AMERICA INVENTS ACT OF 2011:

HOW YOU CAN USE IT TO YOUR COMPANY'S ADVANTAGE

Clifton E. McCann and Lars H. Genieser, Ph.D.
Venable LLP

"The patent system ... added the fuel of interest to the fire of genius."
— *Abraham Lincoln*

VENABLE® LLP

At last, patent reform!

America Invents Act is now law

- First proposed in 2005, 6 years in the making
- Eventually passed by Senate on 89-9 vote on September 8, 2011
- Signed into law September 16, 2011
- Some provisions took effect immediately

VENABLE® LLP

Why now?

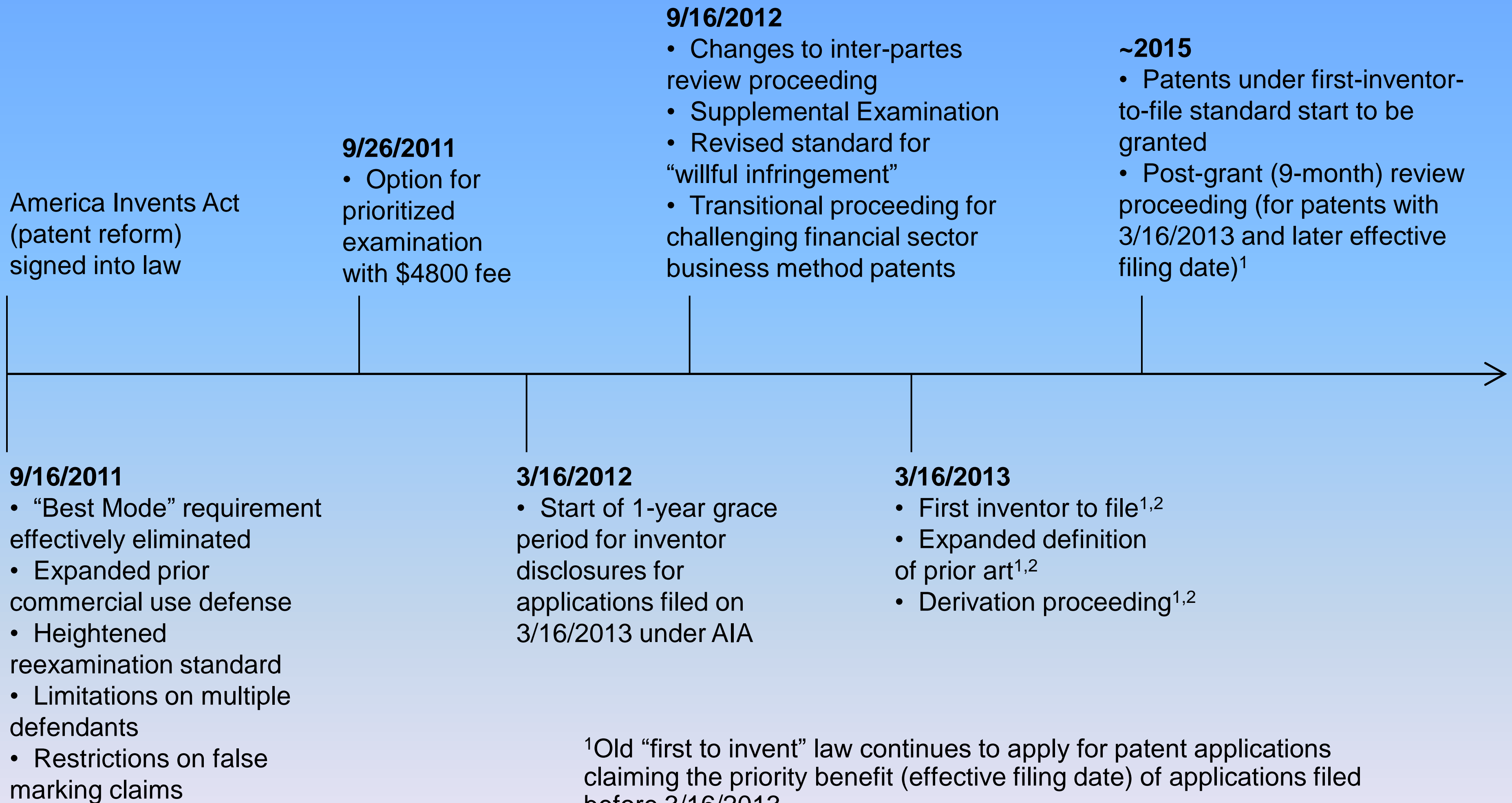
- The U.S. economy has lost jobs
- ***Patents and jobs are linked***:
  - Patents protect ideas
  - Protected ideas invite investment
  - Investment can create businesses
  - Businesses can create jobs
- Pressure on Congress helped spur passage

Why is it important?

- Whether the law will create so many jobs has been debated
- Regardless, the law alters bedrock fundamentals
- ***Not since 1952 has U.S. patent law been so dramatically changed***
- Essential to know the changes and how to benefit from them

VENABLE LLP

Complex AIA Transition Regime



[1]Old "first to invent" law continues to apply for patent applications claiming the priority benefit (effective filing date) of applications filed before 3/16/2013.

[2]From the perspective of challenging (litigating) a patent granted under the AIA, effective dates may be later than from the perspective of obtaining (prosecuting) a patent under the AIA.

AMERICA INVENTS ACT OF 2011:
(Part I)

MAJOR CHANGES IN THE LAW THAT WILL AFFECT PATENT PROSECUTION STRATEGIES

VENABLE LLP

Patenting Under the AIA: What/When/How?

- America Invents Act (AIA) provisions affect decisions regarding obtaining (prosecuting) a patent:
  - What to patent.
  - When to apply for a patent.
  - How to apply for a patent.

VENABLE® LLP

First Inventor to File

- New AIA 35 USC 102(a): “entitled to a patent ***unless*** … available to the public ***before the effective filing date*** of the claimed invention …”
- A radical change from prior U.S. law: “first to invent”.
- Renders U.S. law more consistent with rest of world.
- Effective for applications and patents having a priority date of 3/16/2013 and later.

Expansion of Definition of "Prior Art"

- New AIA 35 USC 102(a): "entitled to a patent ***unless*** … the claimed invention was ***patented, described in a printed publication, or in public use, on sale*** … before the effective filing date of the claimed invention …"
- Disqualifying public use, sale, or offer for sale can now occur ***anywhere in world*** (consistent with EP and JP law).
- Change from prior U.S. law: "public use or on sale in ***this country***."
- Effective for applications and patents having a priority date of 3/16/2013 and later.

Grace Period

- 1-year grace period for ***disclosure*** by or obtained from the inventor.
- Lack of definition of “disclosure” in statute.
- A non-disclosed sale or offer for sale by the inventor may be a patent defeating act not eligible for the grace period under AIA.
- Courts will need to resolve what constitutes a “disclosure”.
- Earliest relevance of AIA grace period is 3/16/2012 (1 year before application filed on 3/16/2013 under AIA).

Strategic opportunity: First inventor to ***publish***?

- Under AIA, by publishing before another publishes or applies for a patent, inventor forecloses opportunity for another to receive a patent.
- Under AIA, inventor's right to apply for patent is preserved for 1-year from publication ("disclosure") even if another later publishes ("discloses") during this time.
- Contrast with prior U.S. law: Publishing or applying for a patent did ***not*** protect an inventor against a claim of prior ***invention*** by another.

Effectively no more requirement to disclose "best mode" in patent application

- New AIA 35 USC 112 continues to state that "specification … shall set forth the best mode contemplated by the inventor."
- However, "best mode" requirement is eviscerated by new 35 USC 282(3)(A): "failure to disclose the best mode shall not be a basis on which any claim of a patent may be … held invalid."
- Effective 9/16/2011 (now).

VENABLE® LLP

Strategic opportunity: Do not disclose “best mode” in application?

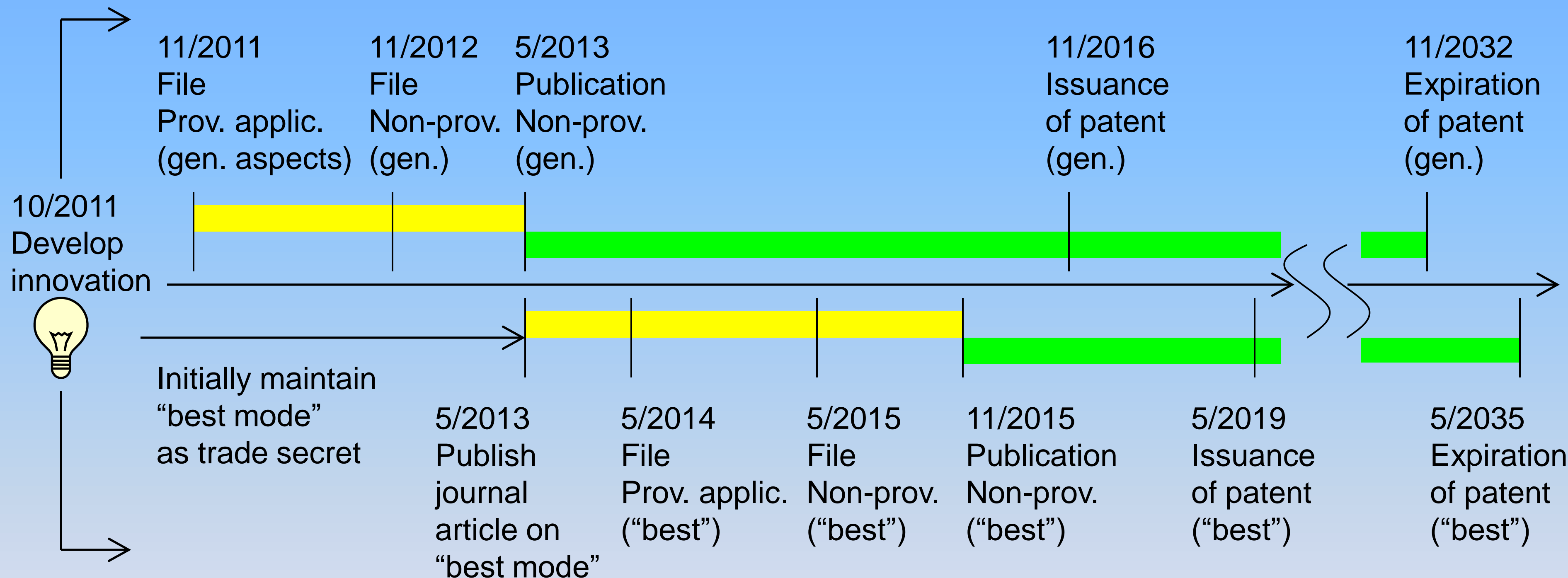
- Disclose and claim general aspects of an invention in an application.
- But maintain a specific “best mode” aspect of an invention as a trade secret.

Risks of maintaining “best mode” aspect as trade secret

- Another may independently develop and publish or patent the “best mode” aspect.
- Commercial application of trade secret may still preclude seeking a patent:
  - E.g., using a process secretly to make a product, ***but then*** selling the product may disqualify a patent on the process.
- Courts impute a substantial duty based on vestigial “best mode” text of statute.

VENABLE® LLP

Approaches (with risk) to extending exclusive rights to technology



VENABLE LLP

What and When to Patent?

	Prior ("Old") Law	AIA ("New") Law
What?	All aspects of invention, especially "best mode".	Depends: May opt to keep "best mode" as a trade secret.
When?	Depends: May opt to delay filing after conception while diligently "reducing to practice" (although must avoid "abandon, suppress, or conceal"; expensive interference proceeding may be necessary).	As soon as possible to secure priority date (although publication may preserve right to apply for patent for 1 year).

VENABLE® LLP

How to Patent?

	Why?	How?
"Fast" routes	• Enforce rights soon. • Able to expend money up front.	• Optionally file PCT int'l applic. (then enter US nat'l phase before 30 mos. from filing). • File in US for "Green Tech." examination (no extra fee, limited number claims, expires 12/31/2011 (may be extended)): 1st Office Action typically 3-6 mos. • File in US for prioritized examination ($4800 fee, non-prov. applic. or bypass continuation, limited number claims): final disposition in 12 mos.
"Slow" routes	• Secure priority date; do not intend to enforce rights soon. • Defer costs (total expenditures over time may be increased).	• File provisional applic. (then wait full 12 mos. before filing PCT int'l applic.). • File PCT int'l applic. (then wait full 30 mos. from prov. filing before entering US nat'l phase). • Extensions available during PTO examination.

VENABLE LLP

AMERICA INVENTS ACT OF 2011: (Part II)

MAJOR CHANGES IN THE LAW THAT WILL AFFECT PATENT LITIGATION STRATEGIES

VENABLE® LLP

Who gets what?

- Some provisions benefit ***patent owners***
- Some provisions benefit ***patent challengers***
- Some neutral, but markedly alter the playing field
- Perception: Big business will find it easier to acclimate
- ***Increased integrity*** of U.S. patents is a goal, and this will benefit ***owners, challengers, and industry alike***

For the patent owner (litigation related) …

- Heightened standard for reexamination
- Relaxed requirements for best mode, etc.
- Restrictions on false marking claims
- Supplemental examination for inadvertent or negligent errors in prosecution

For the patent challenger …

- A more effective way to submit and argue prior art to the PTO against competitor’s pending application
- New ways to challenge validity at PTO, with less time and cost than if in court, and challenger-friendly burden
- More chances to avoid infringement liability as a result of the challenger’s prior practice of invention
- Limits on evidentiary basis for willful infringement
- Expanded definition of prior art
- Limits on patentee’s ability to join multiple defendants

Neutral provision that alters the playing field …

- “First inventor to file”: A drastically different way to decide which of two contemporaneous inventors should get the patent award
- Effective for patents with initial filing dates of March 16, 2013 or later

VENABLE® LLP

Round 1:

Five litigation-related provisions took effect September 16, 2011 …

Patentee: 3

Challenger: 2

VENABLE® LLP

Round 1, Sept. 16, 2011 (cont'd)

1. Heightened reexamination standard
   (pro-patentee)
2. Limitations on multiple defendants
   (pro-challenger)
3. Expanded prior commercial use defense
   (pro-challenger)
4. Relaxation of "best mode" requirement
   (pro-patentee)
5. Restrictions on false marking claims
   (pro-patentee)

VENABLE® LLP

1. Heightened reexamination standard (favors patentee, eff. 9/16/11)

- Was: “a substantial new question of patentability”
- Now: “reasonable likelihood” that petitioner will successfully attack at least one claim
- Change requires more than a question … requires conclusion of “reasonable likelihood”
- Applies to any *inter partes* reexamination proceeding filed on or after 9/16/11

VENABLE® LLP

2. Limitations on multiple defendants (favors challenger, effective 9/16/11)

- Intended to diminish lawsuits by NPEs (“trolls”)
- Was: All defendants sold infringing products
- Now: Must be “common infringing conduct”
- Disadvantages to NPEs:
  - Different lawsuits in different courts
  - Additional litigation cost
  - Increased risk of invalidity determinations

VENABLE® LLP

3. Expanded prior commercial use defense (favors challenger, eff. 9/16/11)

- Was: Limited to business method patents
- Now: ***Any*** method or process
- Also applies to accused machine, article of manufacture, or composition of matter used in a method/process
- Cannot be transferred/licensed
- Limited to plant sites where practiced:
  - One year before patentee's filing date
  - One year before patentee's disclosure
- Exclusion: University-owned patents
- Applies to any patent granted after 9/16/11

4. Relaxation of “best mode” requirement (favors patentee, eff. 9/16/11)

- Requirement remains on the books
- But AIA is silent as to penalty for omission
  - Challenger can no longer use as defense
  - Courts/juries may fashion a penalty of sorts
- As practical matter patents have seldom been invalidated for best mode violation
- (On 9/16/12, challenger will also lose right to complain about incorrect inventorship)

5. Restrictions on false marking claims (favors patentee, eff. 9/16/11)

- Onslaught began with *Forest Group v. Bon Tool* (Fed. Cir. 2009) (up to $500 fine per article marked)
- After AIA, standing to sue is limited to:
  - Federal government
  - Private party that suffered competitive injury
- Damages are limited to actual damages
- False marking no longer actionable when it merely involves marking with expired patent numbers

Round 2:

Five litigation-related provisions that will take effect Sept. 16, 2012 …

Patentee:	1
Challenger:	4

Round 2, Sept. 16, 2012 (cont'd)

1. Enhanced ability to cite prior art in pending applications (favors challenger)
2. New correction option for patentee (favors patentee)
3. Additional changes to reexam/*inter partes* review (favors challenger)
4. New way to challenge financial sector business method patents (favors challenger)
5. Less chance for patentee to assert willful infringement (favors challenger)

1. Enhanced ability to cite prior art against pending applications (favors challenger, eff. 9/16/12)

- Pre-AIA: No right to explain relevance
- Post-AIA: No restrictions on explanation
- Impact: Challengers need no longer fear inadequate prior art submission that creates false impression that PTO gave due consideration to all art of record
- Time limits: challenger must submit before a notice of allowance and before the later of (a) first office action or (b) 6 months after publication of application

VENABLE® LLP

2. New correction option for patentee (favors patentee, eff. 9/16/12)

- Termed "Supplemental Examination"
- Eligibility criteria:
  - Omissions or misstatements
  - Due to inadvertence or negligence, not fraud
- If "substantial new question raised" reexamination results
- Beneficial impact: Can erase cloud of possible inequitable conduct
- Time limit: Proceeding is unavailable if requested after inequitable conduct has been asserted in court

3. Additional changes to reexam/ *inter partes* review (favors challenger, eff. 9/16/12)

- Limited to patents that are more than 9 mos. old
- Speedy: One year from start to finish (6 mos. added for good cause)
- Handled by Patent Trial and Appeal Board (“PTAB”), with enhanced powers
- Limited to validity challenges based on prior art in form of patents and printed publications
- Challenger is prevented from later raising same or related issues in court (as in pre-AIA cases)

4. New way to challenge financial sector business method patents (favors challenger, eff. 9/16/12)

- Termed a “transitional proceeding”
- Applies to method and corresponding apparatus for performing operations of a “financial product or service,” but does not apply to “technological inventions”
- Quoted language is problematic
- Special advantages for banks, etc.:
  - Available throughout life of patent
  - No estoppel v. later raising issues in court

VENABLE LLP

5. Less chance for patentee to assert willful infringement (favors challenger, eff. 9/16/12)

- Willful infringement exposes infringers to increased damages and attorney fee awards
- Requires showing of infringement in face of "objectively high likelihood" that actions constituted infringement of valid patent
- AIA adopts recent cases holding that lack of exculpatory opinion of counsel is irrelevant
- AIA also *reverses* precedent, makes lack of opinion irrelevant for inducement to infringe

Round 3:

One litigation-related provision that will take effect March 16, 2013…

Patentee: 0

Challenger: 1

VENABLE LLP

Round 3, March 16, 2013 (cont'd)

1. New derivation proceeding for challenging inventorship (favors challenger)

New derivation proceeding for challenging inventorship (favors challenger, eff. 3/16/13)

- Softens switch to “first inventor to file”
- Replaces pre-AIA interference proceedings
- Time limit: One year following publication
- Instituted at the discretion of Director of PTO
- Problem: No discovery to aid in institution
- Effective for patents with 3/16/13 or later filing dates
- Alternative: Civil action under Section 291
  - Due 1 year from grant of challenged patent
  - Challenger must have competing patent

VENABLE® LLP

Round 4:

Two litigation-related provisions that will have effect about 2015…

Patentee: 0

Challenger: 2

VENABLE® LLP

Round 4, 2015 (cont'd)

1. Expanded definition of prior art (favors challenger)

2. Post-Grant Review: Greatly enhanced opportunity to challenge patents in PTO (favors challenger)

VENABLE® LLP

1. Expanded definition of prior art (favors challenger, eff. about 2015)

- The AIA redefines "prior art"
- Pre-AIA: Foreign sale, use, or disclosure not prior art unless in the form of a patent or printed publication
- Post-AIA: Such foreign sales, uses, and the disclosures can now be used to attack U.S. patents
- Impact: Extended hunting grounds for patent challenger
- Will affect patents having initial filing date of March 16, 2013 or later

2. Post-grant review: Greatly enhanced opportunity to challenge patents in PTO (favors challenger, eff. about 2015)

- Harmonizes U.S. law with laws of Europe, etc.
- Must be requested within 9 months of patent grant
- Adds many new grounds for in-PTO attack:
  - Ineligible subject matter under Section 101
  - Invalid over prior use, sale, or disclosure
  - Inadequate written description
  - Lack of enablement
  - Claims fail to distinctly claim invention
- Challenger's burden is "preponderance of the evidence"
- Challenger must choose between PTO or district court

VENABLE® LLP

Differences between Post-Grant Review and invalidity challenge in federal court

- Lower burden of proof for challenger in PTAB:
  - "Preponderance of the evidence" in PTAB
  - "Clear and convincing evidence" in court
- Time to decision is quicker in PTAB:
  - AIA requires PTAB to decide with 1 year (6 mos. exception)
  - District court may take several years
- Extent of discovery and sanctions:
  - PTAB can order discovery, impose sanctions, hold hearings
  - But district court discovery and sanctions is more robust
- Extent of relief that is available:
  - Post-Grant Review considers only invalidity
  - Court can also consider infringement and inequitable conduct, and award damages, increased damages, fees, and injunctive relief
- Nature of decision-maker:
  - PTAB: More technology savvy, more fact oriented
  - Court: Sometimes strains to understand technology

VENABLE® LLP

Still keeping score?

- Patentee: 4
- Challenger: 9

VENABLE® LLP

New litigation strategies

- If your company has the better technological argument, consider PTAB over civil action in district court
- If your company has attractive story, consider judge/jury over PTAB
- Sometimes multiple proceedings will be preferred or required:
  - PTAB affirms validity, court considers infringement
  - Derivation proceeding precedes civil action
  - Supplemental examination precedes civil action
  - Prior art submission precedes post-Grant review or civil action
  - Appeal of PTAB decision via EDVA, as provided in AIA, is more favorable than validity consideration by other court
- Time enforcement campaigns and patent challenges to coincide with the implementation timetable for various provisions of the Act
- Monitor for additional strategies that become apparent as PTO promulgates rules and as courts construe statutory language

VENABLE® LLP