



# America Invents Act Brings Forth Major Changes to U.S. Patent Law

by Michael J. Cronin

On September 16, 2011, President Obama signed the Leahy-Smith America Invents Act (AIA) into law, just days after the U.S. Patent and Trademark Office (USPTO) issued its 8 millionth patent. The AIA represents the biggest change to the U.S. patent system since the 1950s and affects multiple provisions of U.S. patent law. Below is a summary of several key provisions of the AIA.

## First-to-File (effective March 16, 2013)

The AIA transitions the United States from a “first-to-invent” to a “first-to-file” patent system. Any third-party prior art available before the effective filing date of the patent application can be used by a patent examiner to reject the application. However, the first-to-file provision maintains the one-year grace period for disclosures by the inventor or disclosures that were derived from the inventor.

Currently, the U.S. patent system is based on a unique first-to-invent doctrine, which means that the inventor who first conceived of the invention is considered the first inventor and is entitled to patent protection. Other countries, almost exclusively, have patent systems based on the first-to-file doctrine, in which the patent is granted to the inventor who is the first to file a patent application, regardless of the date of invention.

The first-to-file provision of the AIA attempts to harmonize U.S. patent law with the rest of the world. Much of the criticism directed toward the AIA originates from the first-to-file provision. Opponents of the first-to-file system

argue it places independent inventors and small corporations at a disadvantage and favors large corporations with the financial means and know-how to race to the patent office.

While the above arguments may have merit, individuals interested in international patent protection are accustomed to working under a first-to-file system. The new provision simply provides a unified system. In addition, Mr. David Kappos, Director of the USPTO, testified before the House of Representatives that from the 3 million patent applications filed in the past seven years, only 25 patents were granted to small entities that were the second inventor to file but the first to invent. Only one patent of those 25 was granted to an individual inventor. Thus, according to Mr. Kappos, in the last seven years, only one independent inventor in nearly 3 million patent filings would have received a different outcome under the first-to-file system.

## Post-Grant Review Proceedings (effective September 16, 2012)

For an in depth analysis of post grant proceedings, please see the accompanying article by Alisha K. Bull on Page 2.

## Prior Use Defense (effective September 16, 2011)

Under the old U.S. Patent Law, 35 U.S.C. § 273 set forth a limited “prior user rights” as a defense to patent infringement. The prior user rights applied only to methods of doing or conducting business.

Under the AIA, prior user rights can be a defense to an allegation of infringement based on prior commercial use of any subject matter

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# America Invents Act's Post-Issuance Procedures

by Alisha K. Bull

The AIA has created a handful of post-issuance procedures to resolve challenges to patentability. Prior to the AIA, a third-party challenger could challenge the validity of a patent by filing a request for reexamination at the USPTO. However, a challenge to validity under the reexamination process is limited to prior art of printed publications and patents (i.e., invalidity cannot be based on an inadequate written description, inequitable conduct, failure to disclose best mode, etc.). In the event a patent owner threatened the third-party challenger with potential litigation, the third-party challenger could initiate a lawsuit in a federal court. The option of filing a lawsuit is expensive, time-consuming, and risky. In addition, this option is only triggered by certain actions of the patent owner.

In response to the limitations of the current options, Congress created in the AIA four new post-issuance proceedings under the jurisdiction of the USPTO: supplemental examination, post-grant review, inter partes review and a derivation proceeding. In addition, Congress created an entirely new administrative body in the USPTO—the Patent Trial and Appeal Board (PTAB)—for determining issues of patentability on issued patents. Under 35 U.S.C. § 134, the PTAB will replace the Board of Patent Appeals and Interferences one year from enactment of the AIA, thus September 16, 2012. The PTAB will be the forum for the derivation proceedings, post-grant review, and inter partes review. A final decision in a derivation proceeding may be appealed to the U.S. Court of Appeals for the Federal Circuit (Federal Circuit). A final

decision from a post-grant review, inter partes review, and reexamination may be appealed only to the Federal Circuit.

## Supplemental Examination (effective September 16, 2012)

Supplemental examination provides a patent owner an opportunity to submit art that was not previously considered by the patent examiner at the USPTO. Prior to the AIA, a patent owner who came across prior art that was not submitted to the USPTO had one option to correct the error: submit the patent for reexamination.

Under 35 U.S.C. § 257, a patent owner may file a request for supplemental examination from which date the USPTO has three months to issue a certificate indicating whether the new art presents a substantial new question of patentability (SNQ). If the USPTO finds an SNQ, it will order a reexamination of the patent.

If the USPTO finds no SNQ, then the art becomes of record. Supplemental examination provides patent owners with a way to clear the record with respect to potential claims of inequitable conduct. Importantly, a patent shall not be held unenforceable on the basis of the information submitted with the request for supplemental examination. This is true whether the lack of disclosure was intentional or merely oversight. However, if the director of the USPTO finds material fraud, he or she, at his or her discretion, can initiate criminal proceedings.

## Post-Grant Review (effective September 16, 2012)

The post-grant review (PGR) process provides a third-party challenger an option to invalidate a patent by filing a petition for a PGR within nine months

of the grant date or reissuance of the challenged patent. The petition may be based on many grounds of invalidity (e.g., prior art, inadequate written description, lack of enablement, prior use, etc.). After the petition is filed, the patent owner has an opportunity to submit a preliminary response to present arguments why the PGR should not be granted, to which the petitioner has the opportunity to respond. The USPTO will grant a PGR if the petitioner can demonstrate that “it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.” 35 U.S.C. § 324.

A petitioner that challenges the validity of a patent by filing a civil action in a federal court cannot subsequently file for a PGR. However, a petitioner who is sued in court and then counterclaims with a challenge of patentability is not precluded from subsequently filing a PGR. If a PGR is filed, the civil action will be stayed, i.e., stopped, until the PGR concludes. After the PTAB issues a final decision, the petitioner is estopped from challenging the patentability in the USPTO or federal court on any ground raised or could have been raised in the PGR.

## Transitional Post-Grant Review for Business Method and Software Patents

The AIA provides specific provisions for the PGR of business method patents called a transitional post-grant review (TPGR). A person may not file a petition for a TPRG unless the person has been sued for infringement of a business method patent. The TPGR provides an eight-year window from September 16, 2011, which can be extended by Congress, for a defendant to file a TPGR once sued for infringement. The TPRG proceeding can be used as a

ground to stay a civil action, and TPRG petitioners of this proceeding are only prevented from raising, at trial, issues that were actually raised in the TPRG proceeding (rather than all issues that “could have been raised”). This special carve out allows defendants the advantage of challenging the patentability of business method patents under the broad standards of the PGR by presenting almost any ground of invalidity, in contrast to the more narrow standards of review associated with inter partes review.

**Inter Partes Review (effective September 16, 2012)**

In 35 USC 311, the AIA phases out the current inter partes reexamination procedure and replaces it with a new inter partes review procedure. A third-party challenger may file a petition for inter partes review at any time after the later of (1) nine months after the grant of the patent or reissuance of the patent, or

***Congress created an entirely new administrative body in the USPTO—the Patent Trial and Appeal Board (PTAB)—for determining issues of patentability on issued patents.***

(2) after the termination of any PGR. As with inter partes reexamination, an inter partes review challenging the validity of a patent must be based on prior art patents or printed publications. The standard for granting an inter partes review is whether there is a reasonable likelihood that the petitioner would prevail with respect to at least one challenged claim. This new standard is applicable to any inter partes reexamination proceedings filed after September 16, 2011.

Similar to PGR, inter partes review allows the patent owner to submit a response to the USPTO arguing against grant of review by the third party. If the patent owner submits arguments against the grant of an inter partes review, the petitioner has an opportunity to respond. The inter partes review also has the same estoppel ramifications as described above with respect to the PGR.

The new thresholds presented in the AIA for both the PGR and inter partes review are substantially different than the current threshold for both inter partes reexamination and ex partes reexamination, which require a substantial new question of patentability. The new thresholds requiring a showing that the petitioner would “more likely than not” prevail for PGR and “a reasonable likelihood of success” for inter partes review is a higher standard for a petitioner to meet. The higher threshold for the new procedures should reduce the number of

challenges to patentability to those challenges having a viable case for success.

In conclusion, the AIA presents new post-issuance procedures, which create more venues to resolve issues surrounding patent validity. The AIA created options for patent holders and patent challengers. The option best suited for one situation could be the worst option for a separate and distinct situation. Patent challengers will need to carefully consider the potential rewards of the new PGR and inter partes review against the costs of litigation in federal district courts and potential estoppel.

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	<b>Supplemental Examination</b>	<b>Post-Grant Review</b>	<b>Inter Partes Review</b>
<b>Who Can Initiate</b>	Patent Owner	Third-Party Challenger	Third-Party Challenger
<b>Timing to File Request</b>	Anytime after issuance of the patent.	Within nine months from the grant date.	The later of nine months after the grant of the patent or termination of PGR.
<b>Threshold</b>	A substantial new question of patentability requires a reexamination.	If it is more likely than not that at least one of the claims challenged in the petition is unpatentable.	Whether there is a reasonable likelihood that the petitioner would prevail with respect to at least one challenged claim.
<b>Basis of the Petition</b>	Any information relevant to patentability.	Patents and publications.	Almost any ground for invalidity (patents, publications, prior use, offers for sale, etc.).
<b>Ramifications</b>	The patent may not be held unenforceable based on the submitted information accompanying the petition in a subsequent civil action.	After a final decision, the petitioner is estopped from challenging the patentability in the USPTO or district court on any ground raised or could have been raised in the PGR.	After a final decision, the petitioner is estopped from challenging the patentability in the USPTO or district court on any ground raised or could have been raised in the inter partes review.

in any technical field. Two parameters need to be satisfied to establish prior user rights: (1) reduction to practice and commercial use, and (2) the commercial use occurs at least one year before the effective filing date of the claimed invention. The new prior user rights applies to any patent issued on or after September 16, 2011.

### **False Marking Claims (effective September 16, 2011)**

Falsely marking a product with a patent number will still be an actionable offense under amended 35 U.S.C. § 292. However, instead of “any person” being able to sue for the \$500 per offense penalty, now only the U.S. government or a party proving a competitive injury will be able to bring suit. The new law also provides that marking with an expired patent is not a violation of the statute. This change applies to any case pending on or after the date of enactment.

### **USPTO Funding and Fees**

A major issue with the patent process is the delay between filing a patent application and receiving a final determination on the merits. Increased funding to the USPTO would allow additional patent examiners

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to be hired, which, in theory, should increase the speed of the patent process.

One contested provisions between the House of Representatives and the Senate was related to diversion of fees received by the USPTO. While the provision prohibiting fee diversion was removed by the House, several significant funding provisions remain in the AIA and include:

- providing the director of the USPTO with fee and service setting authority;
- establishing a program of prioritized examination, wherein for a fee of \$4,800 (\$2,400 for small entities) an applicant can file a request and have their application essentially moved to the head of the line (effective September 26, 2011);
- a new 15% surcharge to certain fees (effective September 26, 2011); and

- providing micro-entities with a 75% reduction in fees.

Like almost any act of Congress, there are proponents and critics of the AIA. As discussed above, the effects of the change to the first-to-file system has been heavily debated. While certain data indicate that the first-to-file system should have minimal impact on the patent system, only time will reveal all the positive and negative consequences.

In fact, the internal workings of many of these new procedures have yet to be finalized. For instance, the procedures for post-grant review have not yet been established, and the USPTO has until September 16, 2012 to set forth these rules. Post-grant review significantly expands the ground by which a patent can be challenged. However, without the specific rules on how to bring these challenges, it is difficult to speculate on how successful the post-grant review process will be.

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