

**Carlson, Gaskey & Olds, P.C.**  
**INTELLECTUAL PROPERTY DEVELOPMENTS:**  
**AMERICA INVENTS ACT**

The Leahy-Smith America Invents Act (AIA) arguably implements the most sweeping changes to US patent law in almost sixty years. The AIA was enacted on September 16, 2011. The provisions of the AIA have a variety of effective dates. The patent office fees increase on September 26, 2011. Other changes will not be effective until 2012 and 2013.

The USPTO will expedite the rulemaking in accordance with the AIA, and we predict those rules will be available in the next 10 days or so based upon discussions with USPTO officials. We will provide updates on the rules as soon as they are promulgated. Up-to-date information is also available through the USPTO at:

[www.uspto.gov/patents/init\\_events/aia\\_implementation.jsp#heading-2](http://www.uspto.gov/patents/init_events/aia_implementation.jsp#heading-2).

The more important patent prosecution and litigation reforms are summarized below, with our suggestions and commentary where appropriate at this stage without promulgated rules. We have indicated in brackets the relevant legislative section, primarily affected statutory section and effective date associated with each AIA topic.

**Contents**

*PATENT PROSECUTION REFORMS*

Patent Application Filing.....	2
Prioritized Examination.....	3
Oath/Declaration.....	4
Pre-issuance Submissions by Third Parties.....	4
Post-Grant Examination.....	4
Fees.....	5

*PATENT LITIGATION REFORMS*

Advice of Counsel.....	6
Marking.....	6
Joinder and Non-Practicing Entities.....	6
Prior Commercial Use Defense.....	7
Best Mode.....	7
ATM.....	7

## PATENT PROSECUTION REFORMS

### Patent Application Filing

A first-to-file system, with a grace period, replaces the prior first-to-invent system. [*Sec. 3; 35 USC §§100, 101, 102 & 103; effective March 16, 2013*]. The US first-to-file system also expands the potential body of prior art. In our experience, clients typically process invention disclosures and patent applications diligently, however, applicants should consider accelerating their invention disclosure process and more aggressively filing provisional applications to reduce the possibility of losing the race to file.

The AIA specifies that “a person shall be entitled to a patent unless—(1) the claimed invention was patented, described in a printed publication, or in public use, on sale, **or otherwise available to the public** before the effective filing date of the claimed invention.” What constitutes “**otherwise available to the public**” is not yet settled, but may expand the existing body of “public” prior art.

The “**effective filing date**” of a new application, or of a patent or patent application publication for Prior Art purposes, is: the earlier of the actual filing date in the US; or the earliest priority application filing date.

Patents and published applications that are available to the public before the effective filing date of a new application are Prior Art.

Additionally, similar to the old §102(e), US patents and published patent applications and international applications designating the US that have effective filing dates that pre-date the effective filing date of an application are Prior Art even though they are not published or available to the public before the effective filing date of the application. There is no longer a requirement that such international applications be in the English language. This portion of the AIA has expanded the scope of prior art in one sense and limited it in another.

This change increases the scope of possible Prior Art because patents and published applications can be used for determining whether a claimed invention is novel or obvious, which is a harsher standard than in other countries that exclude such documents from the Prior Art for determining inventive step. On the other hand, the scope of potential prior art has been reduced somewhat as the “commonly owned” exception is significantly expanded. Previously, commonly owned §102(e) Prior Art could be excluded from the obviousness inquiry. Under the AIA, any earlier-filed, co-owned patent or published application is excluded from the body of Prior Art. The AIA does not put clear limits on the timing for when such a commonly owned patent or publication has to be filed relative to the effective date of the application in question but the normal course of publishing applications appears to leave an 18 month window.

“**Prior Use**” and “**On Sale**” activities are no longer limited to “in this country.” “On sale” still includes offers for commercial sale (literally broader than many other countries’ prior art laws). Whether third party offers for sale are Prior Art is likely to depend on interpretation of “**or otherwise available to the public**” under the new §102(a)(1).

The new §102(b) defines exceptions to the new §102(a). A “disclosure” made 1 year or less before the effective filing date of a claimed invention is not Prior Art if it is a disclosure by the inventor(s) or another who obtained the subject matter directly or indirectly from the inventor(s). This type of disclosure is not necessarily “public.” Thus, your own outside disclosure of an invention, including offers for sale, should at a minimum be treated as triggering a 1 year period in which to file. If your disclosure is not public, you should consider filing sooner than the 1 year date or immediately filing a provisional application to exclude a later, independent disclosure by someone else (see below).

Additionally, a “disclosure” made 1 year or less before the effective filing date of a claimed invention is not Prior Art if the subject matter disclosed was **previously publically disclosed** by the inventor(s) or another who obtained the subject matter directly or indirectly from the inventor(s). Thus, your own disclosure must be “public” in order to exclude a later, independent disclosure by someone else. Under this clause, a patent would properly be awarded to an inventor who was “second-to-file,” but was “first-to-publish.”

The AIA also eliminates interference practice and institutes “Derivation” proceedings that can be brought within 1 year of issuance of an allegedly derived patent (by civil action) or within 1 year of publication of an application (by “derivation proceeding” in the USPTO). [*Sec. 3; 35 USC §§135 & 291; effective March 16, 2013*]. “Derivation” requires that an inventor named in an earlier patent or published application have derived the claimed invention from an inventor named in the proceeding initiator’s patent or application. Where appropriate, the USPTO can correct the naming of an inventor in an application or patent.

### **Prioritized Examination**

Applicants can now obtain “**fast-track**” examination of a **newly filed** non-provisional application for a fee of \$4,800 (\$2,400 for small entities), in addition to filing, search and examination fees. [*Sec. 11, 35 USC §§2 & 41; effective September 26, 2011*].

The USPTO has a goal of processing prioritized applications within 12 months, which, according to our discussions with USPTO officials, is interpreted as an *average* pendency rather than a guaranteed deadline. For now, applications are limited to no more than 4 independent claims or more than 30 total claims. The AIA permits the Director to prescribe conditions for acceptance into the “prioritized” track. We expect that the Director will set forth these conditions within 10 days.

While expensive, this option may be useful in circumstances where rapid prosecution of a new application is desired in effort to cover a commercial product or capture potential infringers, for example. There is no guarantee of acceptance into this “prioritized” track, however. The AIA states that the Director may not accept more than 10,000 requests for prioritized examination in a single year (unless the Director changes that 10,000 number), and the Director may otherwise limit the number of prioritized filings that are actually accepted. Thus, it may be advisable to file fast-track applications sooner rather than later.

The AIA also introduces a yet-to-be defined “**prioritization of examination**” of applications for products, processes, or technologies that are important to the national economy or national competitiveness. [*Sec. 25; 35 USC §2; effective September 16, 2012*]. Currently, a petition to make

special under MPEP 708.02 is available to expedite certain patent applications for reasons such as inventor age. Presumably, this MPEP section will be expanded to include these two new reasons.

### **Oath/Declaration**

The AIA basically codifies an expanded version of the MPEP procedure for filing on behalf of another. [*Sec. 4; 35 USC §§115 & 118; effective September 16, 2012*]. Previously, an entity had to establish that an inventor refused to participate in the patent application or that the inventor was unable to be located through diligent effort. Under the AIA, an entity **need only establish an obligation to assign and assert that such action is appropriate to preserve the rights of the parties**. Given that any delay in the new first-to-file system could have an effect on rights, this new procedure for filing on behalf of another provides a lower threshold than the previous rules. Notably, the patent shall be granted to the real party in interest, upon giving sufficient notice to the inventor. Notwithstanding the new, lower threshold, there are still good reasons (e.g., future litigation) to diligently obtain inventor participation.

### **Pre-issuance Submissions by Third Parties**

The AIA extends the time limit for **third party prior art document submissions**. [*Sec. 8; 35 USC §122; effective September 16, 2012*]. Previously, under MPEP 1134.01, prior art generally could only be submitted by a third party before the mailing of the notice of allowance or two months after publication, whichever was earlier. The third party submitter could not provide prior art comments. Now, a description of the prior art **must** accompany the prior art document. The time period for prior art submissions is enlarged to include (1) the earlier of date of the notice of allowance, or (2) the later of (A) **six** month after the patent's publication, **or** the first rejection of claims.

### **Post-Grant Examination**

Reflecting the move to a first-to-file patent system, the Board of Patent Appeals and Interferences is renamed the "Patent Trial and Appeal Board," (PTAB). In addition to the BPAI's prior responsibilities, the PTAB will be responsible for post-grant reviews added under the AIA. Derivation proceedings replace Interferences. [*Sec. 7; 35 USC §6; effective September 16, 2012, with exceptions*].

**Traditional Ex Parte Reexamination** remains an option. Inter Partes Review replaces the present Inter Partes Reexamination, and the AIA creates a new Post-Grant Review option. Thus, there will be a greater ability to challenge patents outside of litigation. [*effective September 16, 2012*].

**Post-Grant Review** may be requested within 9 months of grant of a patent or reissue patent and may be used to challenge validity, including on §112 grounds but not lack of best mode. The threshold for a review is that **it is more likely than not** that at least 1 of the challenged claims is unpatentable.

**Inter Partes Review** is available after the later of either 9 months from issuance of a patent or reissue patent or the date of termination of a Post-Grant Review. An inter partes review is limited to novelty and obviousness based on prior art patents/printed publications. The threshold for a review is that there is a **reasonable likelihood** that the petitioner would prevail with respect to at least 1 of the challenged claims.

**Supplemental Examination** enables a **patent owner** to submit to the USPTO “information believed to be relevant to the patent” for correction, consideration or reconsideration. In general, this procedure permits the patent owner to revisit an issue previously presented in prosecution or whitewash an issue not yet the subject of litigation. [*effective September 16, 2012*] Procedurally, the USPTO must begin examination **within three months** of the request. However, the patent owner cannot file any statements once the Office has made its determination.

A patent will not be held unenforceable based upon information that is the subject of the supplemental examination request, although claims found to have been obtained through material fraud may be cancelled. Furthermore, the information may serve as a basis for criminal actions or sanctions for misconduct.

The AIA also introduces a **transitional post-grant review procedure for business method patents**. The definition provided under the AIA would seem to overlap with the criteria used by the USPTO in classifying inventions under Class 705. Excluded are patents for technological inventions which are to be determined by the Director. [*Sec. 18; 35 USC §321 & 325; effective September 16, 2012 (and applies to any covered business method patent issued before, on, or after that effective date)*]. Nothing in this section shall be construed as amending or interpreting patent-eligible subject matter set forth under 35 USC §101.

A person may not file a petition for a transitional proceeding with respect to a covered business method patent **unless** the person or the person’s real party in interest or privy has **been sued for infringement** under that patent.

The petitioner in a transitional proceeding that results in a final written decision **may not assert**, either in a civil action or before the ITC, that the claim is invalid on any ground that the petitioner raised during that transitional proceeding.

The transitional post-grant review proceeding sunsets on September 16, 2020, but any petition for a transitional proceeding that is filed before the date of such sunset continues to apply. A party may seek a stay of a civil action alleging infringement due to a transitional proceeding and may take an immediate interlocutory appeal from a district court’s decision on the stay.

### **Fees**

In general, many of the fees have increased for filing, examination, search, appeals, maintenance, issue, extensions of time, etc. In addition to these flat increases, there is also a **15% surcharge** applied to certain fees, which is effective until terminated. [*Sec. 11; 35 USC §41; effective September 26, 2011*]. Applicants can avoid the fee increases by paying such fees before September 26. The most recent list of fees, effective September 26, is available here: <http://www.uspto.gov/web/offices/ac/qs/ope/fee092611.htm>

Fees for filing, prosecuting and maintaining patent applications and patents are reduced by 75% for a “**micro entity**.” [*Sec. 10; 35 USC §123; effective when the PTO sets or adjusts a “micro entity” fee for a specific item*]. A micro entity: (1) is also a small entity, (2) has not been named as an inventor on more than four previously filed patent applications, (3) did not have a gross income, as defined in the Internal Revenue Code, exceeding three times the median household income (around \$150,000, based on a median household income of around \$50,000 from 2009), and (4) has not assigned or

licensed (and is not obligated to assign or license) to an entity with a gross income exceeding three times the median household income. The applicant must make a “certification” to establish micro entity status, which will be either be further defined by the USPTO or be similar to the current certification for small entity status made by the mere payment of an exact basic filing fee. Notably, we understand that the PTO has begun planning for setting the “micro entity” fees, and they will provide more information as it becomes available.

A **university** “micro entity” exception is provided if (1) an applicant’s employer, from which the applicant obtains a majority of its income, is a college or university, or (2) the applicant has assigned or licensed (or is obligated to assign or license) an ownership interest in the application to a college or university, then the applicant may qualify as a micro entity.

A proposed amendment to allow the USPTO to keep all of its fees did not pass. The government can still (and likely will) divert the USPTO’s fees away from the USPTO.

## **PATENT LITIGATION REFORMS**

### **Advice of Counsel**

The AIA essentially codifies the *Knorr-Bremse* and *Global Tech Appliances* cases. The failure of an infringer to obtain the advice of counsel with respect to any allegedly infringed patent, or the failure of the infringer to present such advice to the court or jury, may not be used to prove that the accused infringer willfully infringed the patent or that the infringer intended to induce infringement of the patent. [*Sec. 17; §298; effective September 16, 2012*].

### **Marking**

The AIA has curbed the recent frenzy of “false marking” lawsuits by providing that the marking of a product with an expired patent number that otherwise did cover that particular product is no longer a basis for a false marking suit. Another limitation is that only those who have suffered a “competitive injury” as a result of the false marking or counterfeit marking may bring suit. [*Sec. 16; 35 USC §§287 & 292; applies to all lawsuits that are commenced on or after September 16, 2011, and applies retroactively to pending lawsuits*].

Another change is that products no longer need to be marked with a particular patent number. Instead, products **may be marked “virtually”** by including the word “patent” or “pat.” and including a URL for a publicly available web page that associates the product with a relevant patent number. Virtual marking is potentially a less burdensome system, but patentees should consider keeping good historical records of modifications to the website or even enlist the service of a third party.

### **Joinder and Non-Practicing Entities**

The AIA limits joinder in a single lawsuit and appears to have the most impact on lawsuits filed by “non-practicing entities” (aka, “patent trolls”), which typically name a large number of defendants. [*Sec. 19; 35 USC §299; applies to lawsuits commenced on or after September 16, 2011*].

Only related parties may be joined together in a common suit. Accused infringers may not be joined in one action as defendants or counterclaim defendants, or have their actions consolidated for

trial, based solely on allegations that they each have infringed the patent(s) in suit. In effect, this section forces a plaintiff to file multiple lawsuits rather than a single lawsuit naming multiple, unrelated defendants.

**Prior Commercial Use Defense**

Previously, the prior commercial use defense was only available for business method claims. The AIA extends this defense to “subject matter consisting of a process, or consisting of a machine, manufacture, or composition of matter used in manufacturing or other commercial process.” [Sec. 5; 35 USC §273; effective for patents issued on or after September 16, 2011].

This prior commercial use defense is not applicable where the subject matter of the patent was developed pursuant to a **federal government funding agreement**, or by a nonprofit institution of higher education or an affiliated technology transfer organization that did not receive private funding in support of that development.

**Best Mode**

The “best mode” invalidity defense has been eliminated, however, the best mode requirement remains in §112. Thus, a patent examiner may still reject an application for failing to disclose the “best mode.” [Sec. 15; 35 USC §282; applies to lawsuits commenced on or after September 16, 2011].

**ATM**

For purposes of litigation, an automated teller machine shall **not** be deemed to be a regular and established place of business for business method patents under the AIA.

**CARLSON, GASKEY & OLDS**

A PROFESSIONAL CORPORATION

400 WEST MAPLE ROAD  
SUITE 350  
BIRMINGHAM, MI 48009

Telephone 248.988.8360  
Facsimile 248.988.8363

David L. Atallah  
Todd W. Barrett  
Stephen A. Burch  
Karin H. Butchko  
John E. Carlson  
Anthony P. Cho  
Benjamin J. Coon  
Lloyd D. Doigan

David J. Gaskey  
William S. Gottschalk  
Matthew L. Koziarz  
Kerrie A. Laba  
Theodore W. Olds, III  
John M. Siragusa

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