



# Top 10 Things You Need to Know About the **Leahy-Smith America Invents Act**

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# Today's Presenters



**Pat Doody** is a partner in the Intellectual Property Section. He focuses on a broad spectrum of intellectual property matters, providing flexibility and creativity in counseling clients. Mr. Doody has extensive experience in due diligence matters and regularly counsels clients in licensing and transactional matters, patent prosecution, patent-related opinions, and patent infringement litigation.

# Leahy-Smith America Invents Act



"There will be heightened uncertainty for the rest of the decade," says Paul Michel, a retired judge of the U.S. Court of Appeals for the Federal Circuit, in evaluating the provisions of the new legislation. "The bill makes fundamental changes, and many sections are poorly written and ambiguous."

# Leahy-Smith America Invents Act ("AIA" or "the Act")

- President signs AIA into law on September 16, 2011 (this is the "date of enactment" in determining effective date of provisions)
- Sweeping change from **FIRST TO INVENT** to **FIRST INVENTOR TO FILE**
- U.S. Patent and U.S./PCT patent application publications have prior art date as foreign filing date (if priority is claimed), and public use or sale, or otherwise available to the public in foreign country is prior art
- Change in *Inter Partes* reexam standard takes effect immediately



# Top 10 Changes in the AIA

1. First Inventor to File Patent System and Derivation Proceedings
2. Post Grant Review Proceedings
3. Inter Partes Review Proceedings
4. Supplemental Examination Proceedings – Reexamination
5. Financial Services Patents and Tax Strategy Patents
6. Pre-Issuance Submission of Prior Art by 3<sup>rd</sup> Parties
7. No Failure to Disclose Best Mode as a Defense to Infringement
8. Prior User Rights
9. False Marking and Virtual Marking
10. Revised Joinder Rule

# 1. First Inventor to File

- Patent awarded to the first inventor to file a patent application on the invention, not the first inventor to invent.
- Effective date is 18 months after enactment of the AIA
- It will be critical to move quickly from disclosure to application filing
- No more *Hilmer* Doctrine – U.S. patent and U.S./PCT patent application publications claiming priority under Section 119 or 365 is now available as prior art as of its foreign filing date (102(a)(2)).
- In public use, or sale, or otherwise available to the public in foreign country are now available as prior art



# 1. First Inventor to File

- Section 102 amended:

- **§102(a)(1)** - Similar to current §102(a), except public use “or otherwise available to the public” constitutes prior art under §102(a)(1), and “in this country” is deleted;

(a) NOVELTY; PRIOR ART.—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; or

- **§102(a)(2)** – Similar to current §102(e) – claimed invention was described in a patent or in a U.S./PCT published application that names another inventor and was effectively filed before the effective filing date – ***includes filing date in foreign countries***

(a) NOVELTY; PRIOR ART.—A person shall be entitled to a patent unless—  
(2) the claimed invention was described in a patent issued under section 151, or in an application for patent published or deemed published under section 122(b), in which the patent or application, as the case may be, names another inventor and was effectively filed before the effective filing date of the claimed invention

# 1. First Inventor to File

- **§102(b) – Exceptions:**

- §102(b)(1) – A disclosure made 1 year or less before the effective filing date of a claimed invention shall not be prior art under §102(a)(1) if:
  - (A) - the disclosure was made by the inventor or joint inventor (or by another who obtained the information from the inventor or joint inventor);
  - (B) – the subject matter had, before such disclosure, been publicly disclosed by the inventor or a joint inventor (or by another who obtained it from the inventor).

(b) EXCEPTIONS.—

- (1) DISCLOSURES MADE 1 YEAR OR LESS BEFORE THE EFFECTIVE FILING DATE OF THE CLAIMED INVENTION.—A disclosure made 1 year or less before the effective filing date of a claimed invention shall not be prior art to the claimed invention under subsection (a)(1) if—
- (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.



# 1. First Inventor to File

- Section 102 amended (Cont'd):
  - §102(b)(2) – A disclosure appearing in applications and patents (not limited to less than one year) shall not be prior art under § 102(a)(2) if:
    - (A) – the subject matter disclosed was obtained directly from the inventor;
    - (B) – the subject matter had been publicly disclosed before the patent or application was effectively filed by the inventor or joint inventor (or another who obtained the information from the 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



**Practice Tip** – Consider filing provisional applications on all Invention Disclosures, and improve internal processes so that Invention Disclosures are more complete.

# 1. First Inventor to File

- Section 102(b)(2)

(2) DISCLOSURES APPEARING IN APPLICATIONS AND PATENTS.—A disclosure shall not be prior art to a claimed invention under subsection (a)(2) if—

(A) the subject matter disclosed was obtained directly or indirectly 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.

# 1. First Inventor to File



- Grace Period applies to “disclosures”
- Are public uses, sales, etc., disclosures?
- **YES**
  - The Grace period exception of §102(b)(1) uses the term “disclosure” and states that such a “disclosure” is not prior art under §102(a)(1) if it satisfies certain conditions.
  - This means anything in §102(a)(1) must be a “disclosure”
  - §102(a)(1) states: “(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.”
  - “Disclosures” must at least include publications, public use, sales, or otherwise available to the public.
- Are private sales or private offers to sell invalidating “disclosures” under the AIA?
- **NO**
  - Legislative history - “otherwise available to the public” modifies the previously-mentioned term “sale” so the sale must be a public sale or a public offer for sale

# 1. First Inventor to File

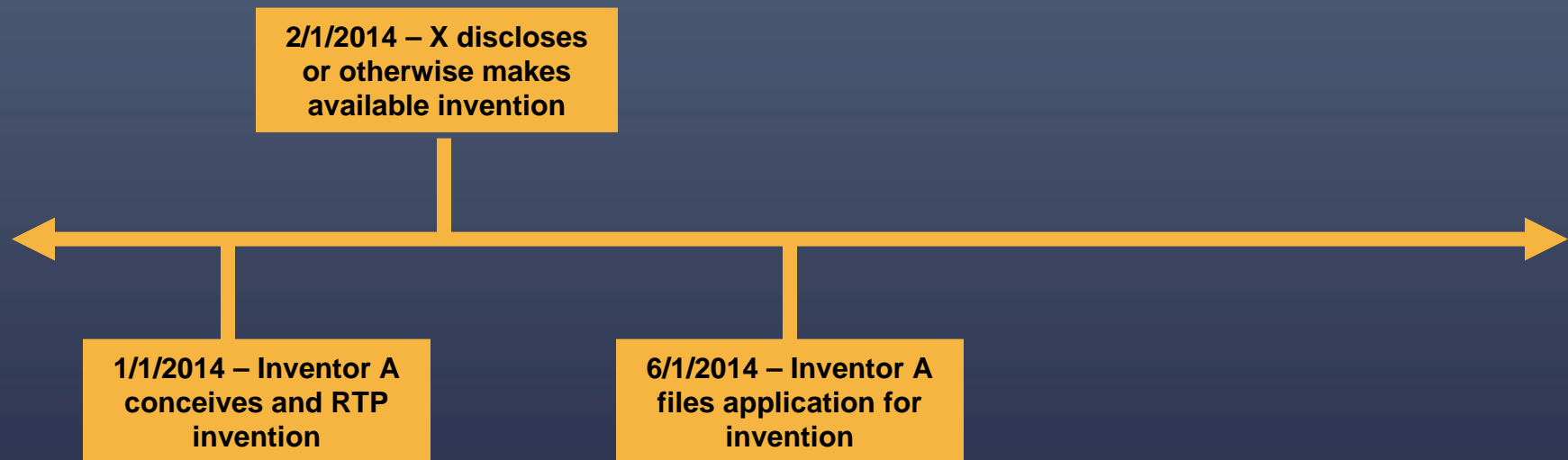
## ■ Change to §103

- Obviousness is determined at the time of filing, not the time of the invention.
- Inconsistency between AIA and European law
  - Prior art available under 102(a)(2) is available as prior art under 103
  - In Europe, intervening art is only available as novelty defeating art.

### **§ 103. Conditions for patentability; nonobvious subject matter**

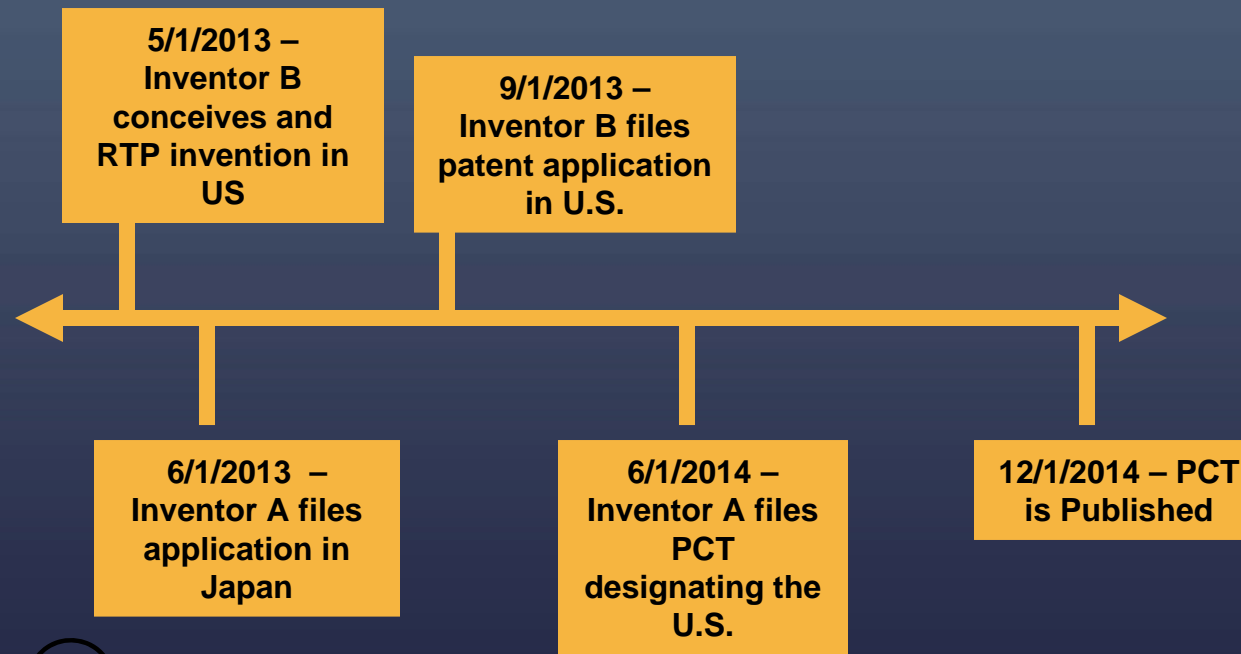
A patent for a claimed invention may not be obtained, notwithstanding that the claimed invention is not identically disclosed as set forth in section 102, if the differences between the claimed invention and the prior art are such that the claimed invention as a whole would have been obvious before the 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.

# Scenario A



Under current law, Inventor A can swear behind the disclosure by X, but under the AIA, inventor A cannot swear behind the disclosure

# Scenario B



**Practice Tip** – Foreign entities may wish to file in foreign country first now instead of filing in US for earlier 102(e) date

Under current law, PCT publication is not prior art to Inventor B's application, but under the AIA, the PCT publication is prior art, its date for prior art purposes is the Japanese filing date, and Inventor B cannot swear behind the disclosure

# Scenario C

**1/1/2014 –  
disclosure by  
inventor A**



**7/1/2014 –  
Inventor A files  
application**

**6/1/2014 –  
disclosure by C  
independently  
from A**



**Neither Disclosure Is Prior Art**  
**Disclosure by Inventor A –  
102(b)(1)(A)**  
**Disclosure by C – 102(b)(1)(B)**

# 1. First Inventor to File Impact on Litigation



- Not immediate, given implementation schedule  
BUT, down the road . . .
- Improved patent quality may reduce litigation
- Expanded prior art available to invalidate obvious patents
- Increased assertion of prior use and sales outside the U.S.
- Cost of verifying prior art decreased and certainty of usefulness increased by fixing the cutoff date at Effective Filing Date
- Legislative history says purpose of many of the changes is to reduce cost of litigation by removing “secret” prior art from the statute.



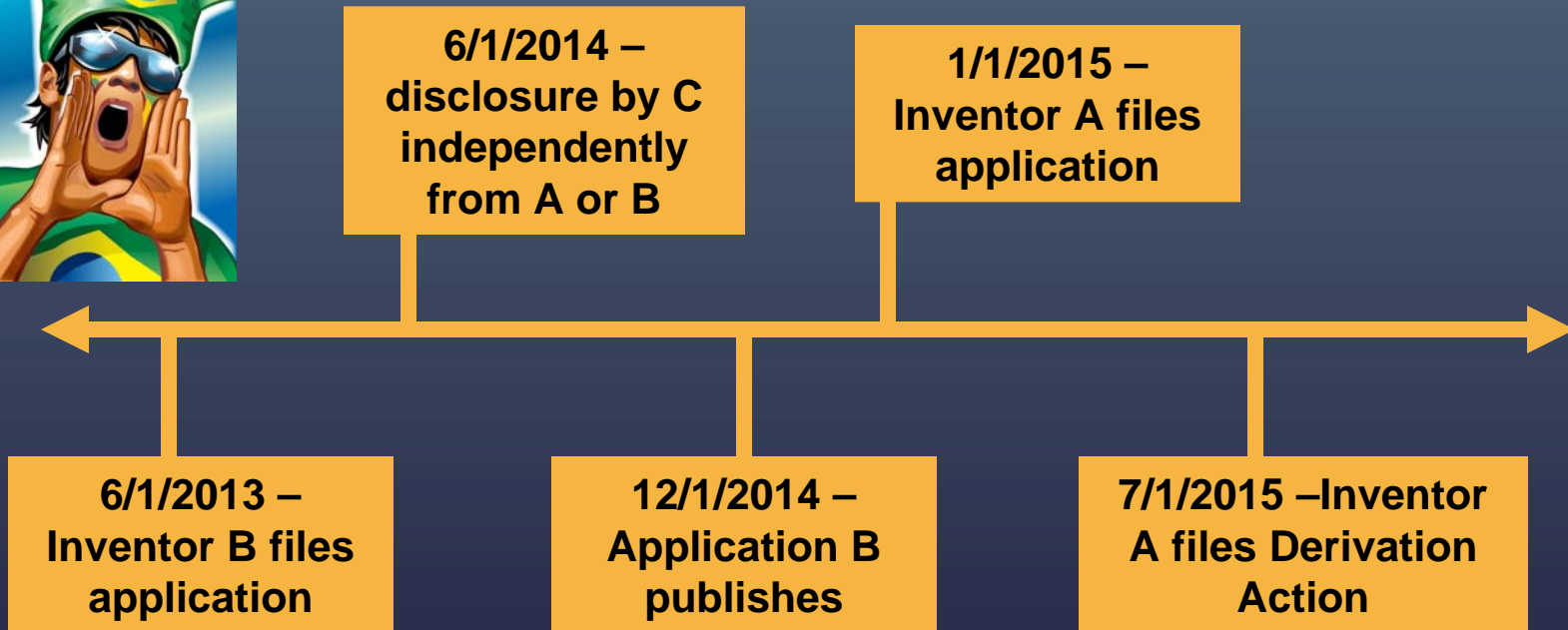
# Derivation Proceedings



- Replaces interferences
- §291 – Derivation proceeding in district court
  - Must be filed within 1 year after the issuance of the 1<sup>st</sup> patent containing a claim to the derived invention
- §135 – Derivation proceeding at the PTO
  - Applicant must file a petition that an inventor in an earlier filed application derived the claimed invention within 1 year after the first publication of a claim to an invention that is the same or substantially the same as the earlier application's claim to the invention.
- **Red Flag** – What constitutes “first publication?” What if claims publish but are later revised to include derived subject matter?
- Parties can settle derivation proceedings and can arbitrate
- Can appeal to District Court for Civil Action 35 USC §146



# Scenario D



Inventor B derived invention from A and Inventor A prevails in Derivation Proceeding. Does disclosure by C, less than 1 year prior to A's application, invalidate claims by A?

# Effective Date

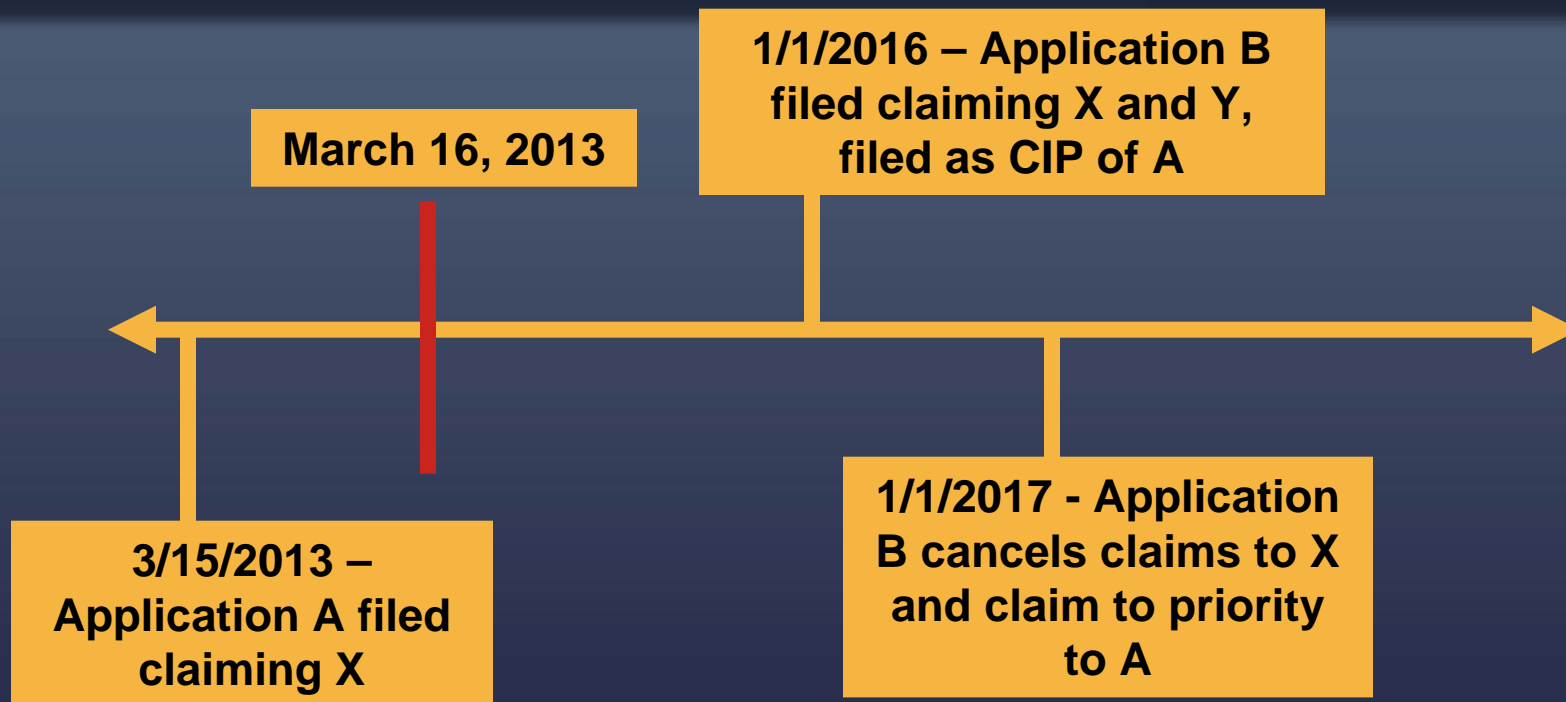
- Section 3(n)(1) of AIA

- First Inventor to File Amendments (e.g., effective filing date, availability of prior art, use and sale in other countries takes effect **March 16, 2013** and applies to application or patent that **contains or contained at any time**
  - (A) a claim having effective filing date as defined in §100(i) **on or after** March 16, 2013; or
  - (B) a reference under §§120, 121, or 365(c) to any application or patent that contains or contained at any time “such a claim”

- Section 3(n)(2) of AIA

- Interference practice (35 U.S.C. §102(g)) still applies to each claim of an application, for which the amendments made by Section 3 also apply, if the application or patent containing that claim **contains or contained at any time**
  - (A) a claim having effective filing date as defined in §100(i) **BEFORE** March 16, 2013; or
  - (B) a reference under §§120, 121, or 365(c) to any application or patent that contains or contained at any time “such a claim”

# Scenario E



First Inventor to File provisions of Section 3 of AIA apply to Application B – Section 3(n)(1), but Application B claims to Y still may benefit from Interference practice – Section 3(n)(2).

# Post Grant Proceedings



## 2. Post Grant Review

- Similar to opposition proceedings in other countries
- Can be filed by anyone who is not the owner of the patent
- File petition not later than 9 months after grant of patent
- Request to cancel as unpatentable 1 or more claims
  - On any ground that could be raised under §282, ¶¶ 2 or 3 relating to invalidity
  - §282, ¶ 2 permits raising a challenge of invalidity on any ground specified in Part II as a condition for patentability
    - Part II – Covers §§ 101, 102, 103, 104 and 105
  - §282, ¶ 3 permits raising a challenge of invalidity for failure to comply with §§ 112 and 251.
    - §282, paragraph (3) is amended to remove best mode as an invalidity defense, even though it appears to still be required under §112, ¶ 1.
- Much broader in scope than reexaminations

## 2. Post Grant Review

- Estoppel
  - Before the PTO – Cannot request or maintain another proceeding before the PTO with respect to a claim on any ground that the petitioner raised **or reasonably could have raised** during post grant review of a claim that resulted in a final written decision by the Board
  - In Civil Actions – May not assert in civil litigation or before the ITC that a claim is invalid on any ground that was raised **or reasonably could have been raised** during post grant review of that claim
- Appeal only to the Federal Circuit
- U.S. PTO Director has one year to issue regulations
- Post grant review may not be instituted if, before the date petition is filed, the petitioner or real party in interest filed a civil action challenging validity
  - Counterclaim of invalidity does not count as “civil action challenging validity”
- Automatic stay of civil action if petitioner filed civil action (DJ) on or after date petitioner files for post grant review, until certain conditions are met.

## 2. Post Grant Review Impact on Litigation



- Improved patent quality may reduce litigation
- May offer a faster and less costly way to challenge patents
- May replace current re-exam/stay option
  - Broader scope of prior art available than under current practice
- Can be filed by anyone not the owner of the patent

BUT . . .

- Requires added diligence in monitoring new patent issuances
- Best additional prior art often product of fact discovery in litigation
- Estoppel provisions may limit use



# 3. Inter Partes Review

- Replaces Inter Partes Reexamination
  - Limited to prior art consisting of patents and printed publications
  - Must file after the later of (a) 9 months after issuance of patent or reissue patent (if claims are not substantially the same as original patent); or (b) date of termination of post grant review (if any)
  - Must file less than 1 year after being served with a complaint for infringement
- Must File Petition
- Institution of Inter Partes Review
  - Director may institute Inter Partes Review if **there is a reasonable likelihood that the petitioner would prevail with respect to at least one of the claims challenged in the petition.**
  - May have limited discovery – determined by Director by regulation
- No Inter Partes Review
  - if petitioner has filed a civil action challenging validity before the date the petition is filed, or
  - if petition is filed more than 1 year after petitioner, or real party in interest, is served with complaint alleging patent infringement
- If civil action filed by petitioner (DJ) on or after petition, automatic stay unless or until certain conditions are met.

### 3. Inter Partes Review

- Estoppel
  - Before the PTO – Cannot request or maintain another proceeding before the PTO with respect to a claim on any ground that the petitioner raised **or reasonably could have raised** during inter partes review of a claim that resulted in a final written decision by the Board
  - In Civil Actions – May not assert in civil litigation or before the ITC that a claim is invalid on any ground that was raised **or reasonably could have been raised** during inter partes review of that claim
- Must prove by preponderance of evidence
- **Final decision appealable only to Federal Circuit**
- New standard for instituting Inter Partes Reexamination is effective **IMMEDIATELY** – Other provisions are effective in 1 year.

### 3. Inter Partes Review Impact on Litigation



- Expect minimal impact on litigation compared to present system
- Automatic stay provision promotes certainty, may lead to increased use

BUT

- Must be filed within one year after being served with complaint for patent infringement
- As under current law, estoppel effects may limit use

## 4. Supplemental Examination

- Request for Supplemental Examination
  - Patent owner requests supplemental examination to “***consider, reconsider, or correct information believed to be relevant to the patent.***”
  - U.S. PTO Director has 3 months to conduct supplemental examination and conclude examination by issuing a certificate indicating whether the information presented raises ***a substantial new question of patentability.***
- If Certificate indicates a substantial new question of patentability is raised by one or more items, the Director shall order reexamination, which shall proceed according to chapter 30
- A patent will not be held unenforceable for information that had not been considered or was incorrect in a prior examination if it was corrected in supplemental examination (with two exceptions)

## 4. Supplemental Examination

- Two exceptions to no unenforceability finding:
  - Does not apply to allegations pled with particularity in a civil action, or set forth with particularity in a notice received by the patent owner under section 505(j)(2)(B)(iv)(II) (Paragraph IV certification under ANDA) before the date of a supplemental examination
  - In a 337(a) action in the ITC or in a patent infringement action in District Court under §281 of the Patent Act, unless the supplemental examination or reexamination is concluded before the date on which the action is brought.



**Practice Tip** – Avoid disclosing prior art that you believe may invalidate a patent claim, or consider disclosing it only if patentee agrees not to file request for supplemental examination based on that art.

## 4. Supplemental Examination Impact on Litigation



- Continues the Federal Circuit trend, e.g., *Therasense*, toward limiting claims of inequitable conduct

BUT . . .

- §257(e) precludes SE or terminates SE when the Director determines there was fraud on the PTO
- §257(f) provides that the Director may investigate and impose sanctions for misconduct in the application process

## 5. Financial Services and Tax Strategy Patents

- Transitional post grant review procedure for “Covered Business Method Patents”
  - A “covered business method patent” relates to ***Financial Products or Services*** but not those concerned with a “technological” invention
  - The U.S. PTO Director will issue regulations for determining whether a patent is for a technological invention.
  - A person or entity can file a petition for a transitional proceeding only if sued for infringement or charged with infringement.
  - Effective date is one year from the date of enactment of the AIA, and sunsets 10 years from the effective date of the transitional program.

## 5. Financial Services and Tax Strategy Patents

- Request for stay of civil litigation involving “Covered Business Method Patent”
  - A party may seek a stay of a civil action alleging infringement pending the outcome of the transitional proceeding, and the court shall decide whether to enter the stay based on four factors.
  - Immediate interlocutory appeal to the Federal Circuit of a district court’s decision on the stay, and review by Federal Circuit *may be de novo*.
- No Tax Strategy Patents -

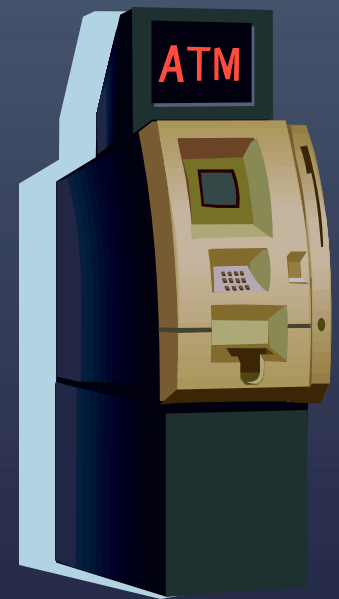
Any strategy for reducing, avoiding or deferring tax liability, shall be insufficient to differentiate claim from prior art





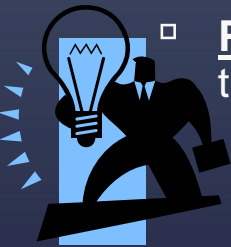
## 5. Financial Services Impact on Litigation

- Financial Services provision clearly aimed at DataTreasury
- Because evidentiary standard is lower at PTO, expect banks and financial institutions to opt for administrative proceeding
- Applies to all cases existing or filed after effective date (within 1 year of AIA)
- Venue – An ATM machine shall not be deemed to be a regular and established place of business for purposes of 28 U.S.C. §1400(b), for financial services business method patents



## 6. 3<sup>rd</sup> Party Submission of Prior Art

- §122 is amended to include a new section:
  - Any 3<sup>rd</sup> party can submit in the record of a published patent application prior art if the submission is made in writing before the earlier of -
    - Notice of Allowance or
    - The later of
      - 6 months after publication; or
      - the date of first rejection
  - **Practice Tip** - Expedited prosecution – may be completed prior to the events above thus precluding 3<sup>rd</sup> party submission
    - AIA Section 25 – Prioritization of examination, at the request of applicant, for examination of “products, processes, or technologies **that are important to the national economy or national competitiveness**”
  - 3<sup>rd</sup> party submission must contain a concise description of the relevance, the fee, and a statement by the person submitting the documents that the submission is made in compliance with this section.
  - Effective date is one year after enactment of the AIA.



## 7. Best Mode

- Failure to comply with §112's best mode requirement is no longer a defense in any action involving the validity or infringement of a patent.
- Best mode remains a requirement for patentability under §112, ¶1.
- Best mode is no longer a requirement for priority claims under §§119(e)(1) and 120.

BUT . . .

- What happens if an alleged infringer discovers during litigation that an inventor failed to disclose the best mode?
  - Pursue fraud claims at PTO?
  - Report to Attorney General for violation of 18 USC §1001
  - Legislative history makes clear that Congress intended to keep best mode as a requirement, but remove ability to invalidate or find ~~unenforceable patent for violation of that requirement.~~

## 8. Prior User Rights

- §273 – Defense to infringement based on earlier use in the U.S.
  - Expands scope to include all subject matter, not just methods of doing or conducting business.
- Defense is personal
  - Defense can only be asserted by the person who performed the acts necessary to establish the defense.
    - But same exhaustion rules apply to sale or disposition by asserting party as would apply to sale or disposition by patent owner
  - Right to assert the defense cannot be licensed or assigned or transferred, except as part of a transfer of the entire enterprise or line of business to which the defense relates.

## 8. Prior User Rights

- Defense is not available in certain cases:
  - A person may not assert the defense under this section if the subject matter of the patent on which the defense was made by an institution of higher education, or a technology transfer organization affiliated with such an institution, that did not receive funding from a private business enterprise in support of that development.
- Unreasonable assertion of defense has severe consequences
  - Court shall find the case exceptional under §285

## 9. False and Virtual Marking

- §292 - False Marking
  - Only parties with standing to sue are U.S. Government and person who has suffered a competitive injury
    - No Qui Tam lawsuits—only government can seek per article fine
    - Competitor can seek compensatory damages
  - Marking with expired patent number covering product not a violation.
  - Applies “to any case that is pending on, or commenced on or after, the date of the enactment of this Act.”

## 9. False and Virtual Marking



- §287 - Virtual Marking
  - Moves manner of marking into internet age
  - Constructive notice of patent can be made by marking “patented” on the article, together with an address of a posting on the Internet that associates the patented article with the number of the patent
  - Applies “to any case that is pending on, or commenced on or after, the date of the enactment of this Act.”
- Impact on Litigation
  - Will essentially eliminate false marking suits, pending and future



**Practice Tip** - re-examine your patent marking program ASAP. Marking should be easier, less expensive and easily changed as new patents issue or are acquired.

# 10. New Joinder Rule

- Previously subject to FRCP Rule 18
- §299 added, limits joinder of parties as defendants in one action to only those involved in making, using, importing or selling the same accused product, with questions of fact common to all defendants
- The same limits apply to cases consolidated for trial
- Parties may not be joined based solely on allegations that each has infringed the patent(s) in suit
- Effective as of the date the AIA was signed – September 16, 2011

Case 2:06-cv-00072-DF-CMC Document 1 Filed 02/24/2006 Page 1 of 27

UNITED STATES DISTRICT COURT FOR THE  
EASTERN DISTRICT OF TEXAS  
MARSHALL DIVISION

DATA TREASURY CORPORATION  
PLAINTIFF

vs.

WELLS FARGO & COMPANY; WELLS  
FARGO BANK, NATIONAL  
ASSOCIATION; BANK OF AMERICA  
CORPORATION; BANK OF AMERICA  
NATIONAL ASSOCIATION; U.S.  
BANCORP; U.S. BANK, NATIONAL  
ASSOCIATION; WACHOVIA  
CORPORATION; WACHOVIA BANK,  
NATIONAL ASSOCIATION; SUNTRUST  
BANKS, INC.; SUNTRUST BANK; BB&T  
CORPORATION; BRANCH BANKING  
AND TRUST COMPANY;  
BANCORPSOUTH, INC.;  
BANCORPSOUTH BANK; COMPASS  
BANCSHARES, INC.; COMPASS BANK;  
CULLEN/FROST BANKERS, INC.; THE  
FROST NATIONAL BANK; FIRST  
HORIZON NATIONAL CORPORATION;  
FIRST TENNESSEE BANK, NATIONAL  
ASSOCIATION; HSBC NORTH  
AMERICA HOLDINGS INC.; HSBC  
BANK USA, N.A.; HARRIS BANKCORP.  
INC.; HARRIS N.A.; NATIONAL CITY  
CORPORATION; NATIONAL CITY  
BANK; ZIONS BANCORPORATION;  
ZIONS FIRST NATIONAL BANK;  
BANK OF NEW YORK CO., INC.;  
THE BANK OF NEW YORK;  
UNIONBANCAL CORPORATION;  
UNION BANK OF CALIFORNIA,  
NATIONAL ASSOCIATION; BANK OF  
TOKYO-MITSUBISHI UFI, LTD.;  
CITIZENS FINANCIAL GROUP, INC.  
CITY NATIONAL CORPORATION;  
CITY NATIONAL BANK; COMERICA  
INCORPORATED; COMERICA BANK  
& TRUST, NATIONAL ASSOCIATION;

Civil Action No. 2-06-CV-72DF

JURY TRIAL DEMANDED



# 10. New Joinder Rule

- Immediate and long-term effects on litigation
  - Led to the highest number of patent cases filed on a single day on September 15, 2011
  - Will typically limit joinder to those parties in the chain of commerce, ending N.P.E. practice of naming double digit unrelated defendants
  - Precludes plaintiff from defending against transfer on grounds that no convenient forum exists with respect to all defendants
  - May decrease overall number of defendants, although number of suits may increase
  - Does not preclude consolidation of cases for non-trial purposes
    - Expect to see cases consolidated for *Markman* and maybe discovery, as Katz cases
- On the flip side, defendants may lose some advantages of joint defense

# Other Notable Provisions

- New §298 - codification of case law re Willfulness and Inducement
  - “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.”
- Study of patent litigation within 1 year, including costs and impacts of litigation and the benefit of N.P.E.’s and P.A.E.’s, if any, to commerce

# What **Didn't** Make It Into the AIA

- Establishing a “gatekeeper” role for the trial court on damages theories
- Limiting damages based on the specific contribution of the claimed invention over the prior art
- Restricting venue in patent cases, i.e., limiting access to the E.D. Texas
- Adding statutory requirements for pleading willfulness
- Interlocutory appeal of *Markman* rulings



BUT . . .

- Federal Circuit has largely filled the void with respect to damages and pleadings and, to lesser extent, venue



# Questions?

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