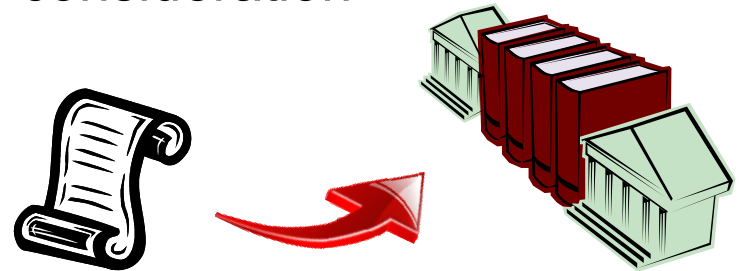


America Invents Act U.S. Patent Reform of 2011

Thomas K. Scherer

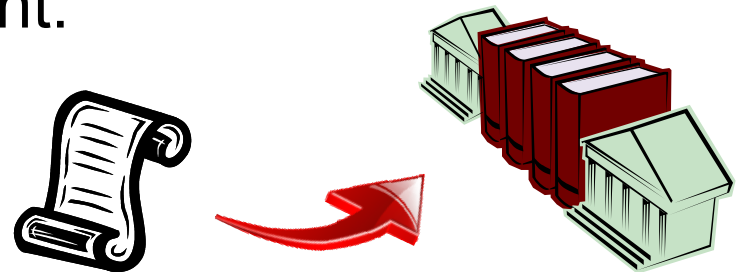
Process of U.S. Patent Reform

- Either the Senate or House can **introduce** legislation
 - Legislation **starts** in one and moves to the other (either way)
 - Once introduced, a subcommittee in the starting body (Senate or House) is formed to **draft** proposed legislation
 - When the subcommittee agrees on a draft, the proposed legislation is **reported** to the entire body (Senate or House)
 - The entire body considers the draft, offers amendments, and may bring to a vote or return to subcommittee
 - If **voted on and passed**, the legislation is sent to the other body (Senate or House) for similar consideration



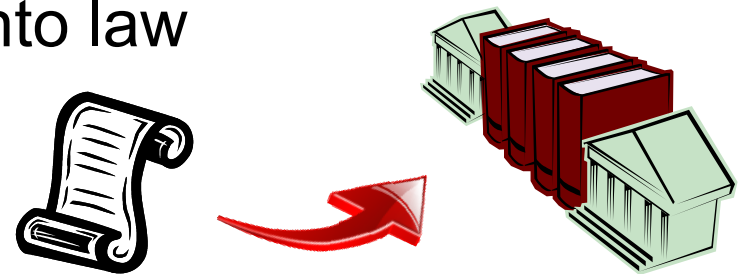
Process of U.S. Patent Reform

- In order for the U.S. laws to change, the Senate and House must be **completely aligned**
 - Senate passed bill must be voted on and approved by House or vice versa
 - Both Senate and House can have **similar** legislation being drafted at the **same** time (and often does)
 - If both Senate and House pass **similar** legislation, bills can be **reconciled** in order to move forward
- Once **both** the Senate and House passed bills are completely aligned, the President:
 - can **sign** the bill into law, or
 - deny the bill by **veto**



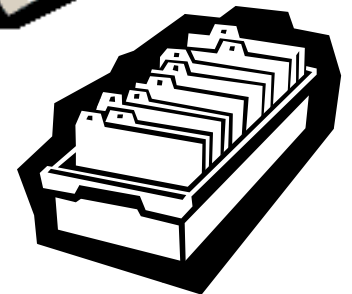
Status of U.S. Patent Reform

- Senate **passed** a bill reforming Patent Law
 - S. 23 introduced on January 25, 2011
 - S. 23 passed on March 8, 2011
- The House of Representatives (House) has **introduced** patent reform bills in 2007, 2009, 2011
 - H.R. 1249 introduced on March 30, 2011
 - H.R. 1249 passed on June 23, 2011
- Senate **passed H.R. 1249** on September 8, 2011
- The President **signed** the bill into law on September 16, 2011



U.S. Patent Reform Summary

- First Inventor to File
- Oath / Declaration
- Best Mode
- Third Party Challenges
 - Pre-Issuance Third-Party Submissions
 - Third-Party Requested Post-Grant Review
 - Inter Partes Post Grant Review
- Enhanced Damages
- False Marking
- Fee Setting Authority
- Prioritized Examination
- Miscellaneous Provisions

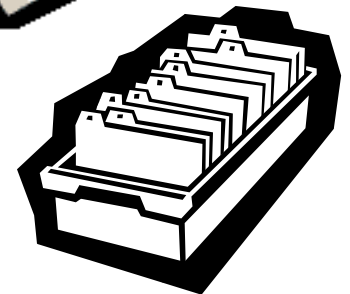


U.S. Patent Reform Summary

- Three areas of the patent laws are being changed:
- Prosecution related changes
 - Affecting **how** applicants **interact** with the USPTO
 - Redefining **what** can/must be filed and **when**
- Litigation related changes
 - Affecting the **damages** awards from a lawsuit
 - Redefining the **types** of lawsuits that can be brought
- Administrative changes
 - Affecting the **ability** of the USPTO to **operate**
 - Redefining particular **bodies/procedures** within the USPTO in accordance with the other changes to the patent laws

Prosecution Related Portions

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First Inventor to File

- U.S. currently uses First Inventor to **Invent** system
 - The current system is more complex as “**invention date**” must be determined through discovery
 - Inventors may **antedate** prior art by proving earlier “**invention date**” than the date of the prior art
 - Interferences proceedings occur when **different** inventors claim the **same** invention
 - Each inventor must attempt to prove **earliest invention date**
 - Proceedings can take many **years** to complete
 - Almost every country other than U.S. uses First Inventor to **File** system in which:
 - the **filing dates** are easily known, without any discovery
 - prior art is simply defined as anything **prior** to the **filing date**
 - No interferences exist, as it is merely a **race to the patent office**



First Inventor to File

- Law harmonizes U.S. with the rest of the world
- Each application is given an **effective filing date**
 - Patentability is judged on prior art that pre-dates the **effective filing date**
 - Law maintains a **one year grace period** for filing after inventor-made or inventor-derived disclosures
 - Replaces interference proceedings with derivation proceedings
 - Section 102(a) revised to define novelty and prior art:
 - A person shall be entitled to a patent unless -
 - (1) Patented, described in printed publication, or in public use, on sale, or otherwise available to the public **before the effective filing date**, or
 - (2) Described in a patent issued, or application published, which names another inventor, effectively filed **before the effective filing date**



First Inventor to File

- Section 102(b) revised to define exceptions:
 - Any disclosure made **1 year or less** before the effective filing date, if either:
 - (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
 - (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
 - Section (A) establishes 1 year grace period for inventor-made or inventor-derived disclosures prior to filing
 - Section (B) establishes 1 year grace period for **non-derived disclosure** by another prior to filing in the event of an **earlier** inventor-made or inventor-derived disclosure



First Inventor to File

- Section 102(b) revised to define exceptions:
 - Any disclosure under 102(a)(2), i.e., patent issued or application published, is **not** prior art if:
 - (A) the subject matter disclosed **was obtained directly or indirectly made** from the inventor or a joint inventor;
 - (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
 - (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**
 - 102(c) provides that ownership “by same person” may be established if the claimed invention was made within the scope of a joint research agreement and parties are identified



First Inventor to File

- Section 102(d) revised to set **effective date of prior art**:
 - For purposes of determining whether a patent or application for patent is **prior art** to a claimed invention under 102(a)(2), such patent or application shall be considered to have been **effectively filed**, with respect to any subject matter described in the patent or application –
 - (1) if paragraph (2) does not apply, **as of the actual filing date** of the patent or the application for patent; or
 - (2) if the patent or application for patent is entitled to claim a right of priority under section 119, 365(a), or 365(b), or to claim the benefit of an earlier filing date under section 120, 121, or 365(c), based on 1 or more prior filed applications for patent, **as of the filing date of the earliest such application that describes the subject matter**.



First Inventor to File

- Section 103 revised in view of effective filing date:
 - A patent for a claimed invention may not be obtained, notwithstanding that the claimed invention is not identically disclosed as set forth in section 102, if **the differences** between the claimed invention and the prior art are such that the claimed invention as a whole **would have been obvious before the effective filing date of the claimed invention** to a person having ordinary skill in the art to which the claimed invention pertains. Patentability shall not be negated by the manner in which the invention was made.



First Inventor to File

- Effective after 18 months – March 16, 2013
 - Applicable to any application for patent, or patent issuing thereon, that contains or contained at any time –
 - a claim having an effective filing date on or after the effective date (March 16, 2013); or
 - a specific reference under section 120, 121, or 365(c) of title 35, United States Code, to any patent or application that contains or contained at any time such a claim.
 - Interference proceedings apply to:
 - Any patent, and any patent issued thereon, for which the amendments made by this section also apply, if such application or patent contains or contained at any time –
 - a claim to an invention having an effective filing date as defined in section 100(i) of title 35, United States Code, that occurs before the effective date set forth in paragraph (1) of this subsection; or
 - a specific reference under section 120, 121, or 365(c) of title 35, United States Code, to any patent or application that contains or contained at any time such a claim.



Oath / Declaration

- U.S. applications are currently required to have an Oath / Declaration **signed by the inventors**
 - Only inventors can be initial applicants in the U.S.
 - If an inventor has died, is missing, or refuses to sign, then an application can be filed **on inventor's behalf**
- Almost every country other than U.S. allows an application to be brought by **any applicant**
 - Inventor, Company employing inventor, etc.
- In the U.S., an Assignee of the entire right can request to **exclude the inventors** from prosecution
 - Only after filing of the application on inventor's behalf, and
 - Proving ownership of the entire right in the application



Oath / Declaration

- Oath / Declaration still required that states:
 - Application was made or was authorized to be made by the inventor
 - Such individual believes himself or herself to be the original inventor or original joint inventor of the claimed invention
- Substitute Statement is permitted if:
 - Inventor is **deceased**
 - Inventor is under **legal incapacity**
 - Inventor **cannot be found or reached** after diligent effort
 - Inventor is under an obligation to assign the invention and **refuses to sign**
- Patent **cannot be invalid or unenforceable** based on oath / declaration or substitute statement issues



Best Mode

- Best mode requirement is **not** changing
 - Still **required** to disclose best mode during prosecution
- However, a **defense** was created
 - Failure to disclose the best mode **cannot** be used to **invalidate** or **render unenforceable** a patent in litigation
- Such a defense eliminates the consequence of a best mode violation **from litigation**
- USPTO could possibly **deny grant** of a patent based on failure to disclose the best mode, but
 - It is difficult for Examiners to know that a violation occurred
- Best mode violation cannot be basis for **post-grant review proceedings** before the USPTO

Third Party Challenges

- U.S. allows *ex parte* or *inter partes* reexamination
 - *Ex Parte* reexamination involves the third party only until reexamination is **granted**
 - Once granted, only USPTO and patentee conduct prosecution
 - *Inter Partes* Reexamination allows third party to be **involved** in prosecution
- Third parties can also **submit prior art** into a pending application in a two month window after publication
 - Due to U.S. **duty of candor rules**, it is easier to simply send prior art to the U.S. attorney prosecuting the case
 - The U.S. attorney **must** then **submit** the prior art
 - This can be done **anonymously** through a law firm



Third Party Challenges

- Pre-Issuance Third-Party Submissions
- Effective – 1 year from date of enactment
- Submissions allowed until the earlier of:
 - issuance of a **Notice of Allowance**, or
 - the later of **six months** from first **publication** of the application or mailing date of a first **rejection** of any claim
 - Submission must include:
 - Concise description of **relevance**,
 - Appropriate **fee**, and
 - Statement that the submission is compliant



Third Party Challenges

- Third-Party Requested Post-Grant Review
- USPTO to establish rules for post-grant review
- Open to any legal issue that **affects validity** of at least one claim
- Request must be made **within nine months** of patent issuance
- Review process must be completed within statutory one year period
 - Unless, upon establishing rules for post-grant review, USPTO has good cause to extend period to 18 months



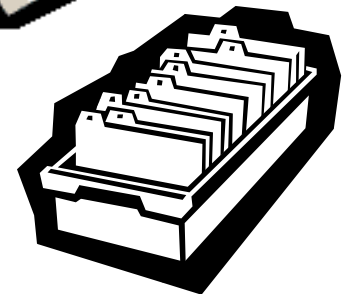
Third Party Challenges

- Inter Partes Post Grant Review
- For use beyond 9 months from patent issuance
- In order to initiate proceedings, Third Party must satisfy **Heightened Standard** (above “SNQ” standard)
- Petition must show “**reasonable likelihood**” that the petitioner would prevail with respect to at least one of the claims challenged
- Requests must be based on **only**
 - Patents, and
 - Printed publications



Litigation Related Portions

- First Inventor to File
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 - Inter Partes Post Grant Review
- Enhanced Damages
- False Marking
- Fee Setting Authority
- Prioritized Examination
- Miscellaneous Provisions



Enhanced Damages

- If **infringement** of a patent is found by a Court:
 - Injunction may be granted against the infringer, and
 - Damages may be awarded
- An injunction **prevents** further infringing actions
- The award of damages **compensates** patentee
 - Damages must be **adequate to compensate** for use of the invention
 - Cannot be less than a **reasonable royalty**
 - May include **interest** and **costs** of litigation
 - In exceptional cases, **attorneys fees** may be included
 - Experts testify as to the appropriate amount for the damages award



Enhanced Damages

- Damages award may be enhanced (up to three times), if the infringement is found to be **willful**
- Willful infringement can be avoided, e.g., if **advice of counsel** (i.e., non-infringement opinion) was obtained
- Courts have held willfulness cannot be found:
 - Merely because an opinion was **not** obtained
 - Merely because a patent was **known to exist**
- Law codifies case law on **willful infringement**
 - Failure to **obtain advice of counsel** may not be used to prove willfulness
 - Failure to **present at trial** advice of counsel that was obtained may not be used to prove willfulness



False Marking

- In order to **obtain damages**, patentees must:
 - Mark their products by:
 - fixing “patent” or “pat.” with the patent number to the article
 - when, from the character of the article, this cannot be done, fixing to the article, or to its package, a label containing “patent” or “pat.” with the patent number, or
 - Notify potential infringer of their patent
 - If **no marking** is done, damages award can **only** be based on infringement occurring **after** notice is given
 - Filing of an action for infringement constitutes notice
- Qui Tam action can be brought, if an article:
 - that is **unpatented** or **unlicensed** is falsely marked
 - is marked with an **expired** patent (after reasonable period)
 - is marked **patent pending** when no application exists

False Marking

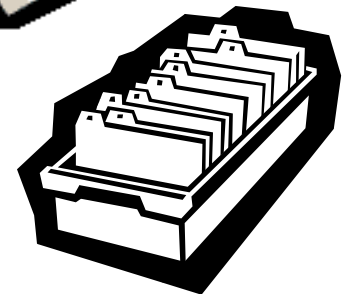
- Qui Tam actions have gained notoriety in U.S. lately
 - Award of up to \$500 **per act** of false marking
 - Each product marked **can be** considered a separate **act**, which led to **large potential awards** for false marking
 - Actions were filed on behalf of the government by **anyone**
 - Patent Trolls and Contingent Fee Lawyers brought many suits because the one who files the lawsuit collects $\frac{1}{2}$ the damage award (Other $\frac{1}{2}$ goes to the U.S. government)
- Some Courts have held that the damages for false marking were never intended to be large
 - Award per act can be set at a **small fraction of a penny**
 - Thus, even in situations of large number of acts (e.g., Solo Cup case), the award amount would remain **reasonable**

False Marking

- Law has now **changed** on false marking suits
 - Only the **United States** can bring a Qui Tam action
 - Any person who has suffered a **competitive injury** due to false marking may sue to recover **proven** damages
 - False marking can **no longer be found** if an accurately marked product contains a patent that **expired**
- An option of **virtual marking** via Internet is added
 - Patented article bears **only** a website address
 - The website must be **freely available** to the public
 - The website must associate the **patented article** with the number of **an applicable** patent
 - It is much easier to **change** the associations on the website as new patents issue or new products are developed

Administrative Portions

- First Inventor to File
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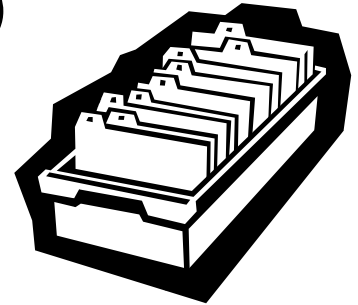
Fee Setting Authority

- U.S. Patent and Trademark Office (USPTO)
 - Law authorizes USPTO to **set fees**
 - Revised USPTO fees are effective September 26, 2011
 - Congress maintains ability to set USPTO budget
 - If USPTO revenue is **larger** than current budget, then excess revenue must be kept for use only by USPTO, i.e., Congress may **not redistribute excess** to other agencies
- Micro-entity is created entitled to 75% fee reduction
 - Small entity that has **not been named on 5 or more** previous non-provisional U.S. patent applications, and
 - Did not have gross income **above 3 times median household income** in the prior calendar year
 - Also, applies to State public institutions of higher education



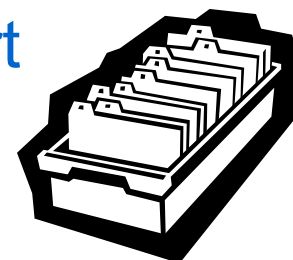
Prioritized Examination

- U.S. Patent and Trademark Office (USPTO) prioritized examination program established
 - Program effective – September 26, 2011
 - Simply **pay fee** for prioritized examination
 - Fee initially set at \$4,800
 - Law authorizes USPTO to **establish rules** for prioritized examination program
 - USPTO will likely republish rules for 3-track examination
 - Until USPTO establishes rules, any application on which prioritized examination is requested must have **no more than 4 independent** claims and **no more than 30 total** claims
 - Until USPTO establishes rules, **only first 10,000 requests** for prioritized examination will be accepted



Miscellaneous Provisions

- BPAI renamed **Patent Trial and Appeal Board**
 - Appeal proceedings updated in view of first to file system
- Tax Strategies are **deemed within the prior art**
 - Explicit prohibition on claiming tax strategies
- Satellite Offices
 - USPTO to open 3 or more **satellite offices** within 3 years from date of enactment
 - Detroit, Michigan designated, but is not required to be first
- Business-method patent transitional program
 - Post-Grant Review Procedure to be established by USPTO
- Updates for housekeeping and consistency
 - Technical amendments, USPTO studies, venue, etc.



Summary of Effective Dates

- The effective dates of the new patent laws **vary** across different sections being changed
- Law provides that changes become effective **1 year** from date of enactment unless specified otherwise
 - 1 year from date of enactment = **September 16, 2012**
- Many sections specify effective dates
 - 18 months – March 16, 2013
 - Repeal of Statutory Invention Registration
 - First Inventor to File
 - Derivation proceedings
 - Within 1 year – September 16, 2012
 - Post-Grant Review – established by PTO in < 1 year
 - Transitional Program for business methods < 1 year



Summary of Effective Dates

- Effective dates (cont'd)
 - 1 year – September 16, 2012
 - Inventor's Oath or Declaration
 - Citation of Prior Art and Written Statements
 - Reexamination, determination by director
 - Appeal to Court of Appeal for the Federal Circuit
 - Preissuance Submissions
 - Supplemental Examinations
 - Technical Amendments
 - 60 days from Date of Enactment – November 15, 2011
 - Electronic filing incentive
 - USPTO Funding – October 1, 2011
 - 10 Days from Date of Enactment – September 26, 2011
 - Prioritized Examination Fees and 15% surcharge (until USPTO sets fees)



Summary of Effective Dates

- Effective dates (cont'd)
 - Date of Enactment – September 16, 2011
 - Defense to infringement of prior commercial use
 - Fee Setting Authority
 - Revised Fees (until USPTO sets fees)
 - Micro-entity creation
 - Appeal of Reexamination Determination
 - Inter Partes Reexamination threshold
 - USPTO Venue
 - Best Mode Requirement
 - Tax Strategies Exclusion
 - False Marking
 - Virtual Marking
 - Pro Bono Program
 - Human Organism Exclusion





THANK YOU

Thomas K. Scherer

scherer@oshaliang.com