

# The America Invents Act of 2011: What It Means To You And Your Business - Part 1 -



© USPTO



# AMERICA INVENTS ACT

## IMPLEMENTATION

## 6+ Years In The Making.....

- **The Leahy – Smith America Invents Act:**
- **Signed into law on September 16, 2011, by President Barack Obama:**
  - Sponsored by: **Senator Patrick Leahy (D-VT) & Rep. Lamar Smith [TX-21];**
    - Very similar to previously proposed Patent Reform Acts of 2009, 2007, and 2005, (and recommendations made by the National Academy of Sciences in 2004 and FTC in 2003), but w/ certain controversial sections removed.
  - The most widespread changes since the initial patent statute was first passed in 1790. \*
    - 1952 Patent Act almost exclusively codified decades of common law into the statute.
- Two principal reasons to amend the patent statute:
  - A growing sense that questionable patents were too easily obtained and too difficult to challenge.
  - A desire to harmonize the US system w/ that of the ROW.

# The Most Significant Changes to the U.S. Patent System Since 1952

## The most talked about changes include:

- Switching the U.S. system from a “**first to invent**” to a “**first inventor to file**” system;
- Changes the Novelty Rules under 35. U.S.C. § 102; (Prior Art)
- Creates expanded “Prior User Defense”;
- Allows public “3<sup>rd</sup> Party” Pre-grant Participation in USPTO procedures;
- Replaces “Interference Proceedings” with “Derivation Proceedings”;
- Eliminates *qui tam* suits for False Marking; Allows virtual internet marking;
- Effectively eliminates a violation of the “Best Mode Requirement” as a basis for invalidating a patent;
- Allows filing of applications by Assignees in the USPTO;
- Immediately adds 15% surcharge to all patent-related fees;
  - As well as either 50% or 75% fee reduction for small entities and new “micro” entities.
- Revitalizes a 2<sup>nd</sup> “fast-track” program for expedited (prioritized) examination;
- **Other changes include:**
  - Adds 4 new Satellite Patent Offices: (Detroit, MI; Dallas, TX.; Denver, CO; and San Jose, CA.)
  - Allows Supplemental Examination by patent owner
  - Allows for Post-Grant Challenges under 35 U.S.C. § 101; (Patentable Subject Matter)
  - Changes to *Inter Partes* Review Petitions (formerly *Inter Partes* Reexamination)
  - Limits circumstances for “joinder of defendants” in infringement cases;
  - Tax Strategies Are Not Patentable - (TurboTax Exclusion)

# From First-to-Invent

## – To a First-to-File System

- Will switch U.S. rights to a patent from the present “**First to Invent**” system to what is being called a “**First Inventor to File**” system (**for patent applications filed on or after March 16, 2013.**)
  - The AIA was intended to promote harmonization of US patent laws w/ the rest of the world;
  - Encourages inventors and companies to file applications quickly, and not rely on arguable records and lab notebooks.
  - Also intended to reduce the current ~700,000+ application backlog.
    - *(I don't necessarily agree w/ this argument.....but it's too soon to tell)*
- But does it really harmonize the US with the “**First to File**” system of the ROW?
  - Yes and No....

# Changes to the Novelty Rules under 35 U.S.C. § 102 – (After 3/16/2013)

- Expands the definition of “prior art” used to determine patentability.
  - Actions and prior art that bar patentability will include public use, *sales*, publications, and other disclosures available to the public as of the filing date, other than publications by the inventor, within one year of filing (inventor's "publication-conditioned grace period"), whether or not a third party also files a patent application.
  - **The law also notably expands prior art to include foreign applications (anywhere in ROW), foreign offers for sale and public uses.**
  - However, private use, demonstration or sale is no longer prior art.\*
- This broader definition of prior art, coupled with the inability to swear behind prior disclosures, (using a Rule 131 affidavit), will provide a stronger incentive for applicants to file for applications as quickly as possible.

# Changes to Novelty under 35 U.S.C. § 102

(First to “Disclose”) – (After 3/16/2013)

## The NEW U.S. Novelty:

- **Current § 102** provides: A person shall be entitled to a patent unless:
  - (a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, or
  - (b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States, or (c), (d), (e), (f), or (g)
- **New § 102(a)** provides: A person shall be entitled to a patent unless:
  - (1) the claimed invention was patented, described in a printed publication, in public use, on sale or otherwise available to the public (**ambiguity**) before the effective filing date; or
  - (2) the invention was described in a patent or in a patent application that names another inventor and has an earlier effective filing date.

# Changes to Novelty under 35 U.S.C. § 102

(After 3/16/2013)

## • Key Changes to § 102

- “Public Use” is a bar to patentability when it occurs **anywhere in the world**: (Old law: US public use only).
  - **(It has always been a bar in the EU and much of the rest of the world).**
- Patent / Application “Prior art” is determined by “effective filing date”, not “date of invention”.
  - Eliminates ability to “swear behind” a reference, by alleging prior conception /reduction to practice (Rule 131 Affidavit).
- Prior art date for prior patents/applications now includes foreign priority date (not just domestic priority dates)

# New Prior Art Rules / Scenarios

- Prior art for applications file before 3/16/2012 (Current)
  - Key Dates: **Date of Invention** & **Date of Filing**
  - Prior Art consists of patents and printed publications, of public use or sale in the United States, (even if not public).
    - **Date of Filing** = Filing Date in US (or international)
    - **Date of Invention** = Could be established up to one year earlier (1.131)
- Prior art for new applications filed after 3/16/2012 (New)
  - Key Dates: **“Effective” Filing Date** & **Earliest Date of Public Disclosure**
  - Prior Art consists of patents and printed publications, of public use or on sale, or otherwise available to the public, (anywhere in the world, in any language) before the effective filing date of the claimed invention.
  - **“Effective” Filing Dates:** Filing Date in US (or international w/in 12 months)
  - **Date of Public Disclosure:** (w/in 12 months of non-provisional US filing)



# New Definition of “Prior Art”

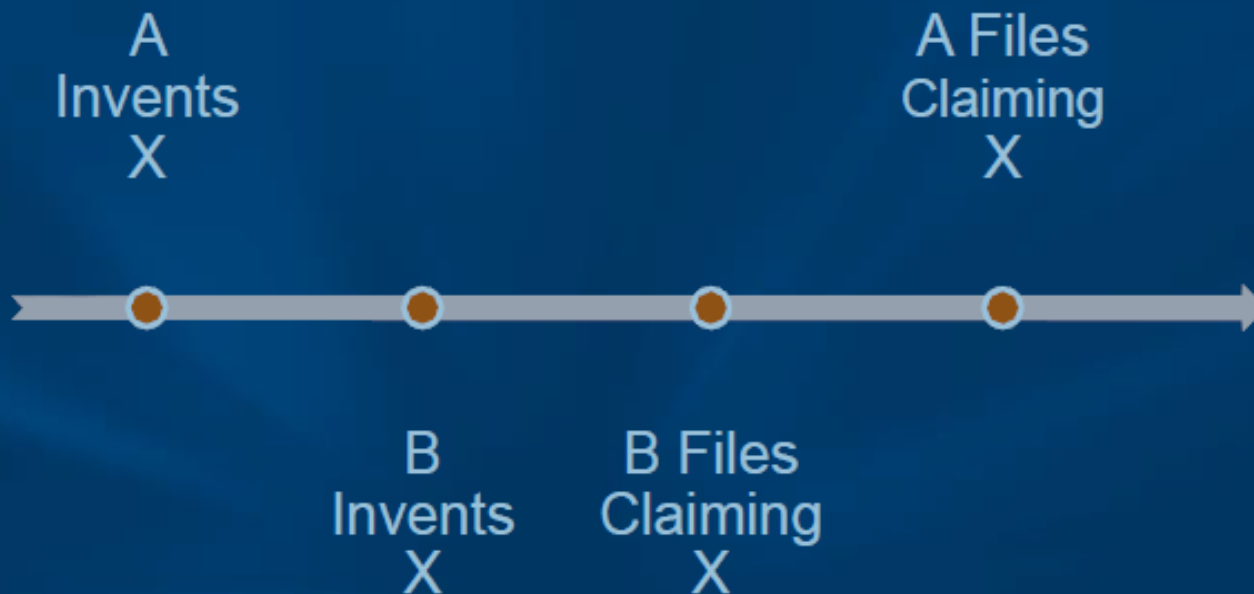
(First to “Disclose”) – (Caveats)

- ***The 1<sup>st</sup> to disclose wins*** – w/ a couple caveats
  - (There are almost always “exceptions”)..... 😊
- 102(a) Exceptions:
  - 1. Disclosure by the inventor, (or another who obtained the subject matter from the inventor), made 1 year or less before the effective filing date, are not prior art.
  - 2. Disclosures appearing in applications and patents, obtained directly or indirectly from the inventor, had been effectively filed, publicly disclosed or was already owned by the same person.
- **TAKEAWAY:** If **you** don't disclose, any disclosure made by anyone else who is not an inventor (and did not derive it from a true inventor), before your filing date, is Prior Art.

# New 1<sup>st</sup> to File Scenario

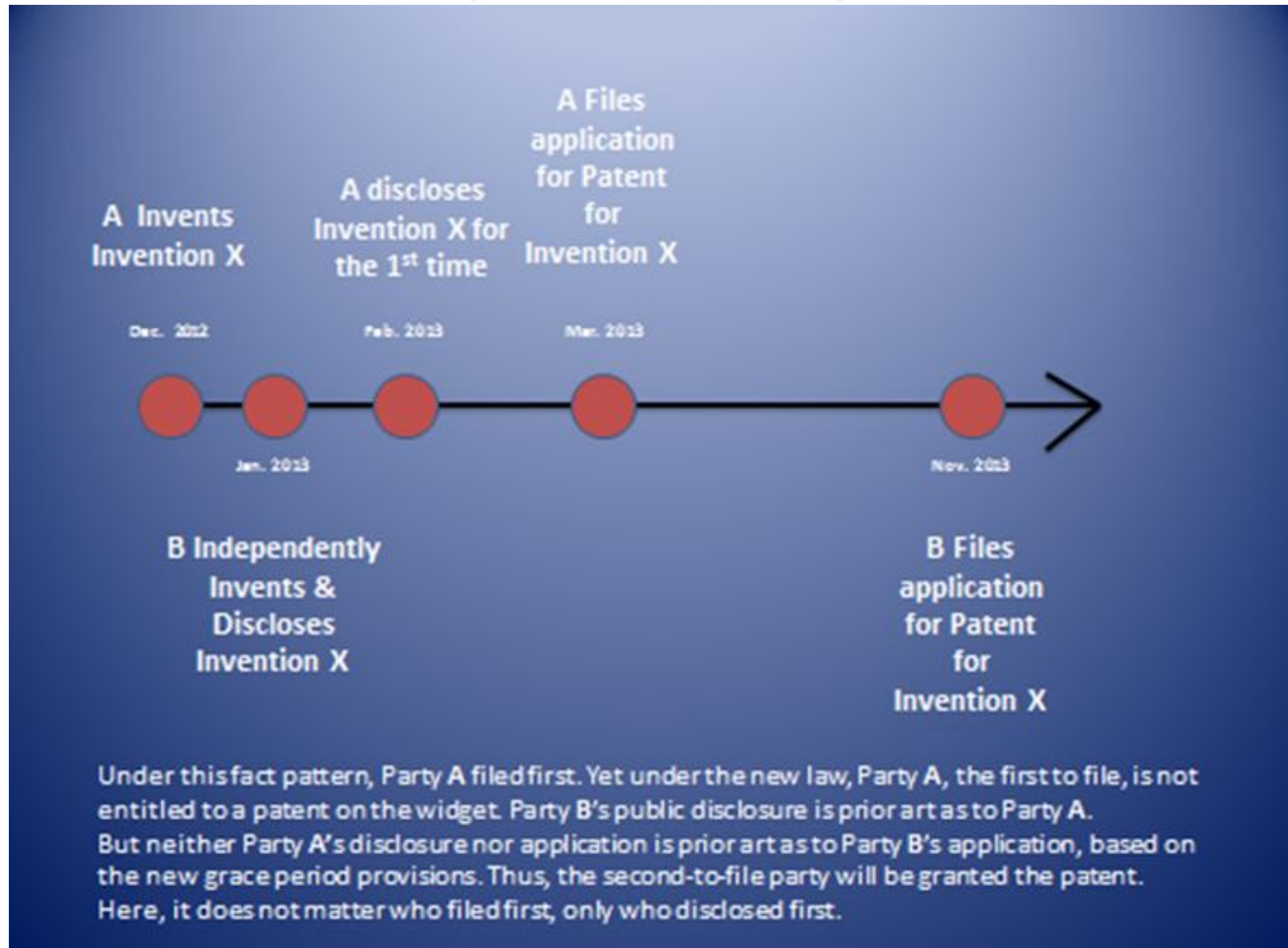
(After 3/16/2013)

## Example



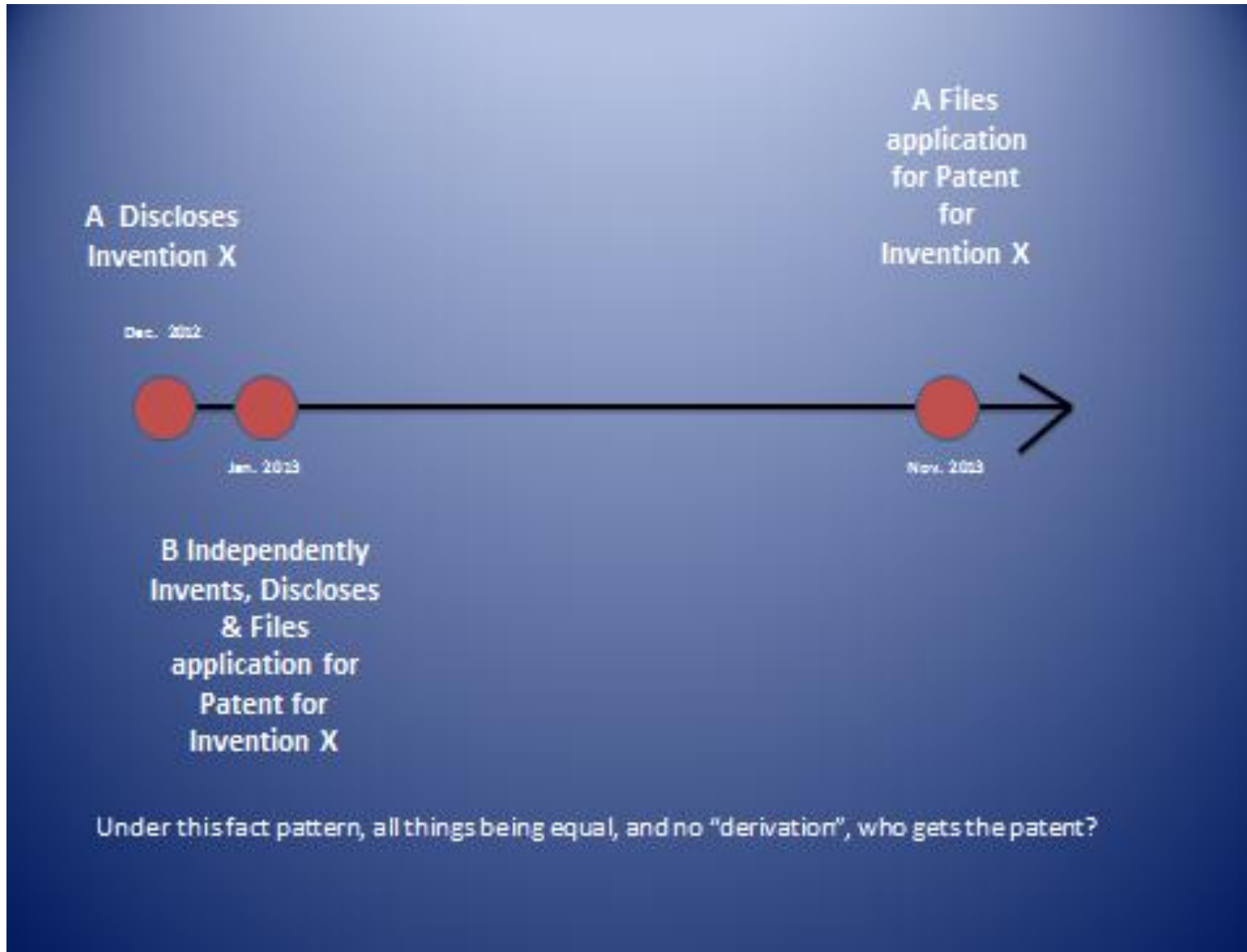
Despite A inventing before B, B's earlier filed application is prior art to A, and B can receive a patent for X over A; A can no longer antedate B's application.

# New 1<sup>st</sup> to Disclose Scenario (After 3/16/2013)



# Quiz: Disclosure Fact Scenario #2

(After 3/16/2013)



# One Last Note on Prior Art under AIA

- The Hybrid Rule for Prior Art under AIA
- What if: An application with an earlier effective filing date were governed by the first-to-file rules, while an application to the same invention with a later effective filing date but an earlier date-of-invention were governed by the first-to-invent rules, it would seem that both applications would be entitled to a patent. However, a different rule applies in such cases.
- There may be unforeseen cases where two patents claiming the same invention are both denied a patent due to application of current and new rules against each other. (Possible – But extremely unlikely).
- Applications filed after 3/16/2012 with earlier dates of invention, but having at least 1 claim with an effective filing date prior to 3/16 and at least 1 claim with an effective filing date after 3/16 or claims priority to a prior application (i.e.: CONs and CIPs) will result in ALL claims being subject to both sets of rules.... Very Messy!!

# From First-to-Invent → To First-to-File - Counterpoint -

## Opponents contend:

- A "first-to-file" system favors larger firms with well-established internal patenting procedures, patent committees and in-house attorneys over small business inventors;
- Replaces "interferences" with potentially costly derivation proceedings, which may be even more expensive than interferences;
- Will create a "race to the Patent Office" with every new idea, increasing the number of patent applications filed, with the attendant costs in attorney fees;
- May actually increase examination backlogs at the USPTO;
- **Does nothing to reduce U.S. applicants' costs of acquiring patents outside of the U.S.**
  - (Typically \$4K – \$8K / country; ~\$88K for all of EU)

# Impact on International IP Filing

- **Strategic**
  - Likely to file fewer patent families, with a higher focus on strategic importance to overall business.
  - Overall, patent filings have been going back up, with 2011 being the best year ever (~182,000 Apps filed).
  - US is still the leading filer in EU, but down 1.7% from last year.
- **Budgets**
  - Overall, International IP budgets are ↓ as much as 30% from prior years.
  - US companies are filing in fewer countries (more strategic).
  - Negotiating for lower IP fees with firms

# What does all this mean?

- 1. The first to disclose,
  - whether by filing an application (Provisional or Utility),
  - or making the invention public,

**is entitled to a patent on that invention**, (assuming the other requirements for patentability are met).
- 2. The discloser must be an inventor.
  - (No Derivation allowed\* – Assuming the true first inventor files his/her own application in a timely manner).
- Third: Reliance on an earlier disclosure date to antedate intervening art (post-disclosure, but pre-filing) may be very limited.
- **In short: File early (and often, if necessary).**



# The “Prior User” Defense

(Intervening Rights) – (Effective Sept. 16, 2011)

- In my opinion: No big deal!!
  - Expands the “prior user rights” defense to infringement and broadens the classes of patents to all technologies for the new limited prior user rights defense.
- VERY limited application as a defense:
  1. Accused infringer must be able to show that they were commercially using the invention at least 1 year prior to patentee’s filing or public disclosure date.
  2. The defense only applies if the accused infringer’s invention was created independently, and not derived from patentee’s version.
- This defense has been available for some business method patents since 1999.
  - Has never been successfully asserted.
  - Has never been contested in the Court of Appeals.

# “3rd Party” Pre-Grant Participation (During Patent Prosecution)

- Effective Date: **9/16/2012**
- Gives 3<sup>rd</sup> parties the right to submit prior art to the patent office for consideration during the prosecution of any patent application still pending as of 9/16/2012.
  - allows third parties to disclose references to the patent examiner along with statements of relevance, (which currently are not permitted). Submissions may be made anonymously, and must be made prior to the issuance of a Notice of Allowance, a first Office Action rejecting a claim, or six months from the date of publication, whichever comes first.
  - All compliant submissions MUST be considered by the examiner.
- The provision is retroactive to any still-pending applications.
  - As of February 2012, there were 736,850 pending applications in the USPTO backlog.
    - (653,218 Unexamined Applications & 83,632 RCE applications).
    - Typical time to FOA = 22.7 Months (and coming down – w/ goal of 10 months by 2015)
    - Traditional Total Pendency 34 Months (not including RCEs)
      - Traditional Total Pendency Including RCEs = 40.7 Months
    - <http://www.uspto.gov/dashboards/patents/main.dashxml>

# Derivation Proceedings

(Effective 3/16/2013)

- Replaces Interference Proceedings:
  - Under existing law an interference proceeding was used to determine the rights to a patent if two persons had invented the same invention, based on a determination of the “first to invent”.
  - Under the new laws, that process will eventually phase out as the pre-AIA applications conclude prosecution.
- The new proceeding is a “**derivative**” proceeding.
  - This proceeding will be used to determine whether the inventor who filed the first application (and is therefore presumed to have the patent rights) derived the invention from the inventor who filed the second application.

# False Marking Litigation – A Thing of the Past – Effective Immediately

- Marking your products with patent numbers is now easier.
  - “Virtual Marking” is now allowed;
    - i.e.: Product can now be labeled with a website address, if the website lists the status of the patent.
    - The effect of marking a product with an expired patent number no longer constitutes false marking.
  - Only the US Government can now sue for a penalty.
    - A third party can file a lawsuit only if they have suffered actual economic injury caused by the false marking and any award is limited to that amount in damages.
    - *Qui Tam* suits (whistle-blower suits ) are no longer allowed.

# Best Mode Requirement – Gone?

- AIA has essentially created an anomaly....
  - Congress left the requirement for the inventor to describe the “best mode” (known at the time of filing), in 35 U.S.C. Sec. §112, Par. 1, and yet.....
  - Congress affirmatively removed the affirmative defense of invalidity based on lack of a “best mode” disclosure in Section 15(a) of the AIA.
  - Essentially one could argue that only “A Known” Best Mode be disclosed, not necessarily “THE” Best Known Mode
  - In Essence: Under the AIA – Failure to disclose THE Best Mode cannot be basis on which any claim of a patent may be cancelled or held invalid or otherwise unenforceable.

# Assignee May File An Application

## (Effective 9/16/2012)

- **Anyone to whom the inventor has assigned, or is obligated to assign, the invention disclosed in the application can now apply for a patent in the name of an unavailable, incapacitated, or unwilling inventor.**
- **Assignment**
  - Current law requires inventor to submit statement (oath or declaration) that patent application was made or authorized by inventor and the individual believes he/she is original inventor.
  - AIA simplifies this requirement by providing that it can be made in the Assignment document
  - Any errors can be corrected and will not lead to an invalid patent
- **Assignee (usually Company) can file patent application**
  - Only need to show sufficient proprietary interest
  - Previously, only if inventor refused or could not be found

# Fees – Going / Gone UP (& a Few Down)

- Effective 9/26/2011 (Finalized by 02/2013)
- Immediate increase in most fees by ~15%
  - Some fees have increased dramatically higher
    - (Some fees have, or will increase by over 200 %)
- Creation of “Micro” Entity Status for Fees
  - Proposed fees will be  $\frac{1}{4}$  of standard Large Entity Fees &  $\frac{1}{2}$  of Small entity fees. (Final fees & Rules still pending).
    - Will apply to many (all Small Entity Fees), but not all fees.
    - Applicants may qualify as **micro** entities by falling within either of two groups:
      - Qualifies as a Small entity (with greater restrictions)
      - Association w/ Institution of Higher Education
  - “Micro” Status will be finalized no later than Q1-2013.

# Expedited Examination

- Goal is to give priority status (move to the front of the line) and provide final disposition within 12 months of grant of petition.
- Two ways to speed up examination:
  - **Accelerated Examination** (Petitions to Make Special)
    - Effective since August 25, 2006
    - Age and Health Acceleration effective since circa December 1959.
  - **Track 1 Examination (\$4,800; \$2,400)**
    - Initial pilot program proposed in early 2011 w/ a limit of 10,000 applications /yr.
    - Final Rules for Track 1 placed in effect on Sept. 26, 2011
    - (Think “TIP” – To Improve Performance)
    - Statistics show that decisions are being made in 3 to 6 months, and in excess of 75% of applications filed are being allowed.



# In Summary

- Most Significant New Rules – Already In Effect
  - No patents will issue claiming or encompassing a human organism;
  - Establishment of “Micro Entities”;
  - Eliminating False Marking Claims; establishing Virtual Marking;
  - Eliminating failure to disclose Best Mode defense against infringement;
  - Expanding “Prior-user rights” defenses to infringement;
  - Limiting “Joinder of Defendants” in infringement actions (NPE’s)
  - Fees going up (at least 15%) across the board.
    - \$400 surcharge on Non-provisional patents which are not filed electronically

# In Summary

- Pending New Rules: (as of 9/16/2012)
  - Allowing “Party of Interest” to file in place of Inventor;
  - New rules for “*Inter Partes* Review”;
  - Institutes a “Post-Grant Review” of issued patent, (applies only to patents under new first to file rules, filed after 3/16 2013).
  - Establishes “Supplemental Examination” procedures to correct patentee’s submission errors in issued patent (applies only to patents filed on or after 9/16/2012).
  - AIA allows public submission of prior art (with explanation of relevance) to any currently pending application.
- As of 3/16/2013
  - New First-to-File and Prior Art rules go into effect

**Thanks for your  
attention! 😊**

**Questions??**

# ClearPat Services, LLC

- My Background
- Patent Searching, Preparation & Prosecution, Development Strategy, Product Commercialization
  - Specialization in Mechanical, Medical Devices, Biotech
- Legal Disclaimer
  - Patent Agent vs. Patent Attorney
    - USPTO vs. State/ District/ Federal Courts
  - No legal opinions
    - (Infringement, FTO / Clearance, Litigation, etc.)
    - No contracts, licensing, etc.
    - Limited Agent – Client Privilege

# Parts II & III

## (Next Time.....)

- **Part II – Post-Grant Changes**
  - Post Grant Opposition & Supplemental Review
  - *Inter Partes* Review
  - Limits for “joinder of defendants” in infringement
- **Part III – Impact of the Supremes**
  - Impact of Recent Supreme Court Decisions on Medical Technology
    - *Bilski* - Narrowed “*Machine-or-Transformation*” Test
    - *Mayo v. Prometheus* – “Diagnostic and Therapeutic Methods”
      - \* Less than 2 weeks later: *SmartGene Inc. v. Advanced Biological Laboratories* – SmartGene claims held invalid under 35 U.S.C. § 101 in District of Columbia Court

# International IP Filing Stats - 2011

- Filings into the EU were ↑ 10.7% in 2011 (~182,000)
  - 163K ↑ 5% in 2010;
    - 155K in 2009 ↓ 5.5%; (vs: ~164K in 2008)
- Top Filers Overall
  - US – 26.7%; Japan – 21.4%; Germany – 10.2%; China – 9.0%; S. Korea – 5.7%
- Greatest Growth Among Top-Filing Countries
  - China ↑ 33.4%; Japan ↑ 21%; CA, KR & US ↑ ~8%
  - Others Include:
    - Russian Fed: ↑ 20.8%; Brazil ↑ 17.2%; India ↑ 11.2%

# International IP Filing Stats - 2011

- **Filings by Field of Technology Classification**

- **Medical Technology applications are ↑ 6.6%**

- **Chemistry-related applications are generally ↑:**

- Environmental technology (+14.1%),

- Macromolecular chemistry (+10.6%) , and

- Basic metals chemistry (+12.1%)

- Biotechnology (+0.2%) - exhibited the smallest growth of all.

- However:

- Pharmaceuticals (-1.9%), and

- Organic fine chemistry (-4.1%)

- Were the only chemistry-related disciplines to exhibit a decrease in the number of PCT applications filed.

# Part II – Post-Grant Changes

- Other AIA changes include: (Effective 9/16/12 – 3/16/13);
  - **Post-Grant Opposition & Supplemental Review** -(Very Expensive)
    - A 9-month window for post-grant opposition review.
  - **Changes to *Inter Partes* Review Petitions** (formerly *Inter Partes* Reexamination) - **(Very Expensive, but cheaper than litigation)**
    - Single Threshold issue: " is there a reasonable likelihood that the third party will prevail with respect to at least one challenged claim?"
    - IPR is available during life of any patent (including filed before 11/29/99)
    - Does not replace existing Ex Parte Reexamination, which will continue
  - **Limits circumstances for “joinder of defendants” in infringement cases;** (Effective 9/16/2011)
  - **Opinion of Counsel:**
    - Prevents failure to obtain advice of counsel or failure to present such advice to court or jury from being used to prove willful infringement or intent to induce infringement.



# Post-Grant Opposition & Review

- Effective 9/16/2012 (for certain Business Method Patents); but otherwise applies only to 1<sup>st</sup>-Inventor-To-File Applications, filed after 3/16/2013.....
- A 9-month window for post-grant opposition review
  - (Allows companies to challenge patents on any grounds of invalidity during a nine-month window from the issue date of a patent, with an aim of shifting the patent challenging arena from the courts to the USPTO.)
  - The new post-grant review (A.K.A. opposition proceeding) is being created by splitting the current *inter partes* reexamination system into two parts: post-grant review and *inter partes* review.
    - Current reexamination practice focuses solely on questions of novelty and obviousness based upon prior art in the form of printed publications.
    - The new post-grant review system broadens the bases for review to virtually any validity challenge. However, post-grant reviews will only be available during a 9-month window following patent issuance.
  - Full implementation of the post-grant review system will not be until 2013 & 2014 because the review is only available for patents with a priority date on or after March 16, 2013
    - (Also the same date as the new “First-to-File” Filing Date Priority Rules\*

# Part III – Impact of the Supremes

- **Impact of Recent Supreme Court Decisions on Medical Technology**
  - **Diagnostic and Therapeutic Methods**
  - ***In re Bilski***: the court adopted a more narrow "machine-or-transformation" test, which requires that a process (1) be "tied to a particular machine" or (2) "transform a particular article to a different state or thing."
    - Supreme Court set forth three categories of inventions that are not patentable subject matter: "laws of nature, natural phenomena, and abstract ideas."
  - ***In re Mayo v. Prometheus***: the court unanimously adopted the opinion that companies could not patent observations about a natural phenomenon.
    - concluded that Prometheus' process for monitoring a patient, and adjusting dosage as needed, could not be patented.