQP to "reasonable likelihood" of prevailing

<b>Effective Date: 10 days after enactment: September 26, 2011</b>	<b>Effective 60 days after enactment: November 16, 2011</b>
Prioritized examination fee and surcharge (Sec. 11(h) and (i))	Fee for paper filing (Sec. 10(h))
<b>Effective Date: 1 year from enactment: Effective September 16, 2012</b>	
Inventor's oath, changes to § 112 (joint inventor) (Sec. 4)	Preissuance submission by 3rd parties (Sec. 8)
Post-Grant Review and IPR (Sec. 6, except for amendment to § 306 (changing 145 to 144), which takes effect on the date of the enactment)(gradual implementation over 4 years).	Patent Trial and Appeal Board (Sec. 7), except jurisdiction over appeals of reexam decisions to CAFC take effect upon enactment
Business-method patents (Sec. 18)(8-year sunset clause)	Supplemental examination (Sec. 12)(applies to patents filed before, on, or after effective date)
Technical amendments, includes changes to reissue statute (Sec. 20)	Study of patent litigation (Sec. 34)(DUE 1 year after enactment)
<b>Effective Date: 18 months from enactment: Effective March 16, 2013</b>	
First-inventor-to-file, new §102, amended §103, repeal of §104, derivation, Repeal of Statutory Invention Registration (Sec. 3)	

## Appendix B - Patent Challenging Tool Comparison

	Preissuance Submissions	Ex Parte Reexam	Inter Partes Reexam	Post-Grant Review	Inter Partes Review
<b>When Can You File?</b>	Limited time before allowance	After grant	After grant (until 9/16/12)	Within 9 months of grant	After 9 months of grant
<b>Threshold Showing</b>	N/A	SNQ	Reasonable likelihood of success (since 9/16/11)	More likely than not or important novel/ unsettled legal question	Reasonable likelihood of success
<b>Anonymity</b>	Yes	Yes	No	No	No
<b>Estoppel</b>	None	None	Issues raised or could have been raised	Issues raised or could have been raised: USPTO, district court, and ITC	Issues raised or could have been raised: USPTO, district court, and ITC
<b>Before Whom?</b>	Examiner	Central Reexam Unit	Central Reexam Unit	PTAB	PTAB
<b>Discovery/Evidence?</b>	N/A	Declaration	Declaration	Declaration and discovery	Declaration and discovery

	<b>Preissuance Submissions</b>	<b>Ex Parte Reexam</b>	<b>Inter Partes Reexam</b>	<b>Post-Grant Review</b>	<b>Inter Partes Review</b>
<b>Speed</b>	Case dependent	2½ years (average)	3+ years (average)	1 to 1½ years (expected)	1 to 1½ years (expected)
<b>Appeal</b>	Only patentee can appeal to Board/CAFC	Only patentee can appeal to Board/CAFC	Both parties can appeal to Board/CAFC	Both parties can appeal to CAFC only	Both parties can appeal to CAFC only

*Endnotes*

<sup>1</sup> Patent Reform Act of 2011, Pub. L. 112-29 , H.R. 1249.

<sup>2</sup> Act of July 19, 1952, ch. 950, 66 Stat. 792, *codified as* Title 35 of the United States Code, titled "Patents."

<sup>3</sup> "To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy/A Report by the Federal Trade Commission," Federal Trade Commission (October 2003).  
<http://www.ftc.gov/os/2003/10/innovationrpt.pdf>.

<sup>4</sup> "A Patent System for the 21st Century," Committee on Intellectual Property Rights in the Knowledge-Based Economy (Stephen A. Merrill, Richard C. Levin, and Mark B. Myers, eds., National Research Council, 2004).

<sup>5</sup> Michael F. Martin, "The End of the First-to-Invent Rule: A Concise History of its Origins." 49 IDEA 435, 439-440 (2009). Congress also offered its view that changing to a first-inventor-to-file system improves the United States patent system, and promotes the goals of harmonization, international uniformity, economic growth, creation of jobs, and the protection of small businesses and inventors. AIA, Secs. 3(o), 3(p), 30.

<sup>6</sup> AIA, Sec. 3(j).

<sup>7</sup> *Id.*, Sec. 3(n)(1).

<sup>8</sup> *Id.*, Sec. 3(a).

<sup>9</sup> *Id.* Sections 119 and 365 (a) and (b) define the earlier foreign applications that afford earlier filing dates for U.S. patents and applications, and Sections 120, 121, and 365(c) defines the earlier U.S. patents or applications (sometimes called parent applications) that afford earlier filing dates for U.S. patents and applications.

<sup>10</sup> *Id.*, Sec. 3(b).

<sup>11</sup> *Id.*

<sup>12</sup> *Id.*

<sup>13</sup> "Inventive entity" and "obtainer" are not statutory terms.

<sup>14</sup> AIA, Sec. 3(b).

<sup>15</sup> *Id.*

<sup>16</sup> *Id.*

<sup>17</sup> *Id.*, Sec. 3(c).

<sup>18</sup> Under the new rules, decisions of the PTAB from PGR, IPR, and reexamination may be appealed only to the Federal Circuit, while parties appealing decisions regarding examination or derivation may choose to appeal to federal district court under 35 U.S.C. § 145. *Id.*, Sec. 7.

<sup>19</sup> *Id.*, Sec. 35.

<sup>20</sup> *Id.*, Sec. 8.

<sup>21</sup> 37 C.F.R. 1.99(d)(2007).

<sup>22</sup> AIA, Sec. 8 (35 U.S.C. § 122(e)).

<sup>23</sup> *Id.*

<sup>24</sup> The AIA does not explicitly limit preissuance submissions to information relating to anticipation or obviousness but allows third parties to submit any documents provided the third party describes the relevance of the submission. *Id.*

<sup>25</sup> *Id.*, Sec. 6(d).

<sup>26</sup> *Id.* (35 U.S.C. § 322(a)(3)).

<sup>27</sup> *Id.*, Sec. 6(f)(2)(a) ("(A) IN GENERAL.—The amendments made by subsection (d) shall take effect upon the expiration of the 1-year period beginning on the date of the enactment of this Act and, except as provided in section 18 and in paragraph (3), shall apply only to patents described in section 3(n)(1)."

<sup>28</sup> *Id.*, Sec. 6(f)(2)(b) ("(B) LIMITATION.—The Director may impose a limit on the number of post-grant reviews that may be instituted under chapter 32 of title 35, United States Code, during each of the first 4 1-year periods in which the amendments made by subsection (d) are in effect."

<sup>29</sup> In many cases, the new rules bar petitioners who missed the 9-month window after grant of a patent from initiating PGR on any subsequent reissue patent. Under the new rules, PGR will not be granted on a reissue patent if the petition for review requests cancellation of a claim identical or narrower in scope than a claim in

the original patent. AIA, Sec. 6 (35 U.S.C. § 325(f)). PGR will still be viable tool for challenging broadening reissue patents.

<sup>30</sup> *Id.* (35 U.S.C. § 324).

<sup>31</sup> *Id.* (35 U.S.C. § 322).

<sup>32</sup> *Id.* (35 U.S.C. § 323).

<sup>33</sup> *Id.* (35 U.S.C. § 324(e)).

<sup>34</sup> *Id.* (35 U.S.C. § 325(d)).

<sup>35</sup> *Id.* (35 U.S.C. § 322(a)(2)).

<sup>36</sup> *Id.* (35 U.S.C. § 324(e)).

<sup>37</sup> *Id.* (35 U.S.C. § 324(d)).

<sup>38</sup> *Id.* (35 U.S.C. § 325(c)-(d)).

<sup>39</sup> *Id.* (35 U.S.C. §§ 326(a)(9), and 326(d)(1), (d)(3)).

<sup>40</sup> *Id.* (35 U.S.C. § 326(d)(2)).

<sup>41</sup> *Id.* (35 U.S.C. § 326(a)(5)).

<sup>42</sup> *Id.* (35 U.S.C. § 325). Many, however, believe the USPTO's future regulations governing discovery will resemble—at least initially—the existing rules in place for discovery during interferences. For interference discovery rules, *see* 37 C.F.R. 41.150-158 and Standing Order, Board of Patent Appeals and Interferences (March 8, 2011), ¶¶ 150-185. *See also* 37 C.F.R. 41.128 (prescribing sanctions in interferences).

<sup>43</sup> *Id.* (35 U.S.C. § 325(a)).

<sup>44</sup> *Id.* (35 U.S.C. § 325(a)(3)).

<sup>45</sup> *Id.* (35 U.S.C. § 325(b)).

<sup>46</sup> *Id.* (35 U.S.C. § 325(e)).

<sup>47</sup> *Id.* (35 U.S.C. § 327(a)).

<sup>48</sup> *Id.*

<sup>49</sup> *Id.*, Sec. 6(a).

<sup>50</sup> Source: USPTO FAQs, dated September 26, 2011.

<sup>51</sup> AIA, Sec. 6(a) (35 U.S.C. § 311(c)).

<sup>52</sup> *Id.* (35 U.S.C. § 315).

<sup>53</sup> *Id.* (35 U.S.C. § 312(a)).

<sup>54</sup> *Id.* (35 U.S.C. § 314(a)).

<sup>55</sup> 76 Fed. Reg. 59055-59058 (September 23, 2011).

<sup>56</sup> *Id.*, Sec. 6(a).

<sup>57</sup> *Id.* (35 U.S.C. § 316(a)(5)).

<sup>58</sup> *Id.*, Sec. 6(c)(2)(A).

<sup>59</sup> *See* USPTO Operational Statistics for Quarter Ending 6/30/11, available at [www.uspto.gov/patents/stats/Reexamination\\_Information.jsp](http://www.uspto.gov/patents/stats/Reexamination_Information.jsp).

<sup>60</sup> *Id.*, Sec. 6(c)(2)(B). The number 281 equals the number of *inter partes* reexaminations filed in FY2010. *See* USPTO Operational Statistics for Quarter Ending 6/30/11, available at [www.uspto.gov/patents/stats/Reexamination\\_Information.jsp](http://www.uspto.gov/patents/stats/Reexamination_Information.jsp).

<sup>61</sup> *Id.*, Sec. 6(a) (35 U.S.C. § 315).

<sup>62</sup> *Id.*, Sec. 12(c).

<sup>63</sup> *Id.*, Sec. 12(a) ((35 U.S.C. § 257(a)).

<sup>64</sup> *Id.*

<sup>65</sup> *Id.* (35 U.S.C. § 257(b)).

<sup>66</sup> *Id.*

<sup>67</sup> *Id.* (35 U.S.C. § 257(c)(1)).

<sup>68</sup> *Id.* (35 U.S.C. § 257(c)(2)(A)).

<sup>69</sup> *Id.* (35 U.S.C. § 257(c)(2)(B)).

<sup>70</sup> *Id.* (35 U.S.C. § 257(e)).

<sup>71</sup> *See* *Therasense v. Becton, Dickinson & Co.*, Nos. 08-1511, -1512, -1513, -1514, -1595 (Fed. Cir. May 25, 2011) (*en banc*).

<sup>72</sup> 35 U.S.C. § 273(b)(1).

<sup>73</sup> AIA, Sec. 5(a) (35 U.S.C. § 273(a)).

<sup>74</sup> *Id.*, Sec. 5(c).

<sup>75</sup> *Id.*, Sec. 5(a) (35 U.S.C. § 273(a)(1)-(2)).

<sup>76</sup> *Id.* (35 U.S.C. § 273(e)(2)).

<sup>77</sup> *Id.* (35 U.S.C. § 273(c)(2)).

<sup>78</sup> *Id.* (35 U.S.C. § 273(e)(5)).

<sup>79</sup> *Id.* (35 U.S.C. § 273(d)).

<sup>80</sup> *Id.* (35 U.S.C. § 273(e)(1)(A)-(B)).

<sup>81</sup> *Id.* (35 U.S.C. § 273(e)(3)).

<sup>82</sup> *Id.* (35 U.S.C. § 273(f)).

<sup>83</sup> *Id.* (35 U.S.C. § 273(g)).

<sup>84</sup> *Id.*, Sec. 18(a)(3).

<sup>85</sup> *Id.*, Sec. 18(a)(1) & 18(b).

<sup>86</sup> *Id.*, Sec. 18(d). The Act indicates the USPTO should determine whether a patent is for a "technological" invention. *Id.*

<sup>87</sup> *Id.*, Sec. 18(a)(1); *see also* sec. 6(d) (35 U.S.C. § 321(b)).

<sup>88</sup> *Id.*, Sec. 18 (a)(1)(C).

<sup>89</sup> *Id.*, Sec. 14(a).

<sup>90</sup> *Id.*, Sec. 14(c).

<sup>91</sup> *Id.*, Sec. 14(d).

<sup>92</sup> Memorandum from Robert W. Bahr, *Tax Strategies are Deemed to be Within the Prior Art*, Sept. 20, 2011, available at [www.uspto.gov/aia\\_implementation/tax-strategies-memo.pdf](http://www.uspto.gov/aia_implementation/tax-strategies-memo.pdf).

<sup>93</sup> *Id.* at 1-2.

<sup>94</sup> *Id.* at 2.

<sup>95</sup> AIA, Sec. 19(d).

<sup>96</sup> *Id.*

<sup>97</sup> *Id.*

<sup>98</sup> *Id.*, Sec. 10.

<sup>99</sup> *Id.*

<sup>100</sup> *Id.*

<sup>101</sup> *Price v. Symsek*, 988 F.2d 1187, 1190 (Fed. Cir. 1993).

<sup>102</sup> The AIA eliminated 35 U.S.C. § 102(f) which stated that "[a] person shall be entitled to a patent unless . . . he did not himself invent the subject matter sought to be patented . . . ."

<sup>103</sup> AIA, Secs. 3(h)-(i).

<sup>104</sup> *Id.*

<sup>105</sup> *Id.*, Sec. 3(n)(1).

<sup>106</sup> *Id.*, Sec. 15.

<sup>107</sup> [http://www.uspto.gov/aia\\_implementation/best-modememo.pdf](http://www.uspto.gov/aia_implementation/best-modememo.pdf).

<sup>108</sup> Manual of Patent Examining Procedure § 2165.03.

<sup>109</sup> AIA, Sec. 15(c).

<sup>110</sup> *Id.*, Sec. 16(b).

<sup>111</sup> *Id.*, Sec. 16(a).

<sup>112</sup> *Id.*, Secs. 16(a)(2) and 16(b)(4).

<sup>113</sup> *See Knorr-Bremse System Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337 (Fed. Cir. 2004).

<sup>114</sup> AIA, Sec. 17.

<sup>115</sup> *Id.*

<sup>116</sup> *See, e.g., Broadcom Corp. v. Qualcomm Inc.*, 543 F.3d 683, 699 (Fed. Cir. 2008) ("[T]he failure to procure such an opinion may be probative of intent in this context.>").

<sup>117</sup> Sec. 35.

<sup>118</sup> AIA, Sec. 9.

<sup>119</sup> *Id.*, Sec. 19(a).

<sup>120</sup> *Holmes Group, Inc. v. Vornado Air Circulations Systems, Inc.*, 535 U.S. 826 (2002).

<sup>121</sup> *Id.*, Sec. 19(b).

<sup>122</sup> *Id.*, Secs. 9(b) and 19(e).

<sup>123</sup> *Id.*, Sec. 4(a).

<sup>124</sup> *Id.*, Sec. 4(b).

<sup>125</sup> *Id.*, Sec. 4(e).

<sup>126</sup> *Id.*, Sec. 25.

<sup>127</sup> *Id.*, Sec. 26.

<sup>128</sup> *Id.*, Sec. 3(l).

<sup>129</sup> *Id.*, Sec. 27.

<sup>130</sup> *Id.*, Sec. 29.

<sup>131</sup> *Id.*, Sec. 31.

<sup>132</sup> *Id.*, Sec. 34.

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