

America Invents Act of 2011: Analysis and Cross-References

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December 5, 2011

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§ 1 Introduction

In September 2011, Congress enacted, and President Obama signed into law, a bill entitled the "Leahy-Smith America Invents Act" (AIA 2011)."¹

This is an analysis of the changes in the Patent Act made by the AIA and their impact, together with cross references to discussions of the affected subject area in the CHISUM ON PATENTS treatise.

§ 2 Overview, Organization and Citation

The Act makes numerous changes to the patent statutes, which are codified in title 35 of the United States Code.

The changes are significant, but they do not alter the most significant (and most frequently litigated) substantive aspects of patent law. For example, essentially unaltered are (1) the standards of novelty and nonobviousness in relation to the prior art (though the Act will, prospectively, alter the definition of prior art), (2) the enablement and written description requirements, (3) patent eligible subject matter,² (4) claim interpretation, (5) remedies for infringement, and (6) direct and indirect infringement (active inducement and contributory infringement).

The AIA makes some changes in patentability. In § 3, it alters Section 102 by eliminating invention dates and the geographical limitation of nondocumentary events to those occurring in the United States. It eliminates extraneous additions to Section 103 on obviousness. In § 15, it dilutes the best mode disclosure requirement by precluding its use as an invalidity defense and by eliminating it as a requirement for priority benefit of prior applications.

In § 5, the AIA alters infringement liability by adding a limited prior user defense.

The AIA also revises and adds procedures at the PTO. In § 4, it authorizes assignees to file applications. In § 6 and § 8, it provides expanded procedures for third party input into PTO review of patentability, including (1) "inter partes

¹Leahy–Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011).

²The Act does have provisions (1) restricting patents on "tax strategies," see AIA ANALYSIS § 14, (2) imposing a "transitional program" for PTO review of business method patents concerning financial products and services, *id.* at § 18, and (3) prohibiting patents claiming human organisms, *id.* at § 33.

review" as an amended form of inter partes reexamination, (2) post-grant review during a nine-month window after patents issue, (3) citation to the PTO of patent owner statements on claim scope and (4) preissuance submissions of prior art with descriptions of asserted relevance. In § 12, it allows patent owners to request supplemental examination, which may cure potential unenforceability of a patent on inequitable conduct grounds.

On litigation, in § 16, the AIA eliminates false marking "qui tam" lawsuits. In § 19, it restores Federal Circuit appellate jurisdiction over cases in which a patent claim is raised as a compulsory counterclaim. It also restricts joinder of multiple accused infringers in infringement suits.

Of particular importance for all the changes is the effective date of the changes. The dates vary. Some of the most important changes are effective only after a period of a year or 18 months and apply only to applications filed (or patents issued) after those dates.

For convenience, this Analysis will be cited internally and in the treatise as CHISUM, AIA ANALYSIS § _____. In general, the Analysis follows the order of the sections in the AIA beginning with Section 3 on "First inventor to file." Thus, for example, the AIA's Section 3 will be covered in AIA ANALYSIS § 3.0, and its Section 8 will be covered in AIA ANALYSIS § 8.0.

The sections of the AIA must be carefully distinguished from sections of the Patent Act (Title 35), which the AIA amends. The 2011 Act, officially citable as Pub. L. No. 112-29, 125 Stat. 284, will be cited by the section of the enacted bill, using the abbreviation "AIA 2011" for "America Invents Act." Thus, for example, the amendment to the fundamental provision on novelty and loss of right, 35 U.S. 102, is: AIA 2011 § 3(b)(1) (amending 35 U.S.C. § 102). At times, amended sections of Title 35 will be cited only with the section number (e.g., § 328).

Discussions of the AIA's provisions in the legislative history, particularly in the House Committee Report, will be noted when relevant. H.R. Rep. No. 112-98, 112th Cong., 1st Sess. (June 1, 2011). However, as noted below, AIA ANALYSIS § 3.3.1.3, judges vary in their views of the weight to be given "legislative history" in interpreting disputed statutory language.

§ 3 First Inventor to File

A salient feature of the 2011 Act is its Section 3, entitled "First inventor to file."

Section 3 alters the "first to invent" priority principle, which has been a

feature of the United States patent system since the earliest statutes in the 1790 and 1793 Acts. This history is traced in CHISUM ON PATENTS § 10.01.

The 2011 Act retains a "grace period" of one year for inventor pre-filing date disclosures. The history of the one-year "statutory bar" rule is traced in CHISUM ON PATENTS § 6.03[1].

3.1 Effective Date; Two Patent Laws for Decades? The 2011 Act makes the change to "first to file" strictly prospective. The trigger date is 18 months after enactment. Enactment was on September 16, 2011, making the trigger date March 16, 2013. The changes on first-to-file do not apply to patent claims that rely on filing dates before the trigger date (March 16, 2013). The text of the effective date provision (Section 3(n)) is set forth in Appendix A.

This prospectiveness means that the change had little immediate impact on either patent prosecution or litigation. It also means that there will be two patent laws in effect for decades because patents obtained on applications filed before the trigger date will continue to be governed by the prior statutes (Sections 102 and 103) and the case law interpreting them.

3.2 "Sense of Congress"; Justifying Conversion to First-to-File; Certainty; Harmonization; Grace Period Difference. The AIA contains two "Sense of Congress" resolutions, which purport to justify the conversion from a "first inventor" to a "first inventor to file" priority system in the face of the Constitution's enabling provision for the patent system, which refers to securing exclusive rights to "inventors."³

First, Section 3(o) recites a "Sense of Congress" on providing inventors with "greater certainty regarding the scope of protection provided by the grant of exclusive rights to their discoveries."⁴

³Article I, Section 8 of the United States Constitution lists the powers of Congress. The eighth power is: "To promote the Progress of Science and useful Arts, by *securing for* limited Times to Authors and *Inventors* the *exclusive Right* to their respective Writings and Discoveries." U.S. Const., Art. I, § 8. (Emphasis added.)

⁴"It is the sense of the Congress that converting the United States patent system from 'first to invent' to a system of 'first inventor to file' will promote the progress of science and the useful arts by securing for limited times to inventors the exclusive rights to their discoveries and provide inventors with greater certainty regarding the scope of protection provided by the grant of exclusive rights to their discoveries." AIA 2011 § 3(o).

Second, Section 3(p) recites a "Sense of Congress" on harmonization.⁵ Patent systems in virtually every country other than the United States, including all nations belonging to the European Patent Convention, have a first-to-file priority principle and an absolute novelty provision.

Abandoning the first to invent priority principle does bring United States patent law closer to international harmonization. However, a problem with the wishful thought on international harmonization is that the Act retains a form of pre-filing "grace period" for an inventor's disclosure, which may or may not be desirable in policy terms but is distinctly out of harmony with the absolute novelty (i.e., no grace period) that prevails in the European patent system.

3.3 New Section 102 on Novelty. The Act's Section 3(b) supplants the existing Section 102 on novelty. The two provisions are set forth, side-by-side, in Appendix B.

Under the new and old law, Section 102 is important not only in defining novelty-defeating events but also in delineating what constitutes "prior art" for applying the "obviousness" condition of patentability. See CHISUM ON PATENTS § 5.03[3]. As noted below, the Act retains in Section 103 on obviousness a reference to Section 102. § AIA ANALYSIS § 3.4.

3.3.1 Retained Concepts. New Section 102 is significantly different from old Section 102, but certain key concepts are retained and presumably will be governed by the large body of interpretative case law.

3.3.1.1 "Patented." The Act retains "patented" even though this is rarely applied as a source of prior art.

Any thing "patented" in the United States or abroad will likely also be available as a publication. See CHISUM ON PATENTS § 3.06.

3.3.1.2 "Described in a Printed Publication." The Act retains "described in a printed publication."

⁵"It is the sense of the Congress that converting the United States patent system from 'first to invent' to a system of 'first inventor to file' will improve the United States patent system and promote harmonization of the United States patent system with the patent systems commonly used in nearly all other countries throughout the world with whom the United States conducts trade and thereby promote greater international uniformity and certainty in the procedures used for securing the exclusive rights of inventors to their discoveries." AIA 2011 § 3(p).

Case law defines this phrase in terms of a document being accessible to the public, but decisions draw fine lines in determining what constitutes accessibility. CHISUM ON PATENTS § 3.04[2]. The document must contain an enabling disclosure. CHISUM ON PATENTS § 3.04[1].

Retention of the archaic "printed" requirement is peculiar. CHISUM ON PATENTS § 3.04[3]. Presumably, it was done to confirm that Congress intended no change in this long-established category of prior art.

As noted below, new Section 102(a) adds "or otherwise available to the public." AIA ANALYSIS § 3.3.3.1. That phrase could be read as rendering the reference to a publication superfluous to a significant degree, but the distinction between a printed publication and matter merely "otherwise available to the public" is important to reexamination, inter partes review and preissuance submissions, in which a party can only cite or rely on patents and printed publications. AIA ANALYSIS § 6.1.1., § 8.0.

3.3.1.3 "In Public Use, On Sale": Is Non-Public Commercial Activity Included? Experimental Use. The Act retains "in public use" and "on sale," venerable language from old Section 102(b).

The "on sale" and "public use" language has been read as encompassing commercial activity by an inventor even if the activity is not public. Examples are a confidential sales contract with a customer⁶ and secret use of a process or machine to make products sold to the public.⁷ See CHISUM ON PATENTS § 6.02[5][b], § 6.02[6].

Will new Section 102's "on sale" and "public use" events be interpreted in the same fashion as prior Section 102?

When Congress uses in a new or amended statute language that previously has been consistently interpreted by the courts, the courts in general will continue the prior interpretation of the same language in the new statute.⁸

⁶E.g., *Pfaff v. Wells Electronics*, 525 U.S. 55 (1998).

⁷E.g., *Metallizing Engineering Co. v. Kenyon Bearing & Auto Parts Co.*, 153 F.2d 516 (2d Cir. 1946).

⁸See, e.g., *Microsoft Corp. v. i4i Limited Partnership*, 131 S. Ct. 2238, 2245 (2011), discussed § 5.06[2][f] ("where Congress uses a common-law term in a statute, we assume the 'term ... comes with a common law meaning, absent anything pointing another way.' *Safeco Ins. Co. of America v. Burr*, 551 U.S. 47, 58 (2007) (citing *Beck v. Prupis*, 529 U.S. 494, 500-501

A contrary interpretation, to wit, that new Section 102 requires that "on sale" and "public use" activity truly be public, can rely on the residual phrase in new Section 102(a)(1): "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" The argument would be that "or otherwise" indicates Congressional intent that the prior categories, including "on sale" and "public use," are also "available to the public."

The contrary interpretation finds support in the Act's legislative history, particularly in explanatory statements by a co-sponsor of the AIA on the United States Senate floor.⁹ However, judges differ on what weight, if any, should be given to statements made during a statute's "legislative history" in interpreting the statute's language.¹⁰

(2000)).").

⁹In a discussion of the proposed change to Section 102 on the Senate floor on March 9, 2011, Senators Leahy and Hatch purported to "set down a definitive legislative history of" subsections 102(a) and 102(b). 157 Congressional Record 1496 (March 9, 2011). Senator Leahy stated that subsection 102 was intended to alter the judicial interpretation of section 102.

"[S]ubsection 102(a) was drafted in part to do away with precedent under current law that private offers for sale or private uses or secret processes practiced in the United States that result in a product or service that is then made public may be deemed patent-defeating prior art. That will no longer be the case. In effect, the new paragraph 102(a)(1) imposes an overarching requirement for availability to the public, that is a public disclosure, which will limit paragraph 102(a)(1) prior art to subject matter meeting the public accessibility standard that is well-settled in current law, especially case law of the Federal Circuit."

157 Congressional Record at 1496.

¹⁰See, e.g., *Microsoft Corp. v. i4i Limited Partnership*, 131 S. Ct. 2238, 2249 n.8 (2011) ("*For those of us for whom it is relevant*, the legislative history of [a provision of the Patent Act] provides additional evidence" on the provision's construction (emphasis added)). See CHISUM ON PATENTS § 5.06[2][f][ii].

See also *Samantar v. Yousuf*, 130 S. Ct. 2278, 2287 n.9, 2293 (2010) (STEVENS, J: "as the Court explained some years ago in an opinion authored by Justice White: 'As for the propriety of using legislative history at all, common sense suggests that inquiry benefits from reviewing additional information rather than ignoring it. As Chief Justice Marshall put it, "[w]here the mind labours to discover the design of the legislature, it seizes every thing from which aid can be derived.'" *United States v. Fisher*, 6 U.S. 358, 2 Cranch 358, 386 (1805). Legislative history materials are not generally so misleading that jurists should never employ them in a good-faith effort to discern legislative intent. Our precedents demonstrate that the Court's practice of

A similar issue concerns the "experimental use" exception to the public use bar. See CHISUM ON PATENTS § 6.02[7]. The experimental use exception is subject to varying interpretations. In some instances, sale or use activity is non-public and will be a bar only if it is commercial in nature. In those instances, an inventor's use for experimentation negates the commercial element. In other instances, experimental activity is public in nature and would be a bar but for the judicially-recognized experimental use doctrine. Under new Section 102, courts might, in view of the lack of consistency in the interpretation of the experimental use doctrine and in view of the one-year grace period afforded inventors under new Section 102 as well as old Section 102, confine experimental use to the former situations, that is, when the experimental activity is not otherwise public. Experimental purpose demonstrates a lack of commercial purpose.

3.3.2 Omitted Concepts. More significant than the retained concepts are the concepts that new Section 102 omits.

3.3.2.1 "Known or Used." Old Section 102(a) referred to "known or used by others." A long line of cases had interpreted the phrase as meaning knowledge or use that was at least minimally accessible to the public. See CHISUM ON PATENTS § 3.05.

The phrase diminished in significance as the courts expanded the definition

utilizing legislative history reaches well into its past. See, e.g., *Wallace v. Parker*, 31 U.S. 680, 6 Pet. 680, 687-690 (1832). We suspect that the practice will likewise reach well into the future.' *Wisconsin Public Intervenor v. Mortier*, 501 U.S. 597, 611-612, n. 4 (1991) (alteration in original)."; **SCALIA, CONCURRING:** "The Court assures us ... could be thought assurance), that legislative history is 'not generally so misleading' " that it should " 'never' " be used. ... Surely that is damning by faint praise. And the Court's mention of the past practice of using legislative history ... does not support the Court's use of it today. The past practice was 'not the practice of using legislative history for the purpose of giving authoritative content to the meaning of a statutory text,' *Mortier, supra*, [501 U.S.] at 622 (Scalia, J., concurring in judgment)."; **DISAGREE CATEGORICALLY WITH USE (OR SUPERFLUOUS USE):** "The Court's introduction of legislative history serves no purpose except needlessly to inject into the opinion a mode of analysis that not all of the Justices consider valid. And it does so, to boot, in a fashion that does not isolate the superfluous legislative history in a section that those of us who disagree categorically with its use, or at least disagree with its superfluous use, can decline to join."); *Jerman v. Carlisle, McNellie, Rini, Kramer & Ulrich LPA*, 130 S. Ct. 1605, 1627 (2010) (**SCALIA, CONCURRING: SOMETHING FOR EVERYONE:** "Legislative history ... almost always has something for everyone!").

of what constituted a description in a printed publication. See CHISUM ON PATENTS § 3.04[2].

New Section 102 omits "known or used," but it retains from old Section 102(b) the phrases "in public use" and "on sale" and adds "otherwise available to the public."

3.3.2.2 "In this Country." Old Sections 102(a) and 102(b) qualify the non-documentary events ("known," "used," "in public use," and "on sale") by a requirement that they be "in this country," that is, within the United States. Problems have arisen in interpreting where events, such as a sale, occur. CHISUM ON PATENTS § 3.05[5], § 6.02[5][d], § 6.02[6][b].

The Act eliminates from Section 102 the "in this country" geographic limitation.¹¹ It also repeals Section 104, which restricted proof of prior invention by reference to activity outside the United States.¹² See CHISUM ON PATENTS § 10.03[3].

Thus, new Section 102 somewhat expands the scope of what is prior art, but also simplifies the law. For example, if an item is openly displayed at a trade show attended by people from numerous countries, the item will be prior art, and it will no longer matter where the show was or whether documentation was available that can be considered a publication and a sufficient description.

3.3.2.3 Invention Dates; On the Continuing Relevance of "Conception" and "Reduction to Practice"; "Who" Problems and "When" Problems; Derivation; Ownership. Old Section 102 refers to invention dates in subsections (a), (e) and (g). Subsections (a) and (e) refer to an event occurring "before the invention thereof" "by the applicant for patent." Subsection (g) refers to two invention dates: by the applicant and by another. On proving invention dates under Section 102, see CHISUM ON PATENTS § 3.08. See also CHISUM ON PATENTS § 10.01 et seq..

As a fundamental aspect of the change to a first-to-file system, the AIA's new Section 102 eliminates reference to invention dates.

New Section 102 also eliminates subsection (f), which bars a patent when the

¹¹See H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 42 (June 1, 2011) ("Prior art ... will no longer have any geographic limitations.").

¹²AIA 2011 § 3(d).

applicant "did not himself invent the subject matter sought to be patented." However, the AIA does not eliminate the fundamental principle that an inventor must be the originator of an invention, that is, not derive it from another. As noted below, the AIA adds a definition of "inventor" that means the individual or individuals "who invented or discovered the subject matter of the invention." By eliminating derivation from Section 102, the Act may limit the prior art effect of derived information. See CHISUM ON PATENTS § 5.03[3][f].

A vast body of case law articulates and applies the basic concepts on invention dates, including "conception" and "reduction to practice." See CHISUM ON PATENTS § 10.04 (conception), § 10.05 (constructive reduction to practice), § 10.06 (actual reduction to practice).

For future applications and patents governed by new Section 102, these concepts will no longer be directly operative in determining priority in cases of conflicting claims to a patent or in determining what constitutes prior art. The concepts may have some continuing relevance in determining whether a "claimed invention was ... in public use [or] on sale." In the *Pfaff* case, the Supreme Court partially defined when an invention was "on sale" by reference to conception and reduction to practice.¹³

More importantly, what constitutes "invented" will continue to be relevant in determining "who" problems, that is, which person is an inventor.

The new Act adds new definitions of "inventor," "joint inventor" and "coinventor" as "individuals who *invented or discovered* the subject matter of [an] ... joint invention."¹⁴ But the Act does not further define "invented" or "discovered." Thus, the new Act leaves in place the case law on contribution to "conception" as the test for when a person is a joint inventor. See CHISUM ON PATENTS § 2.02.

¹³*Pfaff v. Wells Electronics*, 525 U.S. 55, 60, 66 (1998) ("The primary meaning of the word 'invention' in the Patent Act unquestionably refers to the inventor's conception rather than to a physical embodiment of that idea."; "reduction to practice ordinarily provides the best evidence that an invention is complete. But just because reduction to practice is sufficient evidence of completion, it does not follow that proof of reduction to practice is necessary in every case.").

¹⁴AIA 2011 § 3(a)(2) (amending 35 U.S.C. § 100) (emphasis added).

New Section 100(f) provides: "The term 'inventor' means the individual or, if a joint invention, the individuals collectively who invented or discovered the subject matter of the invention."

New Section 100(g) provides: "The terms 'joint inventor' and 'coinventor' mean any of the individuals who invented or discovered the subject matter of a joint invention."

As noted below, the Act also creates a new proceeding for determining derivation claims. Case law indicates that derivation by one putative inventor from another depends in part on whether the latter had a complete "conception." See CHISUM ON PATENTS § 10.04[4].

"When" problems with invention will also continue to occur under the new Act in connection with ownership. By contract or statute, who owns an invention often depends on when it was made. See CHISUM ON PATENTS § 22.01 et seq. The AIA itself refers to invention dates in its amendment to Section 273, providing a "university" exemption from prior user rights when an invention was university-owned "at the time the invention was made." See AIA ANALYSIS § 5.5.5.

3.3.3 New and Revised Concepts. New Section 102 contains important new concepts and revises existing concepts.

3.3.3.1 "Otherwise Available to the Public." The AIA's amended Section 102(a)(1) adds "otherwise available to the public" as a novelty-defeating event.

As noted above, court decisions linked the older concepts, "known or used" and "described in a printed publication," to public accessibility.¹⁵ See CHISUM ON PATENTS § 3.04[2], § 3.05[2][a].

The new Act's language is similar to the definition of absolute novelty under the European Patent Convention, which encompasses "everything made available to the public by means of a written or oral description, by use, or in any other way."¹⁶

Issues will arise as to the interpretation of "otherwise available to the public." For example, will it encompass public disclosure or distribution by a third party of an item in which the relevant feature is buried or concealed?¹⁷ Who is "the

¹⁵See, e.g., *SRI International, Inc. v. Internet Security Systems, Inc.*, 511 F.3d 1186 (Fed. Cir. 2008).

¹⁶European Patent Convention Article 54(2).

¹⁷For a case interpreting old Sections 102(a) and 102(b) with respect to features contained in allegedly confidential computer software, see *Lockwood v. American Airlines, Inc.*, 107 F.3d 1565 (Fed. Cir. 1997), discussed at § 3.05[2][a].

See also *Dunlop Holdings, Ltd. v. Ram Golf Corp.*, 524 F.2d 33, 36 (7th Cir. 1975), *cert. denied*, 424 U.S. 958 (1976) (discussing distinction between "a secret use and a noninforming public use").

public"? For example, will a disclosure in confidence to large group of potential customers meet the standard?

3.3.3.2 "Claimed Invention"; Generic Claims and Specific

Disclosures. Old Section 102 refers to the "invention." In turn, Section 101(a) defines "invention" redundantly as "invention or discovery."

Case law generally emphasizes that a claim defines the invention for most purposes of patent law. CHISUM ON PATENTS § 8.01. As Judge Rich noted, "the name of the game is the claim."¹⁸

New Section 102 expressly recites "the *claimed* invention" being described, available, etc. The Act adds as Section 100(j) a definition of "claimed invention" as "the subject matter defined by a claim in a patent or an application for a patent."¹⁹

The altered language should not be construed as altering basic patent law principles on novelty and anticipation, such as the rule that a prior art disclosure of a species anticipates a later claim to a genus. See CHISUM ON PATENTS § 3.02[2]. A prior art reference disclosing a three-sided widget should anticipate a later claim to a widget with a "plurality" of sides (that is, two or more sides) even though the earlier reference does not *fully* describe the later "claimed invention."

3.3.3.3. "Effective Filing Date." In old Section 102, subsection (b) refers to novelty-defeating events as those before "the date of the application for patent in the United States." Similarly, subsection (d) refers to events before "the filing of the application in the United States." As discussed below on "Senior Right," (AIA ANALYSIS § 3.3.5) subsection (e) refers to filing as a novelty-defeating event.

Case law confirms that the filing date for a patent claim being reviewed for Section 102 novelty (or Section 103 obviousness) includes the rights to the priority of previously-filed applications under Section 119, Section 120, Section 121 and Section 365. See CHISUM ON PATENTS § 6.02[9]. As noted below, the effective date of a prior art reference is *not* necessarily entitled to similar date. AIA ANALYSIS § 3.3.3.5.1.

Consistent with prior law, new Section 102 refers to events before "the *effective* filing date of the claimed invention." The Act adds as Section 100(i) a

¹⁸Rich, Extent of Protection and Interpretation of Claims—American Perspectives, 21 Int'l Rev. Indus. Prop. & Copyright L. 497, 499 (1990).

¹⁹AIA 2011 § 3(a)(2) (amending 35 U.S.C. § 100(j)).

definition of "effective filing date" that includes the priority rights to prior applications.²⁰

The Act also amends Section 120 on the requirements for the benefit of an earlier application's filing date, changing "which is filed by an inventor or inventors named" to "which names an inventor or joint inventor."²¹ On the common inventorship requirement for continuing applications, see CHISUM ON PATENTS § 13.07.

3.3.4 Grace Period: Exception for Inventor Disclosures A Year or Less Before Filing. In old Section 102, there was a grace period for pre-filing date disclosures.

There are two prongs to the period of grace under old Section 102. First, a disclosure of an inventor's own work, even it is before the invention date, is not prior art unless it constitutes a statutory bar under Section 102(b). Second, a publication, knowledge or use, or patent filing event by another person before the filing date is disqualified as prior art against an inventor if the inventor can show that she invented the invention before that event. See CHISUM ON PATENTS § 3.08[1], § 3.08[2]. Overriding both prongs is the Section 102(b) statutory bar, which arises if the invention is patented, described in a publication or in public use or on sale more than a year before the filing date.

²⁰New Section 100(i)'s definition provides:

(i)(1) The term 'effective filing date' for a claimed invention in a patent or application for patent means—

(A) if subparagraph (B) does not apply, the actual filing date of the patent or the application for the patent containing a claim to the invention;

(B) the filing date of the earliest application for which the patent or application is entitled, as to such invention, to a right of priority under section 119, 365(a), or 365(b) or to the benefit of an earlier filing date under section 120, 121, or 365(c).

(2) The effective filing date for a claimed invention in an application for reissue or reissued patent shall be determined by deeming the claim to the invention to have been contained in the patent for which reissue was sought."

AIA 2011 § 3(a)(2) (adding 35 U.S.C. § 100(i)).

²¹AIA 2011 § 3(f) (amending 35 U.S.C. § 120).

New Section 102(b) retains a one-year grace period as an "exception."²² The "exception" is quite different from old Section 102. The option of showing an *earlier invention date* will no longer be available. However, two other options will be available to remove a pre-filing date disclosure.

3.3.4.1. Inventor Disclosures; Derivation. First, new Section 102(b)(1)(A) excepts from prior art the inventor's disclosures within a year of the effective filing date. The exception includes disclosures by persons other than inventor "who obtained the subject matter disclosed directly or indirectly from the inventor." That will present interesting disputed factual issues on derivation.

The Section 102(b)(1)(A) exception is somewhat broader than the old Section 102 exclusion because the excepted disclosures are by "the inventor *or a joint inventor*." Interpreting old Section 102, courts applied an "inventorship entity" theory. Under that theory, the sole work of one person might be prior art against the later joint work of that person and another person. See CHISUM ON PATENTS § 3.08[2][a].

The Section 102(b)(1)(A) exception presents difficult questions of interpretation and application.

One linguistic disconnect is that Section 102(b)(1) refers to "a disclosure" that would be prior art under Section 102(a)(1). Section 102(a)(1) does not use the word "disclosure" or "disclose." Rather, it enumerates, as novelty defeating events, claimed inventions patented, described, in public use, on sale, and otherwise available to the public. One interpretation would be that all those events are

²²The text of the Section 102(b)(1) exceptions is:

(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.

AIA 2011 § 3(b)(1) (amending 35 U.S.C. § 102).

disclosures, but another might distinguish informing descriptions from commercial, noninforming sales and uses. The latter would mean that there was no grace period for pre-filing "on sale" activity.

The contrary interpretation is supported by the Act's legislative history. An exchange on the Senate floor, cited by the House Committee Report, expressed an intent that any disclosure by the inventor that would create prior art under Section 102(a) would also be protected by the one year grace period of Section 102(b).²³

²³See H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 43 (June 1, 2011) (the grace period "will apply to all actions by the patent owner during the year prior to filing that would otherwise create § 102(a) prior art").

The Senate floor exchange was between Senator Leahy, a Democrat and co-sponsor, and Senator Hatch, a ranking Republican.

"**Mr. LEAHY.** One key issue on which people have asked for clarification is the interplay between patent-defeating disclosures under subsection 102(a) and the situations where those disclosures are excepted and have no patent-defeating effect under the grace period provided in subsection 102(b).

"In particular, some in the small inventor community have been concerned that a disclosure by an inventor might qualify as patent-defeating prior art under subsection 102(a) because, for example, the inventor's public disclosure and by a 'public disclosure' I mean one that results in the claimed invention being 'described in a printed publication, or in public use, on sale, or otherwise available to the public'—might in some situation not be excluded as prior art under section 102(b)'s grace period. There is absolutely no situation in which this could happen given the interplay between subsections 102(a) and 102(b) as these subsections are drafted.

"We intend that if an inventor's actions are such as to constitute prior art under subsection 102(a), then those actions necessarily trigger subsection 102(b)'s protections for the inventor and, what would otherwise have been section 102(a) prior art, would be excluded as prior art by the grace period provided by subsection 102(b). Indeed, as an example of this, subsection 102(b)(1)(A), as written, was deliberately couched in broader terms than subsection 102(a)(1). This means that any disclosure by the inventor whatsoever, whether or not in a form that resulted in the disclosure being available to the public, is wholly disregarded as prior art. A simple way of looking at new subsection 102(a) is that no aspect of the protections under current law for inventors who disclose their inventions before filing is in any way changed.

"**Mr. HATCH.** The Senator from Vermont is correct. For the purposes of grace-period protection, the legislation intends parallelism between the treatment of an inventor's actions under subsection 102(a) that might create prior art and the treatment of those actions that negate any prior-art effect under subsection 102(b). Accordingly, small inventors and others will not accidentally create a patent-

3.3.4.2. Prior Disclosure by Inventor. Second, new Section 102(b)(1)(B) excludes from prior art disclosures of subject matter by persons other than the inventor within a year of the filing date if the subject matter has already "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."

The Section 102(b)(1)(B) provision also presents interpretation and application questions. One question will be: what is the standard for a "public disclosure"? Is it the same as "available to the public" under Section 102(a)(1)? As noted above, some legislative history suggests that the protection for the inventor under Section 102(b) should be equal to or broader than the prior art provisions under Section 102(a). See AIA ANALYSIS § 3.3.4.1.

Another question is how the Section 102(b)(1)(B) exclusion applies in determining prior art for obviousness purposes. To remove another's disclosure, is it necessary that the inventor previously publicly disclosed that exact same disclosure? Or is it enough that the inventor previously completely disclosed the later claimed invention? The statute's language could support the former, but its

defeating bar by their pre-filing actions that would otherwise be prior art under subsection 102(a) as long as they file their patent applications within the grace period provided by subsection 102(b). But, the important point is that if an inventor's disclosure triggers the 102(a) bar with respect to an invention, which can only be done by a disclosure that is both made available to the public and enabled, then he or she has thereby also triggered the grace period under 102(b). If a disclosure resulting from the inventor's actions is not one that is enabled, or is not made available to the public, then such a disclosure would not constitute patent-defeating prior art under 102(a) in the first place.

"But even if the disclosure was enabled and available to the public so that it did qualify as prior art under subsection 102(a), subsection 102(b) would require that the disclosure be disregarded if it occurred during the 1-year grace period before the patent was sought. Indeed, a disclosure that does not satisfy the requirements to be prior art under subsection 102(a), nonetheless constitutes a disclosure that is fully protected under the more inclusive language of subsection 102(b). This relationship between these subsections will fully protect the inventor and, together with the provisions of subsection 101 limiting patenting to inventors, prevent others from obtaining a patent on the inventor's creation."

157 Congressional Record 1496 (March 9, 2011).

purpose, as expressed in portions of the Act's legislative history, may be the latter.²⁴

For example, assume inventor I publicly discloses her complete invention (A+B+C) on June 1, 2015 and files on August 1, 2015. The prior art previously disclosed A+B and C. On July 1, 2015, researcher R publishes an article disclosing in detail A+B+D. R's work was independent and not derived from inventor I. Is R's article prior art in considering the obviousness of I's claim to A+B+C? In the statute's terms, the inventor did not disclose the "subject matter" of R's article.

3.3.5. Senior Right. A long-standing problem area for the patent system has been the question of "senior right," that is, how to treat disclosures in previously-filed applications by others that become publicly accessible only after

²⁴The legislative history of the Act provides some support for protecting an inventor from any prior art dated after the inventor publicly discloses his or her invention. The House of Representatives Committee Report on the Act states:

"New section 102(b) preserves the grace period, ensuring that during the year prior to filing, an invention will not be rendered unpatentable based on any of the inventor's own disclosures, or any disclosure made by any party *after the inventor has disclosed his invention* to the public."

H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 73 (June 1, 2011) (emphasis added).

In the Senate, floor discussion by Senators Hatch and Leahy also expressed an intent that subsection 102(b)(1)(B) should provide a "strong grace period for inventors.

"Mr. HATCH. An additional clarification we have been asked about deals with subparagraph 102(b)(1)(B). There has been some confusion over how this provision will work. It is my understanding that this provision ensures that an inventor who has made a public disclosure—that is, a disclosure made available to the public by any means—is fully protected during the grace period. The inventor is protected not only from the inventor's own disclosure being prior art against the inventor's claimed invention, but also against the disclosures of any of the same subject matter in disclosures made by others being prior art against the inventor's claimed invention under section 102(a) or section 103—so long as the prior art disclosures from others came after the public disclosure by the inventor. Is that the Senators' understanding of this provision?

"Mr. LEAHY. That is correct. Subparagraph 102(b)(1)(B) is designed to work in tandem with subparagraph 102(b)(1)(A) to make a very strong grace period for inventors that have made a public disclosure before seeking a patent. Inventors who have made such disclosures are protected during the grace period, not only from their own disclosure, but also from disclosures by others that are made after their disclosure. This is an important protection we offer in our bill that will benefit independent and university inventors in particular."

157 Congressional Record 1496-97 (March 9, 2011).

an applicant files.

3.3.5.1. Applications Previously Filed by Others as Prior Art; Effective Filing Date; *Hilmer* Abolished. Old Section 102's subsection (e) codified case law, which deemed disclosures in previously-filed patent applications to be prior art for both novelty and obviousness.²⁵ CHISUM ON PATENTS § 3.07[1].

The previously-filed application is prior art for all it discloses, not merely for what it specifically claims. It is prior art as of its effective filing date, not its later publication or issue date. When the prior application *claims* the same invention (not merely discloses it), an interference proceeding to resolve priority of invention is appropriate.

A complication arose as to what date patents issuing on previously-filed applications should be accorded. Case law determined that the patents date back to earlier filed *domestic* (U.S.) applications. See CHISUM ON PATENTS § 3.07[3]. However, a U.S. patent was *not* effective for prior art purposes as of its foreign priority application date, which, under Section 119, could be up to a year before the U.S. filing date. The latter result is known as the *Hilmer* doctrine.²⁶ See CHISUM ON PATENTS § 3.07[4], § 14.05[3].

Originally, Section 102(e) prior art arose only if and when a patent actually *issued* based on the earlier filed doctrine. Thus, there would be no prior art effect if the earlier-filed application was abandoned. However, when the U.S. adopted the practice prevalent elsewhere of publishing applications 18 months after their filing date, Section 102(e) was amended to include publication of an application as well as issue. See CHISUM ON PATENTS § 3.07[2].

The 2011 Act carries forth the existing senior right provision (that is, Section 102(e)), as Section 102(a)(2).²⁷ In new Section 102(d), the Act specifies the

²⁵Hazeltine Research, Inc. v. Brenner, 382 U.S. 252 (1965); Alexander Milburn Co v. Davis-Bournonville Co., 270 U.S. 390 (1926).

²⁶See *In re Hilmer*, 359 F.2d 859 (CCPA 1966), *appeal after remand*, 424 F.2d 1108 (CCPA 1970).

²⁷The text of new Section 102(a)(2) is:

"(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

effective date of an application or patent as prior art as the date of the earliest application that discloses the subject matter in question and to which the application or patent is entitled to claim a right of priority or benefit under Section 119, Section 120, Section 121 and Section 365.²⁸ Section 365 abolishes the *Hilmer* doctrine.

The language of new Section 102(d) appears to confirm case law construing old Section 102(e) and Section 120. The case law requires not only that the subject matter in question be contained in the earlier application but also that the later application contain at least one claim that is entitled to the benefit of the earlier application.²⁹ See CHISUM ON PATENTS § 3.07[3].

A contrary argument can be made. The contrary argument would be that Section 102(d)(2) requires only that a patent or application be "entitled to claim a right of priority" or benefit, meaning that the chain of applications satisfied the requirements of priority claiming, copendency, inventorship and cross-referencing. The contrary argument, if adopted, would eliminate the need to determine whether a prior art patent or application's claims are supported under Section 112 by each of the earlier applications. This would contrary argument could draw support for the treatment of "filing date" for measuring the twenty-year patent term. See CHISUM

claimed invention."

AIA 2011 § 3(b)(1) (amending 35 U.S.C. § 102).

See H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 43 (June 1, 2011) ("Prior art based on earlier-filed United States applications is maintained").

²⁸The text of new Section 102(d) is:

"(d) PATENTS AND PUBLISHED APPLICATIONS EFFECTIVE AS PRIOR ART.—For purposes of determining whether a patent or application for patent is prior art to a claimed invention under subsection (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 upon 1 or more prior filed applications for patent, as of the filing date of the earliest such application that describes the subject matter."

AIA 2011 § 3(b)(1) (amending 35 U.S.C. § 102).

²⁹*In re Wertheim*, 646 F.2d 527 (CCPA 1981).

3.3.5.2 Avoiding Senior-Filed Application Disclosure.

One major change in the senior rights provisions is that an applicant can no longer avoid the prior art effect of an earlier-filed application by showing an earlier date of invention. However, new Section 102(b)(2) provides three restrictions on treating as prior art "disclosures appearing in applications and patent."

3.3.5.2.1 Subject Matter Obtained from

Inventor. First, under new Section 102(b)(2)(A), a disclosure in a prior application or patent "shall not be prior art to a claimed invention under subsection (a)(2)" if "the subject matter disclosed was obtained directly or indirectly from the inventor or a joint inventor." This is consistent with old Section 102(e), as interpreted by the courts, and with the approach of the Section 102(b)(1)(A) grace period.

3.3.5.2.2 Subject Matter Previously Publicly

Disclosed. Second, under new Section 102(b)(2)(B), a disclosure is similarly "not ... prior art" if "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." This is the same exclusion as the grace period exception of Section 102(b)(1)(B) and suffers from the same ambiguities, as discussed above.

3.3.5.2.3 Common Ownership; Prior Art

Disqualifier. Finally, new Section 102(b)(2)(C) carries forward prior provisions in Section 103 on a "common ownership" problem that had previously vexed United States patent law.

Some explanation of the "common ownership" problem is in order.

The problem concerned the prior art effect of prior work or disclosures by several inventors or groups of joint inventors all of whom owed a duty to assign their inventions to the same person or entity. The most typical situation was that of employee inventors working for an employer. Court decisions dating back to the 1973 *Bass* decision held that the inventive work of one employed inventive entity (such as employee inventor A alone) was prior art against the later inventive work of another, commonly-employed inventive entity (such as inventor A jointly with

co-employee inventors B and C).³⁰ See CHISUM ON PATENTS § 5.03[3][c].

This result was, to many minds, arbitrary and unfair because all the inventive work took place under a single umbrella, that is, was financed by the common employer.

Congress solved the common ownership prior art problem in 1984 and 1999 by attaching a prior art "disqualifier" to Section 103 on obviousness. See CHISUM ON PATENTS § 5.03[3][c][iv].

In 1999, the Cooperative Research and Technology Enhancement Act ("CREATE") further broadened the disqualifier to include inventions made in joint research projects.

The 2011 Act carries forward the disqualifier from old Section 103(c)(1) as Section 102(b)(2)(C).³¹ It also carries forward the joint research disqualifier as Section 102(c)³² and includes a statement on "continuity of intent" with regard to the CREATE Act.³³

³⁰*In re Bass*, 474 F.2d 1276 (CCPA 1973).

³¹As amended, Section 102(b)(2)(C) provides:

"A disclosure shall not be prior art to a claimed invention under subsection (a)(2) if— ... (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."

AIA 2011 §3(b)(1) (amending 35 U.S.C. § 102).

³²As amended, Section 102(c) provides:

"(c) COMMON OWNERSHIP UNDER JOINT RESEARCH AGREEMENTS.—Subject matter disclosed and a claimed invention shall be deemed to have been owned by the same person or subject to an obligation of assignment to the same person in applying the provisions of subsection (b)(2)(C) if—

(1) the subject matter disclosed was developed and the claimed invention was made by, or on behalf of, 1 or more parties to a joint research agreement that was in effect on or before the effective filing date of the claimed invention;

(2) the claimed invention was made as a result of activities undertaken within the scope of the joint research agreement; and

(3) the application for patent for the claimed invention discloses or is amended to disclose the names of the parties to the joint research agreement."

AIA 2011 §3(b)(1) (amending 35 U.S.C. § 102).

³³The AIA provides.

"The enactment of section 102(c) of title 35, United States Code, under paragraph

The 2011 Act simplifies and broadens the disqualifier in two respects. First, unlike the prior disqualifier, the Act disqualifies commonly-owned subject matter as prior art under Section 102 as well as Section 103. This will make the disqualifier applicable to potential anticipation rejections or invalidations as well as to obviousness rejections or invalidations. Second, the common ownership must exist only "no later than the effective date of the claimed invention." Under the prior provisions, common ownership must exist at the time of the subsequent invention. See CHISUM ON PATENTS § 5.03[3][c][iv].

3.4 Amended Section 103 on Obviousness. The Act's conversion from first to invent to first to file priority and its general de-emphasis on invention dates necessitated an amendment to Section 103, which refers to obviousness "at the time the invention was made." Accordingly, the Act's Section 3(c) amends Section 103.³⁴ Old Section 103(a) and amended Section 103 are set forth in Appendix C.

In amending Section 103, the Act directly alters Section 103 in three ways. First, it shifts the time for determining obviousness from a patent claimant's invention date (that is, "at the time the invention was made") to the effective filing date (that is, "before the effective filing date of the claimed invention").

Second, it eliminates subsection (b) on biotechnology processes, a subsection that had proven to be unnecessary. See CHISUM ON PATENTS § 5.04[8][b][ii].

Third, as noted above, AIA ANALYSIS § 3.3.5.2.3, it moved the substance of the subsection (c) prior art "disqualifier" to Section 102.

The Act also indirectly alters Section 103 by amending Section 102. Section

(1) of this subsection is done with the same intent to promote joint research activities that was expressed, including in the legislative history, through the enactment of the Cooperative Research and Technology Enhancement Act of 2004 (Public Law 108-453; the "CREATE Act"), the amendments of which are stricken by subsection (c) of this section. The United States Patent and Trademark Office shall administer section 102(c) of title 35, United States Code, in a manner consistent with the legislative history of the CREATE Act that was relevant to its administration by the United States Patent and Trademark Office."

AIA 2011 § 3(b)(1).

³⁴AIA 2011 § 3(c) (amending 35 U.S.C. § 103).

See H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 73 (June 1, 2011) ("§ 103 is amended consistent with moving to a first-to-file system. Existing subsection (a) is amended slightly; subsection (b) is deleted because it is no longer needed; subsection (c), which is the CREATE Act, has been moved to § 102.").

103, before and after the 2011 amendment, refers to an invention "not identically disclosed as set forth in section 102." As discussed above, Section 102, as amended, is similar to old Section 102 in some respects but differs in other significant respects. AIA ANALYSIS § 3.3.

Finally, old Section 103 provides that "Patentability shall not be *negated* by the manner in which the invention was made." See CHISUM ON PATENTS § 5.04[2]. New Section 103 changes "negated" to "negatived." The legislative history indicates that no substantive change was intended.³⁵

3.5. Statutory Invention Registration Repealed. In 1984, Congress enacted a provision for a "statutory invention registration" (SIR) as a form of defensive publication. An applicant could opt for a SIR rather than issuance of a patent and thereby make the application prior art as of its filing date. See CHISUM ON PATENTS § 3.07[2]. The SIR granted none of the exclusive property rights of a patent.

Whatever importance SIRs originally had, their importance diminished with the advent of 18 month publication of applications. See AIA ANALYSIS § 3.3.5.1.

The 2011 Act repeals the SIR provision.³⁶

3.6. Conforming Amendments Required by Section 102 Amendments. The 2011 Act makes "conforming amendments" to sections in Title 35, which were necessary in view of the alterations in Section 102 and the new definitions in Section 100.³⁷

The amendments are discussed below, with deletions in brackets and additions in italics.

³⁵See H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 43 n.21 (June 1, 2011) ("The Committee does not intend a substantive change by replacing the word 'negated' in section 103 of title 35 with 'negatived.'").

³⁶AIA 2011 § 3(e) (repealing 35 U.S.C. § 157).

The SIR repeal has a different and earlier effective date from that for the other provisions of it Section 3. See AIA 2011 § 3(e)(3) ("The amendments made by this subsection shall take effect upon the expiration of the 18-month period beginning on the date of the enactment of this Act, and shall apply to any request for a statutory invention registration filed on or after that effective date.").

³⁷AIA 2011 §3(g).

3.6.1. Section 172; Design Patents; Right of Priority. 35 U.S.C. § 172 concerns the "right of priority" for design patents. It refers to subsection 102(d), which, in turn, the AIA abolishes. See CHISUM ON PATENTS § 6.04, § 23.03[5][d].

The 2011 Act amends Section 172 as follows:

"The right of priority provided for by subsections (a) through (d) of section 119 [of this title and the time specified in section 102(d)] shall be six months in the case of designs. The right of priority provided for by section 119(e) [of this title] shall not apply to designs.³⁸

3.6.2. Section 287; Exemption for Medical Practitioners. The Patent Act (Title 35) provides a limited exemption from infringement liability for medical practitioners and related health entities. See CHISUM ON PATENTS § 1.03[3]. The 2011 Act amends the effective date provision, Section 287(c)(4).³⁹

3.6.3 International Applications under the Patent Cooperation Treaty. Three conforming amendments pertain to international applications under the Patent Cooperation Treaty.

3.6.3.1. Prior Art Effect; Section 363. 35 U.S.C. § 363 concerns the prior art effect of an international application filed under the Patent Cooperation Treaty. See CHISUM ON PATENTS § 14.02[4][a][ii].

Consistent with the replacement of the "senior right" provision (Section 102(e)) discussed above, AIA ANALYSIS § 3.3.5.1, the 2011 Act amends Section 363 as follows:

"An international application designating the United States shall have the effect, from its international filing date under article 11 of the treaty, of a national application for patent regularly filed in the Patent and Trademark Office [except as otherwise provided in section 102(e)]

³⁸AIA 2011 § 3(g)(1) (amending 35 U.S.C. § 172).

³⁹The amendment is as follows:

"This subsection shall not apply to any patent issued based on an application [the earliest filing date of which is prior to] *which has an effective filing date before September 30, 1996.*"

AIA 2011 § 3(g)(2) (amending 35 U.S.C. § 287(c)(4)).

of this title]."⁴⁰

3.6.3.2. Publication; Provisional Compensation; Section 374.

35 U.S.C. § 374 concerns the effect of the publication of an international application designating the United States. See CHISUM ON PATENTS §14.02[4][a][iv].

Reflecting the replacement of Section 102(e) on senior right, the 2011 Act amends Section 374 as follows:

"The publication under the treaty defined in section 351(a) [of this title], of an international application designating the United States shall be deemed a publication under section 122(b), except as provided in [sections 102(e) and 154(d)] of this title] *section 154(d)*."⁴¹

Section 154(d), which remains in Section 374, concerns provisional rights to compensation after publication of an application. See CHISUM ON PATENTS § 11.02[4][e].

3.6.3.3. Issuance of Patent on International Application;

Section 375. 35 U.S.C. § 375 concerns patents based on PCT international applications.

The 2011 Act amends the section to eliminate the reference to Section 102(e) as follows:

"A patent may be issued by the Director based on a international application designating the United States, in accordance with the provisions of this title. [Subject to section 102(e) of this title, such] *Such* patent shall have the force and effect of a patent issued on a national application filed under the provisions of chapter 11 [of this title]."⁴²

3.6.4. International Grace Period; Section 119(a). 35 U.S.C. § 119(a) concerns the right of priority with regard to prior applications filed in another country.

⁴⁰AIA 2011 § 3(g)(3) (amending 35 U.S.C. § 363).

⁴¹AIA 2011 § 3(g)(4) (amending 35 U.S.C. § 374).

⁴²AIA 2011 § 3(g)(5) (amending 35 U.S.C. § 375).

In general, Section 119 confers a priority right up to a year. This fundamental rule implements the Paris Convention dating back to 1883. See CHISUM ON PATENTS §14.02[1]. The international priority right means that an applicant can rely on a prior filing up to a year before the filing in the United States for priority purposes and to avoid the prior art effect of references dated after the priority date but before the United States filing date.

Existing Section 119(a) contains a restriction: the actual United States filing date is used for the one-year grace period for pre-filing date public uses, on sale events, publications and patents. In other words, the grace period in the United States has not been a true international grace period. The 2011 Act internationalizes the grace period by amending Section 119(a) to delete the proviso as follows:

"(a) An application for patent for an invention filed in this country by any person who has, or whose legal representatives or assigns have, previously regularly filed an application for a patent for the same invention in a foreign country which affords similar privileges in the case of applications filed in the United States or to citizens of the United States, or in a WTO member country, shall have the same effect as the same application would have if filed in this country on the date on which the application for patent for the same invention was first filed in such foreign country, if the application in this country is filed within twelve months from the earliest date on which such foreign application was filed[; but no patent shall be granted on any application for patent for an invention which had been patented or described in a printed publication in any country more than one year before the date of the actual filing of the application in this country, or which had been in public use or on sale in this country more than one year prior to such filing]."⁴³

3.6.5 Bayh-Dole Act; Section 202(c)

The Bayh-Dole Act on patent rights in inventions made with federal funding is codified in Sections 200 to 212. The Supreme Court construed the Bayh-Dole

⁴³AIA 2011 § 3(g)(6) (amending 35 U.S.C. § 119(a)).

Act in a 2011 decision.⁴⁴ See CHISUM ON PATENTS § 22.03[1][k].

The 2011 Act amends Section 202(c) on the "disposition of rights" to account for the change in the statutory bar and grace period in old Section 102(b).⁴⁵

3.7 Substitution of Derivation Proceedings for Interferences; Contesting Priority; Simultaneous Filing. Under the United States first-to-invent system, two proceedings decided conflicts over who of multiple applicants had the earlier invention date: (1) an interference under Section 135 in the Patent and Trademark Office (PTO) before the Board of Patent Appeals and Interferences and (2) an interfering patents suit under Section 291 in a district court.

An interference could entail adjudication of the claims by one or multiple parties to a pre-filing invention date. An invention date was defined in terms of conception, reduction to practice, diligence, and potential abandonment, suppression or concealment. See CHISUM ON PATENTS § 10.03.

An interference could also adjudicate important issues other than pre-filing invention dates, including (1) issues of whether a party's application was entitled to the benefit of an earlier filing date, see CHISUM ON PATENTS § 10.09[4][e] and (2) issues whether one party derived an invention from another. CHISUM ON PATENTS § 10.04[4].

To conform to the shift away from invention date priority, the 2011 Act eliminates interference proceedings and substitutes derivation proceedings.⁴⁶ The substitution purportedly is to assure that a first filer is indeed an inventor, not one who derived an invention from a true inventor.⁴⁷

⁴⁴Board of Trustees of Stanford University v. Roche Molecular Systems, Inc., 131 S. Ct. 2188 (2011).

⁴⁵AIA § 3(g)(7) (amending 35 U.S.C. § 202c)).

⁴⁶The Act eliminates references to interferences in various sections of Title 34, substituting, where appropriate, references to "derivation proceedings" and to the "Patent Trial and Appeal Board." See AIA 2011 § 3(j).

⁴⁷The House Report on the AIA sets forth the rationale for eliminating interferences but retaining a derivation proceeding, noting, inter alia:

"As part of the transition to a simpler, more efficient first-inventor-to-file system, this provision eliminates costly, complex interference proceedings, because priority will be based on the first application. A new administrative proceeding—called a 'derivation' proceeding—is created to ensure that the first

The 2011 Act does not provide a specific inter partes proceeding whereby a second applicant can contest the issue whether a first applicant is entitled to the benefit of an earlier-filed priority application. Potentially, priority benefit could be raised in a post-grant review, which has a nine-month from issue window. AIA ANALYSIS § 6.1.2.2.

Priority issues will be addressed as questions of patentability and validity with regard to a second-filed application and any patent issuing thereon. For example, if a second applicant faces rejection or challenge based on an earlier-filed application, the second applicant can contest priority, that is, whether the apparent prior art patent or application in fact has an effective filing date before that of the second applicant. The first applicant may or may not be a party to any challenge and thus may or may not be bound by a determination of the priority. If two apparently conflicting patents issue, the AIA continues the judicial remedy of a Section 291 interfering patents suit. AIA ANALYSIS § 3.7.2.

Not explicitly addressed by the new Act is what should happen if two applicants independently develop the same invention and file applications with the same effective date. See CHISUM ON PATENTS § 10.03[1][d]. New Section 102 makes applications and patents prior art only if they are dated or effectively filed "before" an applicant's effective filing date. That would mean that multiple valid patent claims could issue to different persons.

3.7.1. Renaming the Board; Patent Trial and Appeal Board. Before 1984, there were two Boards in the PTO: a Board of Appeals and a Board of Interferences. In 1984, Congress merged the boards into the Board of Patent Appeals and Interferences. CHISUM ON PATENTS § 10.02[6].

Consistent with the shift away from the first to invent priority principles, the 2011 Act's Section 7 changes the Board's name to the Patent Trial and Appeal Board.⁴⁸ SEE AIA ANALYSIS § 7.0. That name parallels the existing Trademark

person to file the application is actually a true inventor. This new proceeding will ensure that a person will not be able to obtain a patent for the invention that he did not actually invent. If a dispute arises as to which of two applicants is a true inventor (as opposed to who invented it first), it will be resolved through an administrative proceeding by the Patent Board."

H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 42 (June 1, 2011).

⁴⁸AIA 2011 § 7.

Trial and Appeal Board.⁴⁹

The renamed Board retains responsibility and jurisdiction with regard to appeals and inter partes proceedings. The 2011 Act adds some new inter partes matters to the Board's jurisdiction, including inter partes reviews and post-grant reviews. AIA ANALYSIS § 6.0.

3.7.2. Derived Patent Suits; Section 291. Existing Section 291 authorizes the owner of one patent to sue the owner of another patent in a district court to resolve the question of the "validity of any of the interfering patents."⁵⁰ See CHISUM ON PATENTS § 10.09[8][d].

Interfering patent suits are relatively rare. The PTO should, in theory, not issue multiple patents claiming the same invention, but it does happen.

The 2011 Act substitutes for Section 291 a provision on "Derived Patents."⁵¹

New Section 291 requires that for one owner to have relief by civil action against the owner of another patent two patents claim the "same invention." The

⁴⁹See 15 U.S.C. § 1067.

⁵⁰Old Section 291 provides:

"The owner of an interfering patent may have relief against the owner of another by civil action, and the court may adjudge the question of the validity of any of the interfering patents, in whole or in part. The provisions of the second paragraph of section 146 of this title shall apply to actions brought under this section."

35 U.S.C. § 291 (2006).

As noted above, this provision remains in effect for patents based on applications filed before March 16, 2013. AIA ANALYSIS § 3.1.

⁵¹New Section 291 provides:

§ 291. Derived Patents

"(a) In General.—The owner of a patent may have relief by civil action against the owner of another patent that claims the same invention and has an earlier effective filing date, if the invention claimed in such other patent was derived from the inventor of the invention claimed in the patent owned by the person seeking relief under this section.

(b) Filing Limitation.—An action under this section may be filed only before the end of the 1-year period beginning on the date of the issuance of the first patent containing a claim to the allegedly derived invention and naming an individual alleged to have derived such invention as the inventor or joint inventor."

AIA 2011 § 3(h) (amending 35 U.S.C. § 291).

same invention question has been addressed by case law on "interference in fact." CHISUM ON PATENTS § 10.09[4][c]. That law presumably will continue to govern Section 291.

Two aspects of new Section 291 are peculiar. First, new Section 291 authorizes only the owner of the patent based on the later effective filing date to initiate the civil action. The owner of a senior-filed patent might also want or need to resolve a derivation suit; that owner could file for a declaratory judgment, but it is unclear whether a court would deem such a suit justiciable.⁵²

Second, new Section 291(b) places a one-year limitation on filing suit. An interfering patent suit under old Section 291 could be filed at any time.

3.7.3. Derivation Proceedings. Existing Section 135 is the basic authorization for the PTO to conduct interferences.⁵³

⁵²For discussion of the justiciable controversy requirement for declaratory judgment suits, see CHISUM ON PATENTS § 21.02[1][d].

⁵³Existing Section 135 provides as follows:

§ 135 Interferences.

"(a) Whenever an application is made for a patent which, in the opinion of the Director, would interfere with any pending application, or with any unexpired patent, an interference may be declared and the Director shall give notice of such declaration to the applicants, or applicant and patentee, as the case may be. The Board of Patent Appeals and Interferences shall determine questions of priority of the inventions and may determine questions of patentability. Any final decision, if adverse to the claim of an applicant, shall constitute the final refusal by the Patent and Trademark Office of the claims involved, and the Director may issue a patent to the applicant who is adjudged the prior inventor. A final judgment adverse to a patentee from which no appeal or other review has been or can be taken or had shall constitute cancellation of the claims involved in the patent, and notice of such cancellation shall be endorsed on copies of the patent distributed after such cancellation by the Patent and Trademark Office.

(b)(1) A claim which is the same as, or for the same or substantially the same subject matter as, a claim of an issued patent may not be made in any application unless such a claim is made prior to one year from the date on which the patent was granted.

(2) A claim which is the same as, or for the same or substantially the same subject matter as, a claim of an application published under section 122(b) of this title [35 USCS § 122(b)] may be made in an application filed after the application is published only if the claim is made before 1 year after the date on which the application is published.

Consistent with its abandonment of the first-to-invent priority principle, the 2011 Act abolishes interferences. It amends Section 135 to provide for "derivation proceedings."⁵⁴

(c) Any agreement or understanding between parties to an interference, including any collateral agreements referred to therein, made in connection with or in contemplation of the termination of the interference, shall be in writing and a true copy thereof filed in the Patent and Trademark Office before the termination of the interference as between the said parties to the agreement or understanding. If any party filing the same so requests, the copy shall be kept separate from the file of the interference, and made available only to Government agencies on written request, or to any person on a showing of good cause. Failure to file the copy of such agreement or understanding shall render permanently unenforceable such agreement or understanding and any patent of such parties involved in the interference or any patent subsequently issued on any application of such parties so involved. The Director may, however, on a showing of good cause for failure to file within the time prescribed, permit the filing of the agreement or understanding during the six-month period subsequent to the termination of the interference as between the parties to the agreement or understanding.

The Director shall give notice to the parties or their attorneys of record, a reasonable time prior to said termination, of the filing requirement of this section. If the Director gives such notice at a later time, irrespective of the right to file such agreement or understanding within the six-month period on a showing of good cause, the parties may file such agreement or understanding within sixty days of the receipt of such notice.

Any discretionary action of the Director under this subsection shall be reviewable under section 10 of the Administrative Procedure Act.

(d) Parties to a patent interference, within such time as may be specified by the Director by regulation, may determine such contest or any aspect thereof by arbitration. Such arbitration shall be governed by the provisions of title 9 [9 USCS §§ 1 et seq.] to the extent such title is not inconsistent with this section. The parties shall give notice of any arbitration award to the Director, and such award shall, as between the parties to the arbitration, be dispositive of the issues to which it relates. The arbitration award shall be unenforceable until such notice is given. Nothing in this subsection shall preclude the Director from determining patentability of the invention involved in the interference."

35 U.S.C. § 135 (2006).

⁵⁴The new Section 135 is as follows:

§ 135. Derivation proceedings

"(a) INSTITUTION OF PROCEEDING.—An applicant for patent may file a petition to institute a derivation proceeding in the Office. The petition shall set

forth with particularity the basis for finding that an inventor named in an earlier application derived the claimed invention from an inventor named in the petitioner's application and, without authorization, the earlier application claiming such invention was filed. Any such petition may be filed only within the 1-year period beginning on the date of 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, shall be made under oath, and shall be supported by substantial evidence. Whenever the Director determines that a petition filed under this subsection demonstrates that the standards for instituting a derivation proceeding are met, the Director may institute a derivation proceeding. The determination by the Director whether to institute a derivation proceeding shall be final and nonappealable.

(b) DETERMINATION BY PATENT TRIAL AND APPEAL BOARD.—In a derivation proceeding instituted under subsection (a), the Patent Trial and Appeal Board shall determine whether an inventor named in the earlier application derived the claimed invention from an inventor named in the petitioner's application and, without authorization, the earlier application claiming such invention was filed. In appropriate circumstances, the Patent Trial and Appeal Board may correct the naming of the inventor in any application or patent at issue. The Director shall prescribe regulations setting forth standards for the conduct of derivation proceedings, including requiring parties to provide sufficient evidence to prove and rebut a claim of derivation.

(c) DEFERRAL OF DECISION.—The Patent Trial and Appeal Board may defer action on a petition for a derivation proceeding until the expiration of the 3-month period beginning on the date on which the Director issues a patent that includes the claimed invention that is the subject of the petition. The Patent Trial and Appeal Board also may defer action on a petition for a derivation proceeding, or stay the proceeding after it has been instituted, until the termination of a proceeding under chapter 30, 31, or 32 involving the patent of the earlier applicant.

(d) EFFECT OF FINAL DECISION.—The final decision of the Patent Trial and Appeal Board, if adverse to claims in an application for patent, shall constitute the final refusal by the Office on those claims. The final decision of the Patent Trial and Appeal Board, if adverse to claims in a patent, shall, if no appeal or other review of the decision has been or can be taken or had, constitute cancellation of those claims, and notice of such cancellation shall be endorsed on copies of the patent distributed after such cancellation.

(e) SETTLEMENT.—Parties to a proceeding instituted under subsection (a) may terminate the proceeding by filing a written statement reflecting the agreement of the parties as to the correct inventors of the claimed invention in dispute. Unless the Patent Trial and Appeal Board finds the agreement to be inconsistent with the evidence of record, if any, it shall take action consistent with

There are major differences between the two procedures as well as some similarities.

3.7.3.1. Institution; Petition. The PTO declared an interference when it determined that a patent application would interfere with either another pending application or with an unexpired patent. An applicant did not need to petition for or suggest an interference although applicants could and frequently did so, often by amending claims to copy those in a patent. See CHISUM ON PATENTS § 10.09[2][c][iv].

With the new derivation proceedings, an applicant must file a petition to institute a proceeding. The petition must meet several requirements:

(1) Particularity on Derivation by Prior Named Inventor from Application's Named Inventor; Unauthorized Prior Filing. It must set forth with particularity the basis for finding that an inventor named in an earlier application derived the claimed invention from an inventor named in the petitioner's application and filed, without authorization, the earlier application claiming such invention.

(2) Within Year of Publication of Claim. The petition must be filed within a year of "the first publication of a claim to an invention that is the same or substantially the same as the earlier application's

the agreement. Any written settlement or understanding of the parties shall be filed with the Director. At the request of a party to the proceeding, the agreement or understanding shall be treated as business confidential information, shall be kept separate from the file of the involved patents or applications, and shall be made available only to Government agencies on written request, or to any person on a showing of good cause.

(f) ARBITRATION.—Parties to a proceeding instituted under subsection (a) may, within such time as may be specified by the Director by regulation, determine such contest or any aspect thereof by arbitration. Such arbitration shall be governed by the provisions of title 9, to the extent such title is not inconsistent with this section. The parties shall give notice of any arbitration award to the Director, and such award shall, as between the parties to the arbitration, be dispositive of the issues to which it relates. The arbitration award shall be unenforceable until such notice is given. Nothing in this subsection shall preclude the Director from determining the patentability of the claimed inventions involved in the proceeding."

AIA 2011 § 3(i) (amending 35 U.S.C. § 135).

claim to the invention." This resembles the one-year rule for interferences in current Section 135(b). See CHISUM ON PATENTS § 10.09[2][c][iii].

(3) **Substantial Evidence.** The petition must be "supported by substantial evidence."

The PTO determines whether to institute a derivation proceeding, and, as with interferences, that determination is "final and nonappealable." See CHISUM ON PATENTS § 10.09[2][e].

3.7.3.2. Determination. The PTO will adopt "regulations setting forth standards for the conduct of derivation proceedings, including requiring parties to provide sufficient evidence to prove and rebut a claim of derivation."⁵⁵

In the proceedings, the Board (PTAB) determines the derivation question, that is, "whether an inventor named in the earlier application derived the claimed invention from an inventor named in the petitioner's application and, without authorization, the earlier application claiming such invention was filed."

3.7.3.3. Inventorship Correction. Amended Section 135(b) authorizes the PTAB to correct inventorship: "In appropriate circumstances, the Patent Trial and Appeal Board may correct the naming of the inventor in any application or patent at issue."⁵⁶

The amended statute provides no clue as to what would constitute "appropriate circumstances." Nor does it refer to the standards for inventorship correction of applications under Section 116 or patents under Section 256. See CHISUM ON PATENTS § 2.04. As noted below, the AIA separately amends the inventorship correction provisions. AIA ANALYSIS § 20.1.

For example, assume that second applicant B's application has a claim to invention X. First applicant A's application has a claim to same invention (X). In a derivation proceeding, the second applicant A asserts that first applicant A derived X from B and filed the first application without B's authority. Can the PTAB determine, based on the evidence of record, that A and B are joint inventors and correct the inventorship on the first application even though both A and B

⁵⁵AIA 2011 § 3(i) (amending 35 U.S.C. § 135).

⁵⁶AIA 2011 § 3(i) (amending 35 U.S.C. § 135).

vehemently deny joint inventorship?

3.7.3.4. Deferral; Patent Issue; Reexamination, Inter Partes Review and Post-Grant Review. Amended Section 135(c) authorizes the PTAB to defer action of a derivation petition in two circumstances.

First, the PTAB "may defer action on a petition for a derivation proceeding until the expiration of the 3-month period beginning on the date on which the Director issues a patent that includes the claimed invention that is the subject of the petition." Apparently, the issued patent could be to either party to the proceeding though logically it would be that to the first applicant.

Second the PTAB "may defer action on a petition for a derivation proceeding, or stay the proceeding after it has been instituted, until the termination of a proceeding under chapter 30, 31, or 32 involving the patent of the earlier applicant." Chapter 30 concerns reexamination. AIA ANALYSIS § 6.5. Chapter 31 concerns the inter partes review procedure added by the AIA; Chapter 32 concerns the post-grant review procedure added by the AIA. AIA ANALYSIS § 6.1.

3.7.3.5. Effect of Decision; Refusal; Cancellation; Other Remedies. Amended Section 135(d) provides that the PTAB's final decision adverse to an application constitutes "the final refusal by the Office on those claims."⁵⁷ Similarly, a decision adverse to a claim in a patent constitutes cancellation of the claim.

These provisions closely track those of the existing Section 135(a) on interferences.

3.7.3.6. Settlements; Arbitration. Amended Section 135(e) provides for the filing of agreements between parties; Section 135(f) provides for arbitration. These provisions for derivation proceedings closely track those for interferences. See CHISUM ON PATENTS § 10.09[1][e].

§ 4 "Inventor's Oath or Declaration"; Assignee Filing; Renumbering Section 112.

AIA Section 4 is entitled "Inventor's Oath or Declaration."

As the House Report on the AIA notes, United States patent law has long required (1) that an application for a patent on an invention be filed by the inventor,

⁵⁷AIA 2011 § 3(i) (amending 35 U.S.C. § 135).

even if the inventor has assigned (or agreed to assign) rights to the patent to another and (2) that the inventor file a prescribed oath or declaration.⁵⁸

AIA Section 4 makes a number of changes with regard to inventor oaths and declarations and to the naming of inventors. It liberalizes the right of assignees and "obligated assignees" to file applications.⁵⁹ It also rewords the important disclosure statute, Section 112.

Section 4 is effective on September 16, 2012, that is, one-year after the AIA's enactment.⁶⁰ The amendment applies to "any patent application that is filed on or after that effective date."

4.1. Amendment to Section 115; Substitute Statements. Section 115 sets forth the requirement of an inventor oath or declaration. See CHISUM ON PATENTS § 11.02[1][c].

⁵⁸The House Report notes:

"The U.S. patent system, when first adopted in 1790, contemplated that individual inventors would file their own patent applications, or would have a patent practitioner do so on their behalf. It has become increasingly common for patent applications to be assigned to corporate entities, most commonly the employer of the inventor. ... In fact, many employment contracts require employees to assign their inventions to their employer.

"Current law still reflects the antiquated notion that it is the inventor who files the application, not the company-assignee. For example, every inventor must sign an oath as part of the patent application stating that the inventor believes he or she is the true inventor of the invention claimed in the application. ... By the time an application is eventually filed, however, the applicant filing as an assignee may have difficulty locating and obtaining every inventor's signature for the statutorily required oath. Although the USPTO has adopted certain regulations to allow filing of an application when the inventor's signature is unobtainable, ... many have advocated that the statute be modernized to facilitate the filing of applications by assignees."

H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 43 (June 1, 2011).

⁵⁹"The Act updates the patent system by facilitating the process by which an assignee may file and prosecute patent applications. It provides similar flexibility for a person to whom the inventor is obligated to assign, but has not assigned, rights to the invention (the 'obligated assignee')." H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 43-44 (June 1, 2011).

⁶⁰"The amendments made by this section shall take effect upon the expiration of the 1-year period beginning on the date of the enactment of this Act and shall apply to any patent application that is filed on or after that effective date." AIA 2011 § 4(e).

AIA Section 4(a)(1) significantly rewords Section 115.⁶¹ The old and new versions of Section 115 are set forth in Appendix D.

As under current law, Section 115 requires that an application "include, or be amended to include, the name of the inventor for any invention claimed in the application" and that each individual named as an inventor execute an oath or declaration with "required statements," including that "the individual believes himself or herself to be the original inventor or an original joint inventor of a claimed invention in the application."

Among the changes, amended Section 115 authorizes a "substitute statement" in lieu of an oath or declaration under defined circumstances.⁶²

4.2. Amendment to Section 118; Filing by Assignee or Obligated Assignees. Prior to the 2011 amendment, Section 118 allowed a party other than an inventor to apply for patent as an agent of the inventor but only under limited circumstances.⁶³ See CHISUM ON PATENTS § 11.02[2][b].

AIA Section 4(b)(1) amends Section 118 to state directly that "A person to whom the inventor has assigned or is under an obligation to assign the invention

⁶¹AIA 2011 § 4(a)(1) (amending 35 U.S.C. § 115).

⁶²The House Committee Report notes:

"Section 115 of title 35 is amended to allow a substitute statement to be submitted in lieu of an inventor's oath when either the inventor (i) is unable to submit an oath, or (ii) is both unwilling to do so and under an obligation to assign the invention. If an error is discovered, the statement may later be corrected. A savings clause is included to prevent an invalidity or unenforceability challenge to the patent based on failure to comply with these requirements, provided that any error has been remedied. Willful false statements remain punishable, however, under Federal criminal laws."

H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 44 (June 1, 2011).

⁶³"Whenever an inventor refuses to execute an application for patent, or cannot be found or reached after diligent effort, a person to whom the inventor has assigned or agreed in writing to assign the invention or who otherwise shows sufficient proprietary interest in the matter justifying such action, may make application for patent on behalf of and as agent for the inventor on proof of the pertinent facts and showing that such action is necessary to preserve the rights of the parties or to prevent irreparable damage; and the Director may grant a patent to such inventor upon such notice to him as the Director deems sufficient, and on compliance with such regulations as he prescribes." 35 U.S.C. § 118 (2006).

may make an application for patent."⁶⁴ Also, as under the old Section 118, a person who "otherwise shows sufficient proprietary interest" may apply "as an agent for the inventor."

Amended Section 118 refers to an "obligation to assign," unlike the prior version, which refers to an inventor "who agreed in writing to assign."

4.3. Section 112 Subsections. Section 112, which prescribes requirements for a "specification" to be filed with an application, contains multiple important requirements on the disclosure and claiming of an invention.

In the first paragraph, Section 112 separately imposes:

(1) an enablement requirement, see CHISUM ON PATENTS § 7.03;

(2) a written description requirement, see CHISUM ON PATENTS § 7.04;

and

(3) a best mode requirement, see CHISUM ON PATENTS § 7.05.

The second paragraph imposes a definiteness in claiming requirement. See CHISUM ON PATENTS § 8.03. The third, fourth, and fifth paragraphs authorize dependent and independent claims. CHISUM ON PATENTS § 8.05. The sixth paragraph governs "means-plus-function" claims. See CHISUM ON PATENTS § 8.04[2], § 18.03[5].

Because the paragraphs were undesignated, it has been the practice to cite Section 112 by paragraph, for example, citing Section 112(2) (or Section 112, second paragraph) on claim definiteness and Section 112(6) on means-plus-function clauses.

AIA Section 4(c) rewords Section 112 to add references to "a joint inventor," to eliminate the gender bias ("his invention") and to eliminate references to "the applicant." The last reflects the change in allowing persons other than inventors to be applicants.

⁶⁴AIA 2011 § 4(b)(1) (amending 35 U.S.C. § 118).

The House Report notes:

"Section 118 of title 35 is also amended to make it easier for an assignee to file a patent application. The amendment now allows obligated assignees—entities to which the inventor is obligated to assign the application—to file applications, as well. It also allows a person who has a sufficient proprietary interest in the invention to file an application to preserve that person's rights and those of the inventor."

H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 44 (June 1, 2011).

Section 4(c) also designates the paragraphs as (a) through (f).⁶⁵ With the changes in bold, Section 112 as amended reads:

"§ 112. Specification.

(a) In General.—The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor **or joint inventor** of carrying out the invention.

(b) Conclusion.—The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which **inventor or a joint inventor regards as the invention.**

(c) Form.—A claim may be written in independent or, if the nature of the case admits, in dependent or multiple dependent form.

(d) Reference in Dependent Forms. Subject to **subsection (e)**, a claim in dependent form shall contain a reference to claim previously set forth and then specify a further limitation of the subject matter claimed. A claim in dependent form shall be construed to incorporate by reference all the limitations of the claim to which it refers.

(e) Reference in Multiple Dependent Form.—A claim in multiple dependent form shall contain a reference, in the alternative only, to more than one claim previously set forth and then specify a further limitation of the subject matter claimed. A multiple dependent claim shall not serve as a basis for any other multiple dependent claim. A multiple dependent claim shall be construed to incorporate by reference all the limitations of the particular claim in relation to which it is being considered.

(f) Element in Claim for a Combination. An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof."

To reflect the subsectioning of Section 112, the Act makes conforming

⁶⁵AIA 2011 § 4(c) (amending 35 U.S.C. § 112).

amendments to Section 111(b) on the requirements for provisional applications.⁶⁶

§ 5 "Defense to Infringement Based on Prior Commercial Use."

Whether the United States should adopt a "prior user right" comparable to that existing in other major patent systems has been an intense controversy for a long time.

The right protects against infringement liability those who begin nonpublic use of technology later patented by another person before that person filed an application. As implemented in first-to-file patent systems, the prior user right is necessary only as to nonpublic uses by persons other than the inventor or patent holder. A pre-filing date public commercial use invalidates a patent, making an exception to infringement liability unnecessary.

On the one hand, segments of industry have favored the right, arguing, *inter alia*, that patent systems in Europe and elsewhere have such a right, that the right tends to favor domestic industry as a national-based right that constitutes a limitation on all patent rights, including those held by foreign industry, and that the right protects good faith implementation of independently-developed technology.

On the other hand, others, especially including independent inventors and universities, have opposed the right, arguing, *inter alia*, that the right diminishes the value of patents and provides no benefit to patent holders who do not directly commercialize technology.

In 1999, Congress adopted a form of prior user right as Section 273, but the right was extremely limited in scope, applying only to patent claims to methods of doing or conducting business. See CHISUM ON PATENTS § 16.03[4].

The AIA's Section 5 amends and broadens Section 273.⁶⁷ The amendment is

⁶⁶AIA 2011 § 4(d) (amending 35 U.S.C. § 111).

The amendments changed "the first paragraph of section 112 of this title" to "section 112(a)" and "the second through fifth paragraphs of section 112" to "subsections (b) through (e) of section 112."

⁶⁷The House Report characterizes amended Section 273 as a "narrow expansion of prior-user rights, which "balances the interests of patent holders, including universities, against the legitimate concerns of businesses that want to avoid infringement suits relating to processes that they developed and used prior to another party acquiring related patents." The Report notes:

"Under current law, 'prior user rights' may offer a defense to patent infringement when the patent in question is a 'business method patent' [[see] 35 U.S.C. §273(a)(3) [which] states: 'The term 'method' means a method of doing or

effective for "any patent issued on or after the date of the enactment of this Act."⁶⁸
The enactment date was September 16, 2011.

5.1 General Scope; Good Faith Use in Manufacturing or Other Commercial Processes; Use before Filing Date or Inventor Disclosure Date.
Amended Section 273(a) sets forth the requirements that a "person" must meet to "be entitled to a defense under section 282(b)."⁶⁹

5.1.1 Subject Matter. The prior commercial use defense concerns "subject matter consisting of a process, or consisting of a machine, manufacture, or composition of matter used in a manufacturing or other commercial process." Thus, the defense does not extend to a product made and sold though it can extend to a process or machine used to make such a product.

conducting business.]) and its inventor uses the invention, but never files a patent application for it. ... If the same invention is later patented by another party, the prior user may not be liable for infringement to the new patent holder, although all others may be.

"Many countries include a more expansive prior-user rights regime within their first-to-file system. In the United States, this is particularly important to high-tech businesses that prefer not to patent every process or method that is part of their commercial operations. The Act responds to this point by revising US law as follows: First, the prior-use defense may be asserted against any patent (not just method patents), provided the person asserting the defense reduced the subject matter of the patent to practice and commercially used the subject matter at least 1 year before the effective filing date of the patent. Second, the defense cannot be asserted if the subject matter was derived from the patent holder or persons in privity with the patent holder. And third, the defense cannot be asserted unless the prior user both reduced the subject matter of the patent to practice and commercially used it at least 1 year before the effective filing date of the patent or the date that the patentee publicly disclosed the invention and invoked the § 102(b) grace period, whichever is earlier."

H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 44 (June 1, 2011).

⁶⁸AIA 2011 § 5(c) ("The amendments made by this section shall apply to any patent issued on or after the date of the enactment of this Act.").

⁶⁹AIA 2011 § 5(a) (amending 35 U.S.C. § 273(a)).

A separate section of the AIA re-designates language in Section 282 on "Defenses" as subsection 282(b). AIA 2011 § 20(g)(2). See AIA ANALYSIS § 20.5.

5.1.2. Good Faith. Amended Section 273(a)(1) requires that the person act "in good faith." It is not crystal clear what will negate such good faith. A separate limitation discussed below negates the defense when the user derived the subject matter from the patent owner.

5.1.3. Commercial Use in United States; Internal Use or Transfer of Useful End Result. Amended section 273(a)(1) further requires that the person use the subject matter "commercially ... in the United States." That use must be either (1) "in connection with an internal commercial use" or (2) "an actual arm's length sale or other arm's length commercial transfer of a useful end result of such commercial use."

5.1.4 Timing; One Year Before Filing or Inventor's Section 102(b) Public Disclosure. Amended Section 273(a)(2) requires that the person's commercial use occur at least one year before the earlier of two dates. The first is "the effective filing date of the claimed invention." The second is "the date on which the claimed invention was disclosed to the public in a manner that qualified for the exception from prior art under section 102(b)."

As discussed above, an inventor's "grace period" public disclosure can be up to one year before the filing date.

On policy grounds, the one-year requirement can be questioned because it appears to punish those who behave according to the goals of the patent system. In first-to-file systems, a prior user right acts as a consolation prize for those who are original (often first) inventors but file just a little too late. The AIA's one-year rule rewards only those who eschew disclosure to the public through patent system in favor of long-term commercial trade secrecy

An example based on an actual case illustrates the point.⁷⁰ In simplified form, the fact pattern was:

1. November 1990: Company S conceives and reduces to practice product KBS.
2. November 1990: S begins tooling for a product; in the industry, such tooling takes up to six months.
3. Feb. 1991: Inventor F files application.
4. March 1991: S patent attorney begins drafting a patent; the inventors review the application.

⁷⁰Flex-Rest, LLC v. Steelcase, Inc., 455 F.3d 1351 (Fed. Cir. 2006).

5. May 1999: S files an application.

6. Later: F obtains a patent with broad claims that cover KBS.

F sues S for infringement.

Under the old law, the result was that F's patent was held invalid because of S's "prior invention in this country" (§ 102(g)). There was no need for a prior user right to protect the interests of the second filer (S).

Under the AIA, there will be no prior invention defense. If S made no sufficiently public disclosure before F's filing, F's patent will not be invalid. However, there would be no prior user defense for S because of the one-year rule even though S had begun commercial development before F's filing date.

5.2 Burden of Proof. Amended Section 273(b) requires a person to establish the defense by the elevated proof standard of "clear and convincing evidence."

5.3 Additional Commercial Uses. Amended Section 273(c) adds two categories of "additional commercial uses": (1) "premarketing regulatory review,"⁷¹ and (2) "nonprofit laboratory use."⁷²

5.4 Exhaustion of Rights. The doctrine of patent exhaustion dictates that a sale of a patented product by the authority of a patent owner "exhausts" the owner's

⁷¹Amended Section 273(c)(1) provides:

"(1) Premarketing regulatory review.— Subject matter for which commercial marketing or use is subject to a premarketing regulatory review period during which the safety or efficacy of the subject matter is established, including any period specified in section 156(g), shall be deemed to be commercially used for purposes of subsection (a)(1) during such regulatory review period."

AIA 2011 § 5(a) (amending 35 U.S.C. § 273).

⁷²Amended Section 273(c)(2) provides:

"(2) Nonprofit laboratory use.—A use of subject matter by a nonprofit research laboratory or other nonprofit entity, such as a university or hospital, for which the public is the intended beneficiary, shall be deemed to be a commercial use for purposes of subsection (a)(1), except that a defense under this section may be asserted pursuant to this paragraph only for continued and noncommercial use by and in the laboratory or other nonprofit entity."

AIA 2011 § 5(a) (amending 35 U.S.C. § 273).

rights as to that particular product. The patent owner cannot assert infringement by downstream purchasers or users of the product. See CHISUM ON PATENTS § 16.03[1][a].

Amended Section 273(d) provides that a sale by a person entitled to assert the Section 273 defense "shall exhaust the patent owner's rights" to the same extent that the sale would have exhausted the rights if the sale had been by the patent owner.⁷³

5.5 Limitations and Exceptions. Amended Section 273(e) provides "limitations and exceptions" to the defense.

5.5.1 Personal. Amended Section 273(e)(1) restricts the defense in three ways to assure that it is "personal."

5.5.1.1 Performing Person; Common Control. First, Section 273(e)(1)((A) provides that the defense is only available to the "person" performing or directing the use or to a entity under common control.⁷⁴

5.5.1.2 Transfer. Second, Section 273(e)(1)((B) limits transfers of the defense to transfers in connection with an "entire enterprise" or "line of business to which the defense relates."⁷⁵

⁷³AIA 2011 § 5(a) (amending 35 U.S.C. § 273).

⁷⁴Amended Section 273(e)(1)(A) provides:

"(A) In general.—A defense under this section may be asserted only by the person who performed or directed the performance of the commercial use described in subsection (a), or by an entity that controls, is controlled by, or is under common control with such person."

AIA 2011 § 5(a) (amending 35 U.S.C. § 273).

⁷⁵Amended Section 273(e)(1)(B) provides:

"(B) Transfer of right.—Except for any transfer to the patent owner, the right to assert a defense under this section shall not be licensed or assigned or transferred to another person except as an ancillary and subordinate part of a good-faith assignment or transfer for other reasons of the entire enterprise or line of business to which the defense relates."

AIA 2011 § 5(a) (amending 35 U.S.C. § 273).

5.5.1.3 Sites. Third, Section 273(e) (1)(C) blocks expansion of the defense to new "sites," that is, sites other than those at which the subject matter was used before the later of (1) the filing date or (2) the date of a transfer.⁷⁶

5.5.2 Derivation. Amended Section 273(e) bars the defense if "the subject matter on which the defense is based was derived from the patentee or persons in privity with the patentee."⁷⁷

5.5.3 "Not a General License"; Quantity of Use; Improvements. Amended Section 273(e)(3) declares that the defense "is not a general license under all claims of the patent at issue."⁷⁸

Rather, the defense "extends only to the specific subject matter for which it has been established that a commercial use that qualifies under this section occurred."

As exceptions, the defense "also extend[s]" to two situations. First, it extends "to variations in the quantity or volume of use of the claimed subject matter." Second, it extends "to improvements in the claimed subject matter that do not infringe additional specifically claimed subject matter of the patent."

5.5.4 Abandonment. Amended Section 273(e)(4) bars the defense if the person abandoned the commercial use.⁷⁹

⁷⁶Amended Section 273(e)(1)(C) provides:

"(C) Restriction on sites.—A defense under this section, when acquired by a person as part of an assignment or transfer described in subparagraph (B), may only be asserted for uses at sites where the subject matter that would otherwise infringe a claimed invention is in use before the later of the effective filing date of the claimed invention or the date of the assignment or transfer of such enterprise or line of business."

AIA 2011 § 5(a) (amending 35 U.S.C. § 273)

⁷⁷AIA 2011 § 5(a) (amending 35 U.S.C. § 273).

⁷⁸AIA 2011 § 5(a) (amending 35 U.S.C. § 273).

⁷⁹Amended Section 273(e)(4) provides:

"(4) Abandonment of use.—A person who has abandoned commercial use (that qualifies under this section) of subject matter may not rely on activities performed before the date of such abandonment in establishing a defense under

5.5.5 "University Exception." Amended Section 273(e)(4) provides a "University exception" to the defenses for patents on inventions made institutions of higher education and then provides an exception to that exception.⁸⁰

The exception is clearly a bone thrown to a particular interest group (that representing universities), which actively lobbied against prior user rights. Giving even marginally greater rights selectively to one category of patent owner, as this section does, compromises the general principles of neutrality and generality that have characterized the United States patent system throughout its history.

5.6 Unreasonable Assertion of Defense. Amended Section 273(f) mandates an award of attorney fees against an infringer who "fails to demonstrate a reasonable basis for asserting the defense."⁸¹

Generally, Section 285 provides for awards of fees only in "exceptional cases" and in the discretion of a district court. Case law requires that a party prove that a case is "exceptional" by clear and convincing evidence. CHISUM ON PATENTS § 20.03[3][c].

Section 273(f) inverts the burden of proof for one particular defense, prior user rights, and can only be rationalized as a political compromise offered to

this section with respect to actions taken on or after the date of such abandonment."

AIA 2011 § 5(a) (amending 35 U.S.C. § 273).

⁸⁰Amended Section 273(e)(5) provides:

"(5) University exception.—

(A) In general.—A person commercially using subject matter to which subsection (a) applies may not assert a defense under this section if the claimed invention with respect to which the defense is asserted was, at the time the invention was made, owned or subject to an obligation of assignment to either an institution of higher education (as defined in section 101(a) of the Higher Education Act of 1965 (20 U.S.C. 1001(a)), or a technology transfer organization whose primary purpose is to facilitate the commercialization of technologies developed by one or more such institutions of higher education.

(B) Exception.—Subparagraph (A) shall not apply if any of the activities required to reduce to practice the subject matter of the claimed invention could not have been undertaken using funds provided by the Federal Government."

AIA 2011 § 5(a) (amending 35 U.S.C. § 273).

⁸¹AIA 2011 § 5(a) (amending 35 U.S.C. § 273).

interest groups that opposed prior user rights.

5.7 Invalidity. Amended Section 273(g) clarifies that a prior use defense does not equate to a determine of invalidity.⁸² The defense focuses on activity that is commercial but not public enough to constitute prior art under Section 102 or Section 103.

As discussed above, secret commercial use by an inventor may constitute an invalidity "public use" or "on sale" activity. But such use by a third party is treated differently and does not constitute an invalidating event. CHISUM ON PATENTS § 6.02[5][c].

§ 6 "Post-Grant Review Proceedings"; Inter Partes Review; Citing Patent Owner Statements on Claim Scope.

Examination of patent applicants' claims for compliance with the standards of patentability historically has been conducted on an ex parte basis in the Patent Office (which was renamed in 1975 as the Patent and Trademark Office).

"Ex parte" examination means that an applicant presses claims and the PTO examiners and Board neutrally assess the claims in a quasi-judicial manner. Potentially interested third-parties have had little or no role.

Before 1980, some limited "inter partes" proceedings existed, including interferences and public use proceedings. CHISUM ON PATENTS § 10.01, § 11.03[3]. Interferences could entail assessment of an issued patent, but otherwise the PTO had no role in assessing whether claims in an issued patent were valid.

In 1980, Congress enacted a new "reexamination" procedure, which a third-party could initiate but that otherwise proceeded on an ex parte basis. Reexamination allowed for PTO assessment of patentability, focusing on prior art not sufficiently considered during the original examination of a patent. The House Report on the 2011 Act notes that reexamination contained limitations "that later proved to make it a less viable alternative to litigation for evaluating patent validity than Congress intended."⁸³

⁸²"A patent shall not be deemed to be invalid under section 102 or 103 solely because a defense is raised or established under this section." AIA 2011 § 5(a) (amending 35 U.S.C. § 273).

⁸³The House Committee Report notes:
"Nearly 30 years ago, Congress created the administrative 'reexamination'

In 1999, Congress enacted an "inter partes" reexamination procedure. But, as the House Committee Report notes, the procedure was a party to which few came.⁸⁴

process, through which the USPTO could review the validity of already-issued patents on the request of either the patent holder or a third party, ... in the expectation that it would serve as an effective and efficient alternative to often costly and protracted district court litigation. ... Reexamination requires the USPTO to review the patent in light of a substantial new question of patentability not presented during the original examination. ...The initial reexamination statute had several limitations that later proved to make it a less viable alternative to litigation for evaluating patent validity than Congress intended. First, a reexamination request could only be based on prior art, and could not be based on prior public use or prior sales. Moreover, the requestor could not raise any challenge based on § 101 (utility, eligibility) or § 112 (indefiniteness, enablement, written description, best mode). A third party alleging a patent is invalid, therefore, had fewer challenges it could raise in the proceeding and, therefore, may instead opt to risk infringement and litigate the validity of the patent in court. Second, in the original reexamination system, the third-party challenger had no role once the proceeding was initiated, while the patent holder had significant input throughout the entire process. Third, a challenger that lost at the USPTO under reexamination had no right to appeal an examiner's, or the Patent Board's, decision either administratively or in court. Restrictions such as these made reexamination a much less favored avenue to challenge questionable patents than litigation. Reexamination proceedings are also often costly, taking several years to complete, ... and are first conducted by examiners and, if the patent is rejected, then by Patent Board judges. Thus, many patents must go through two rounds of administrative review (one by the examiner, and a second by the Patent Board) adding to the length of the proceeding."

H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 45 (June 1, 2011).

The Committee further noted:

"For several years, the standard practice at the USPTO was to assign the reexamination to the patent examiner who had originally examined that patent. In addition, the same third-party requester could file multiple, serial reexaminations based on the same 'substantial new question of patentability,' so long as the initial reexamination was not complete. More recently, the USPTO ended some of these procedures, and now reexaminations are handled by a Central Reexamination Unit (CRU), and subsequent serial reexamination, based on the same 'substantial new question of patentability,' is no longer permitted. *See, e.g.,* Manual of Patent Examining Procedure (MPEP) §§ 2236 and 2240 (August 2006)."

House Report at 45 n.3.

⁸⁴The House Committee Report noted:

"In 1999, Congress created a second reexamination procedure—called *inter partes*

In the 2011 Act, Congress responded to the inadequacies of reexamination and ex parte examination by amending the reexamination statutes and by "creat[ing] adjudicative systems of post-grant and inter partes review." The systems will be implemented only gradually.

The 2011 Act renames inter partes reexamination in Chapter 31 of Title 35 as "Inter Partes Review" and amends its provisions.⁸⁵ The Act adds a new inter partes procedure entitled "Post-Grant Review," which is new Chapter 32.⁸⁶

The two procedures have identically entitled sections from 311 to 319 for "inter partes" review and from 321 to 329 for "post-grant review."

The most important distinctions between the two procedures are the available grounds and the time frame. "Post-grant" review is for broader grounds of unpatentability than with "inter partes" review but is subject to a time restriction (nine months from patent issue).

6.1.1 Grounds. The grounds for "inter partes review" are more limited than those for "post grant" review.

6.1.1.1 Inter Partes Review: Patents and Publications.

reexamination—that gave third-party challengers greater input throughout the proceeding by permitting them to respond to every pleading submitted by the patent holder. ... Congress also eventually gave third-party challengers the right to appeal adverse decisions. ...

"As part of the 1999 improvements to reexamination, Congress directed the USPTO to submit a report to Congress evaluating the inter partes reexamination process and making any recommendations for changes. ... Initially, the USPTO projected that in the first year after the creation of inter partes reexamination, it would receive 400 such requests and it projected that by 2004 it would receive nearly 600. ... No inter partes reexamination requests were actually filed in 2000 and only 27 such requests had been filed by 2004. ... Over the 5-year period studied by the USPTO, it issued 900,000 patents and received only 53 requests for inter partes reexamination."

H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 46 (June 1, 2011).

⁸⁵AIA 2011 § 6(a).

See H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 46-47 (June 1, 2011) (" The Act converts inter partes reexamination from an examinational to an adjudicative proceeding, and renames the proceeding "inter partes review.").

⁸⁶AIA 2011 § 6(d).

Amended Section 311(b) continues the restriction of reexamination to documentary prior art: patents and printed publications. CHISUM ON PATENTS § 11.07[4][c][ii].

Section 311(b) provides:

"(b) Scope.—A petitioner in an inter partes review may request to cancel as unpatentable 1 or more claims of a patent only on a ground that could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications."⁸⁷

This scope omits important grounds for attacking the patentability of a claim, including Section 112 inadequate disclosure and Section 101 patent-eligible subject matter.

The scope also requires distinguishing among the categories of prior art listed in new Section 102(a), which includes, in addition to "patented [and] described in a printed publication," the further events of "in public use, on sale, or otherwise available to the public."⁸⁸ This distinction is discussed above at AIA ANALYSIS § 2.3.1 and § 2.3.3.1.

6.1.1.2 Post Grant Review: All Grounds of Unpatentability.

New Section 321(b) allows a full spectrum of challenges to the patentability of a claim.

Section 321(b) provides:

"(b) Scope.—A petitioner in a post-grant review may request to cancel as unpatentable 1 or more claims of a patent on any ground that could be raised under paragraph (2) or (3) of section 282(b) (relating to invalidity of the patent or any claim)."⁸⁹

As amended by the AIA, see AIA ANALYSIS § 15, § 20.5, Section 282(b)(2) and (3) provide that the following are "defenses in any action involving the validity or infringement of a patent":

"(2) Invalidity of the patent or any claim in suit on any ground

⁸⁷AIA 2011 § 6(a) (amending 35 U.S.C. § 311(b)).

⁸⁸See H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 46 n.42 (June 1, 2011) ("The scope of 'patent and printed publication' prior art in the amended section 301 is intended to be coextensive with these terms in current section 102 of the title 35. Further, amendments made by Section 2 of the Act, which expand and contract the definition of certain other forms of prior art, are not intended to change the particular "patent or printed publication" prior art, which will continue to be the sole basis for initiating reexamination proceedings.").

⁸⁹AIA 2011 § 6(d) (adding 35 U.S.C. § 321(b)).

specified in part II of this title as a condition for patentability,
(3) Invalidity of the patent or any claim in suit for failure to comply with—

"(A) any requirement of section 112, except that the failure to disclose the best mode shall not be a basis on which any claim of a patent may be canceled or held invalid or otherwise unenforceable; or

"(B) any requirement of section 251."⁹⁰

The Part II "conditions" referred to in Section 282(b)(2) include Sections 101, 102 and 103.

The exclusion of "best mode" as a defense is discussed below. See AIA ANALYSIS § 15.

6.1.2 Timing. A "post-grant" review is available for a much more constrained time period than "inter partes" review.

6.1.2.1 Inter Partes Review; From Nine Months After Issue On; Termination of Post Grant Review; Related Proceedings. For inter partes review, Section 311(c) allows a petition only after nine months from issue (or reissue) or from termination of any "post-grant review."

Section 311(c) provides:

"(c) Filing Deadline.—A petition for inter partes review shall be filed after the later of either—

(1) the date that is 9 months after the grant of a patent or issuance of a reissue of a patent; or

(2) if a post-grant review is instituted under chapter 32, the date of the termination of such post-grant review."⁹¹

A petition for inter partes review can be filed any time thereafter except as provided in Section 315 on related proceedings, discussed below.

6.1.2.2 Post-Grant Review: Nine Month Limitation. For post-grant review, Section 321(c) allows a petition only if it is filed within nine months of a patent's grant or reissue.

⁹⁰AIA 2011 § 15(g), § 20(g) (amending 35 U.S.C. § 282).

⁹¹AIA 2011 § 6(a) (amending 35 U.S.C. § 311).

Section 321(c) provides:

"(c) Filing Deadline.—A petition for a post-grant review may only be filed not later than the date that is 9 months after the date of the grant of the patent or of the issuance of a reissue patent (as the case may be)."⁹²

Some versions of the proposed legislation that became the AIA specified a 12 month period rather than a nine month version.⁹³ The nine-month period is the same as that for post-grant review under the European Patent Convention.⁹⁴

6.2 Effective Dates; Transition. The amendments providing for the two proceedings are effective one year after enactment (that is, on September 16, 2012).⁹⁵

On the effective date, inter partes review will apply to any patent, that is, one

⁹²AIA 2011 § 6(d) (adding 35 U.S.C. § 321(c)).

⁹³The House Report discusses a 12 month period. See H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 47-48 (June 1, 2011):

"The Act ... creates a new post-grant opposition procedure that can be utilized during the first 12 months after the grant of a patent or issue of a reissue patent. Unlike reexamination proceedings, which provide only a limited basis on which to consider whether a patent should have issued, the post-grant review proceeding permits a challenge on any ground related to invalidity under section 282. The intent of the post-grant review process is to enable early challenges to patents, while still protecting the rights of inventors and patent owners against new patent challenges unbounded in time and scope. The Committee believes that this new, early-stage process for challenging patent validity and its clear procedures for submission of art will make the patent system more efficient and improve the quality of patents and the patent system. This new, but time-limited, post-grant review procedure will provide a meaningful opportunity to improve patent quality and restore confidence in the presumption of validity that comes with issued patents in court."

⁹⁴See European Patent Convention Article 99(1) ("Within nine months from the publication of the mention of the grant of the European patent, any person may give notice to the European Patent Office of opposition to the European patent granted. Notice of opposition shall be filed in a written reasoned statement. It shall not be deemed to have been filed until the opposition fee has been paid.").

⁹⁵AIA 2011 § 6(c)(2)(1).

issued before, on or after the effective date.⁹⁶

Post-grant review will apply, with two exceptions, only to patents "described in section 3(n)(1)," that is, patent claims based on applications filed on or after 18 months after enactment (March 16, 2013).⁹⁷ AIA ANALYSIS § 2.1. The first exception is for certain pending interferences.⁹⁸ The second is for Section 18, discussed below, on "transitional post-grant review" of business method patents. See AIA ANALYSIS § 18.1.1.1.

AIA Section 6(c)(2)(B) provides for "Graduated implementation," limiting

⁹⁶AIA 2011 § 6(c)(2)(1) ("The amendments made by subsection (a) shall take effect upon the expiration of the 1-year period beginning on the date of the enactment of this Act and shall apply to any patent issued before, on, or after that effective date.").

⁹⁷AIA 2011 § 6(f)(1)(b) ("The amendments made by subsection (d) shall take effect upon the expiration of the 1-year period beginning on the date of the enactment of this Act and, except as provided in section 18 and in paragraph (3), shall apply only to patents described in section 3(n)(1).")

The text of AIA 2011 Section 3(n)(1) is set forth in Appendix A

⁹⁸AIA 2011 § 6(f)(3):

(3) Pending interferences.----

(A) Procedures in general.--The Director shall determine, and include in the regulations issued under paragraph (1), the procedures under which an interference commenced before the effective date set forth in paragraph (2)(A) is to proceed, including whether such interference--

(i) is to be dismissed without prejudice to the filing of a petition for a post-grant review under chapter 32 of title 35, United States Code; or

(ii) is to proceed as if this Act had not been enacted.

(B) Proceedings by patent trial and appeal board.--For purposes of an interference that is commenced before the effective date set forth in paragraph (2)(A), the Director may deem the Patent Trial and Appeal Board to be the Board of Patent Appeals and Interferences, and may allow the Patent Trial and Appeal Board to conduct any further proceedings in that interference.

(C) Appeals.--The authorization to appeal or have remedy from derivation proceedings in sections 141(d) and 146 of title 35, United States Code, as amended by this Act, and the jurisdiction to entertain appeals from derivation proceedings in section 1295(a)(4)(A) of title 28, United States Code, as amended by this Act, shall be deemed to extend to any final decision in an interference that is commenced before the effective date set forth in paragraph (2)(A) of this subsection and that is not dismissed pursuant to this paragraph."

the number of inter partes reviews for four years.⁹⁹ Section 6(f)(2)(B) allows the PTO to limit the number of post-grant reviews.¹⁰⁰

AIA Section 6(c)(3) amends existing inter partes reexamination for the one year period after enactment (September 16, 2011) and before the inter partes review takes effect (September 16, 2011), substituting for the prior reexamination standard ("substantial new question of patentability") the new standard discussed below ("reasonable likelihood that the requester would prevail with respect to at least 1 of the claims challenged in the request").¹⁰¹

6.3 Procedures and Requirements. The statutory provisions on procedures and requirements are similar, indeed largely identical, for "inter partes" review and "post-grant review."

6.3.1 Petition. A petition under either form of review must contain prescribed information and, of course, be accompanied by a fee.¹⁰²

6.3.1.1 Real Parties In Interest. The petition must identify "all real parties in interest."¹⁰³ Thus, unlike ex parte reexamination, an agent or attorney cannot request reexamination in the interest of an undisclosed principal or client. CHISUM ON PATENTS § 11.07[4][b][i].

⁹⁹AIA 2011 § 6(c)(2)(B) ("The Director may impose a limit on the number of inter partes reviews that may be instituted under chapter 31 of title 35, United States Code, during each of the first 4 1-year periods in which the amendments made by subsection (a) are in effect, if such number in each year equals or exceeds the number of inter partes reexaminations that are ordered under chapter 31 of title 35, United States Code, in the last fiscal year ending before the effective date of the amendments made by subsection (a).").

¹⁰⁰AIA 2011 § 6(f)(2)(B) ("The Director may impose a limit on the number of post-grant reviews that may be instituted under chapter 32 of title 35, United States Code, during each of the first 4 1-year periods in which the amendments made by subsection (d) are in effect.")

¹⁰¹AIA 2011 § 6(c)(3).

¹⁰²AIA 2011 § 6(a) (amending 35 U.S.C. § 312); AIA 2011 § 6(d) (adding 35 U.S.C. § 322).

In this discussion of procedures and requirements (§ 6.3), the pertinent provisions will be cited by section number only.

¹⁰³§ 312(a)(2); § 322(a)(2).

Identifying the real parties in interest is important for, inter alia, determining the estoppel effect of a decision during the review, as discussed below.

6.3.1.2 Identifying Claims and Grounds; Particularity;

Evidence. The petition must identify "in writing and with particularity": (1) "each claim challenged," (2) "the grounds on which the challenge to each claim is based" and (3) "the evidence that supports the grounds for the challenge to each claim."¹⁰⁴

The requirement that the identification be "in writing" is only rhetorically significant because a filed petition would naturally be either in a traditional or electronic writing form. The phrase emphasizes that the required identification should be very particular, clear and detailed. Thus, a general statement, such as "claim 15 is unpatentable as anticipated or obvious in view of references A, B and/or C" will likely *not* be deemed sufficient.

A better statement would be in substance a claim chart, mapping the limitations of a claim onto one or more prior art references with an indication why any limitation not found explicitly in a single reference would be an obvious substitution or modification.

The evidence must include copies of the patents and printed publications on which the petitioner relies. It must include "affidavits or declarations of supporting evidence and opinions," if the petitioner relies on "expert opinions" or, in the case of post-grant review, "other factual evidence."¹⁰⁵

The PTO may by regulation require "other information" in the petition.¹⁰⁶

6.3.1.3 Copies to Patent Owner; Available to the Public. The petitioner must provide copies of the required documents to the patent owner.¹⁰⁷

The PTO makes the petition available to the public "[a]s soon as practicable."¹⁰⁸

6.3.2 Patent Owner's Preliminary Response. Within a period set by

¹⁰⁴ § 312(a)(3); § 322(a)(3).

¹⁰⁵ § 312(a)(3); § 322(a)(3).

¹⁰⁶ § 312(a)(4); § 322(a)(4).

¹⁰⁷ § 312(a)(5); § 322(a)(5).

¹⁰⁸ § 312(b); § 322(b).

the PTO, the patent owner has the right "to file a preliminary response to the petition." The response "sets forth reasons why no inter partes review should be instituted based upon the failure of the petition to meet any requirement of" chapter 31 (for inter partes review)¹⁰⁹ or chapter 32 (for post-grant review).¹¹⁰

In ex parte examination, the PTO did not allow a patent owner response prior to a determination whether a reexamination request established a substantial new question of patentability. CHISUM ON PATENTS § 11.07[4][c][i]. After the PTO ordered reexamination, a patent owner could file a preliminary response. CHISUM ON PATENTS § 11.07[4][d][i]. Many patent owners opted not to file such a statement because that would trigger a right of a third-party requester to file a response.

6.3.3 Institution of Review. The PTO determines whether an inter parties (or post-grant) review should be instituted.

6.3.3.1 Threshold; Reasonable Likelihood; More Likely Than Not. For both types of review, the PTO makes a "threshold" determination, but the threshold for the two proceedings differs.

For an inter partes review, that is, one filed at any time but based only patents and printed publications, the threshold is:

"the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition."¹¹¹

The House Report characterizes this "reasonable likelihood" standard as higher than the "new question of patentability" standard used for reexamination.¹¹²

¹⁰⁹§ 313.

¹¹⁰§ 323.

¹¹¹§ 314(a).

¹¹²"The threshold for initiating an inter partes review is elevated from 'significant new question of patentability'—a standard that currently allows 95% of all requests to be granted—to a standard requiring petitioners to present information showing that their challenge has a reasonable likelihood of success. Satisfaction of the new threshold will be assessed based on the information presented both in the petition for the proceeding and in the patent owner's response to the petition." H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 47 (June 1, 2011).

For a post-grant review, that is, one filed within nine months of grant and based on any condition, the threshold is:

"the information presented in the petition filed under section 321, if such information is not rebutted, would demonstrate that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable."¹¹³

Alternatively, the threshold may be satisfied by "a showing that the petition raises a novel or unsettled legal question that is important to other patents or patent applications."¹¹⁴ Whether a legal question is "novel or "unsettled" and is "important to other patents or patent applications" are debatable questions. For example, a petitioner may contend that a claim, apparently fully supported by recent Federal Circuit case law, is unpatentable under earlier Supreme Court authority. The question is not "novel," but it might be considered "unsettled" in light of Supreme Court decisions that have held Federal Circuit case law improper in view of earlier Supreme Court cases.¹¹⁵

6.3.3.2 Timing of Determination to Initiate; Three Months.

The PTO must determine whether to initiate the review within a three month time period.¹¹⁶ The period begins on the receipt of a patent owner's preliminary response or on the last date for such a response in case none is filed.

6.3.3.3 Notice. The PTO must notify the petitioner and patent owner of the determination and make the notice "available to the public as soon as is practicable."¹¹⁷ The notice must "include the date on which the review shall commence."

6.3.3.4 No Appeal. The PTO decision whether to institute inter

¹¹³§ 324(a).

¹¹⁴§ 324(b).

¹¹⁵E.g., *KSR International Co. v. Teleflex Inc.*, 550 U.S. 398 (2007).

¹¹⁶§ 314(b), § 324(c).

¹¹⁷§ 314(c), § 324(d).

partes or post-grant review is "final and nonappealable."¹¹⁸ This follows the rule on ex parte reexamination determinations. CHISUM ON PATENTS § 11.07[4][c][iv].

The nonappealability of the order to initiate should not be confused with the decision on the merits made during the review. Appeals of those decisions are discussed below.

6.3.4 Relation to Other Proceedings. In the past, the relationship between PTO proceedings, such as reexamination, reissue and interferences, and court proceedings has been complex. CHISUM ON PATENTS § 11.07[4][d][viii].

Amended Section 315 (inter parties review) and new Section 325 (post-grant review) address the relation of a review proceeding to "other proceedings or actions."

6.3.4.1 Infringer's Civil Action; Petitions Barred; Actions Stayed. Amended Section 315(a)(1) and new Section 325(a)(1) bar a petition when the petitioner (or a real party in interest) has, *before* filing the petition, filed "a civil action challenging the validity of a claim of the patent."¹¹⁹

This civil action would be a declaratory judgment suit in a district court. CHISUM ON PATENTS § 21.02[1][d].

Section 315(a)(3) clarifies that "A counterclaim challenging the validity of a claim of a patent does not constitute a civil action challenging the validity of a claim of a patent for purposes of this subsection."¹²⁰

If the petitioner (or a real party in interest) files the civil action challenging the patent *on or after* filing the petition for review, the action "shall be automatically stayed" until one of three events occurs:

- (A) the patent owner moves the court to lift the stay;
- (B) the patent owner files a civil action or counterclaim alleging that the petitioner or real party in interest has infringed the patent; or
- (C) the petitioner or real party in interest moves the court to dismiss the civil action."¹²¹

¹¹⁸§ 314(d), § 324(e).

¹¹⁹§ 315(a)(1), § 325(a)(1).

¹²⁰§ 315(a)(1), § 325(a)(3).

¹²¹§ 315(a)(2), § 325(a)(2).

6.3.4.2 Patent Owner's Infringement Action. Different provisions govern the effect of a patent owner's infringement suit on post-grant review and on inter partes review.

For post-grant review, for which a petition must be filed soon (nine months) after a patent issues, new Section 325(b) addresses preliminary injunction motions by the patent owner in the civil action.

"If a civil action alleging infringement of a patent is filed within 3 months after the date on which the patent is granted, the court may not stay its consideration of the patent owner's motion for a preliminary injunction against infringement of the patent on the basis that a petition for post-grant review has been filed under this chapter or that such a post-grant review has been instituted under this chapter."¹²²

This is the first specific reference to preliminary injunctions in the Patent Act. Existing Section 283 states only that courts may "grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable."¹²³

Courts historically have declined to issue preliminary injunctions, almost as a matter of law, against infringement of a newly-issued patent whose validity had not been tested in court. The Federal Circuit relaxed this rule. CHISUM ON PATENTS § 20.04[1].

New Section 325(b) implicitly acknowledges the propriety of such an injunction in appropriate circumstances.

For inter partes review, amended Section 315(b) imposes a one-year rule: it bars inter partes review if the petition is filed more than a year after an infringement suit.¹²⁴ The limitation does not apply to joinder requests under Section 315(c).

¹²²§ 325(b).

¹²³35 U.S.C. § 283.

¹²⁴§ 315(b):

"An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent. The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c)."

6.3.4.3 Joinder. Amended Section 315(c) and new Section 325(c) address the joinder of multiple reviews.

On inter partes review, Section 315(c) allows the PTO to join a subsequent petitioner to an instituted review.¹²⁵

On post-grant review, Section 325(c) allows the PTO to consolidate reviews if more than one petition filed against the same patent warrants institution of the review.¹²⁶

6.3.4.4 Multiple Proceedings. Amended Section 325(d) and new Section 315(d) address multiple proceedings involving a patent. The multiple proceedings referred to are: (1) derivation proceedings under Section 135(a) (which the AIA substitutes for interferences), (2) reissue proceedings under Sections 251 and 252 and (3) ex parte reexamination under Chapter 30.

The PTO is granted discretion on how to proceed, "including providing for the stay, transfer, consolidation, or termination of any such matter or proceeding."¹²⁷

New section 325(d) provides that the PTO, in determining whether to institute ex parte reexamination, inter partes review or post-grant review, "may take

¹²⁵§ 315(c):

"If the Director institutes an inter partes review, the Director, in his or her discretion, may join as a party to that inter partes review any person who properly files a petition under section 311 that the Director, after receiving a preliminary response under section 313 or the expiration of the time for filing such a response, determines warrants the institution of an inter partes review under section 314."

¹²⁶§ 325(c):

"If more than 1 petition for a post-grant review under this chapter is properly filed against the same patent and the Director determines that more than 1 of these petitions warrants the institution of a post-grant review under section 324, the Director may consolidate such reviews into a single post-grant review."

¹²⁷§ 315(d):

"Notwithstanding sections 135(a), 251, and 252, and chapter 30, during the pendency of an inter partes review, if another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the inter partes review or other proceeding or matter may proceed, including providing for stay, transfer, consolidation, or termination of any such matter or proceeding."

See also § 325(d) (same as § 315(d)).

into account whether, and reject the petition or request because, the same or substantially the same prior art or arguments previously were presented to the Office."¹²⁸

Whether items of prior art or arguments are substantially the same can only be a point of dispute. For analogous areas, consider an issue commonly raised in connection with an inequitable conduct defense: whether undisclosed prior art is "cumulative" to prior art that was before the PTO. See CHISUM ON PATENTS § 19.03[3][b]. A similar issue arises in connection with the presumption of validity. CHISUM ON PATENTS § 5.06[2][f][iii].

6.3.4.5 Estoppel. A difficult and contentious issue is: what preclusive (estoppel) effect should a decision in a PTO post-grant or inter partes review have on a petition?

An ex parte reexamination carries no threat of an estoppel against an unsuccessful third-party requester. The requester can continue to contest validity in a judicial action although a PTO confirmation will tend to make that contest more difficult. CHISUM ON PATENTS § 11.07[4][f][iii].

When Congress enacted inter partes reexamination in 1999, it provided for an estoppel effect. That made inter partes proceedings an unattractive option for a third party, especially because the party was given no right of appeal to the courts from a PTO decision to confirm a patent's claims. In 2002, Congress added a right to appeal. CHISUM ON PATENTS § 11.07[4][g]. A similar right to appeal is provided for the new inter partes and post-grant review proceedings.

Amended Section 315(e) and new Section 325(e) provide for an estoppel when a petitioner's requested review results in a "final written decision" under amended Section 318(a) or new Section 328(a).¹²⁹

¹²⁸§ 325(d).

¹²⁹§ 315(e):

"(e) Estoppel.—

"(1) Proceedings before the office.— The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

"(2) Civil actions and other proceedings.— The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final

The estoppel extends to the petitioner and to "the real party in interest or privy of the petitioner." The estoppel precludes reliance on "any ground that the petitioner raised or reasonably could have raised" with respect to a patent's claim in the post-grant or inter partes review.

The preclusion applies to any proceedings before the PTO, in specified civil actions, and in International Trade Commission importation preclusion proceedings. The civil actions are those that arise "in whole or in part under section 1338 of title 28," which covers infringement suit, declaratory judgment suits, and some other actions. CHISUM ON PATENTS § 21.02[1].

6.3.4.6 Reissue Claims Identical to Original Claims. Section 325(f) applies the Section 321(c) time limit on post-grant review (nine months from original issue) to reissue claims that are identical to (or narrower than) original claims.¹³⁰ On broadening reissue claims, see CHISUM ON PATENTS § 15.03[4].

6.3.5 Conduct of Review. The reviews are conducted by the Patent Trial and Appeal Board, formerly named the Board of Patent Appeals and Interferences.

6.3.5.1 PTO Regulations. Amended Section 316(a)¹³¹ and new Section 326(a)¹³² direct the PTO to prescribe regulations governing the conduct of

written decision under section 318(a), or the real party in interest or privy of the petitioner, may not assert either in a civil action arising in whole or in part under section 1338 of title 28 or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review."

See also § 325(e) (same but referring to 328(a) rather than 318(a)).

¹³⁰§ 325(f):

"A post-grant review may not be instituted under this chapter if the petition requests cancellation of a claim in a reissue patent that is identical to or narrower than a claim in the original patent from which the reissue patent was issued, and the time limitations in section 321(c) would bar filing a petition for a post-grant review for such original patent."

¹³¹AIA 2011 § 6(a) (amending 35 U.S.C. § 316(a)).

¹³²AIA 2011 § 6(d) (adding 35 U.S.C. § 326(a)).

the reviews, the PTO taking into account "considerations," including economic effect, patent system integrity, PTO efficiency, and PTO ability to "timely complete proceedings."¹³³

The sections set standards for aspects of the regulations, including:

- (1) public availability of the files except for some sealing of petitions and documents,
- (2) sufficient grounds for instituting review,
- (3) supplemental information submission,
- (4) relationship to other proceedings,
- (5) discovery limited to "the deposition of witnesses submitting affidavits or declarations" and "what is otherwise necessary in the interest of justice,"
- (6) sanctions for discovery and other abuse,
- (7) protective orders for confidential information,
- (8) patent owner response to petition after institution of review, including evidence and expert opinions upon which the patent owner replies,
- (9) claim cancellation, amendment and substitution by the patent owner, such actions to be "available to the public as part of the prosecution history of the patent,"¹³⁴
- (10) oral hearings,

¹³³§ 316(b); § 326(b).

¹³⁴The courts use a patent's "prosecution history" in construing the scope of its claims. CHISUM ON PATENTS § 18.03[2][d].

In former times, the phrase "file wrapper" was used to refer to the complete record of proceedings of the application leading to a patent in the Patent Office (renamed "the Patent and Trademark Office" in 1975). CHISUM ON PATENTS § 18.05. See also *Standard Oil Co. v. American Cyanamid Co.*, 774 F.2d 448, 452, 227 USPQ 293, 296 (Fed. Cir. 1985) ("the prosecution history (sometimes called 'file wrapper and contents') of the patent consists of the entire record of proceedings in the Patent and Trademark Office. This includes all express representations made by or on behalf of the applicant to the examiner to induce a patent grant, or, as here, to reissue a patent. Such representations include amendments to the claims and arguments made to convince the examiner that the claimed invention meets the statutory requirements of novelty, utility, and nonobviousness.").

The reference to "prosecution history" in amended and new sections 316(a)(9) and 326(a)(9) is the first occurrence of the phrase "prosecution history" in the text of the patent statutes.

(11) prompt final determination ("not later than 1 year" after institution noted, extendable "by not more than 6 months" and adjustable in case other petitioners are joined under Section 315(c) (or 325(c)),

(12) time period for joinder of other petitioners,

(13) "providing the petitioner with at least 1 opportunity to file written comments within a time period established by the Director."

6.3.5.2 Amendments to Patent; No Enlargement of Claim

Scope. Amended Section 316(d) and new Section 326(d) allow the patent owner to file one motion to amend in one or both of two ways: (1) cancel any challenged patent claim, and (2) "For each challenged claim, propose a reasonable number of substitute claims."¹³⁵

The statutes provide that "[a]dditional motions to amend may be permitted" (1) "upon the joint request of the petitioner and the patent owner to materially advance the settlement of a proceeding," (2) in the case of inter partes review, "as permitted by" the PTO regulations, or (3) in the case of post-grant review, "upon the request of the patent owner for good cause shown."

As with ex parte reexamination, an amendment cannot enlarge the scope of a patent's claims. CHISUM ON PATENTS § 11.07[4][d][iv]. Neither can an amendment "introduce new matter." On new matter, see CHISUM ON PATENTS § 7.04, § 11.04.

6.3.5.3 Evidentiary Standards; Burden of Proof. Amended

¹³⁵§ 316(d):

(d) Amendment of the Patent.—

(1) In general.— During an inter partes review instituted under this chapter, the patent owner may file 1 motion to amend the patent in 1 or more of the following ways:

(A) Cancel any challenged patent claim.

(B) For each challenged claim, propose a reasonable number of substitute claims.

(2) Additional motions.— Additional motions to amend may be permitted upon the joint request of the petitioner and the patent owner to materially advance the settlement of a proceeding under section 317, or as permitted by regulations prescribed by the Director.

(3) Scope of claims.— An amendment under this subsection may not enlarge the scope of the claims of the patent or introduce new matter.

See also § 326 (d) (same but referring to section 327 rather than 317).

Section 316(e) and Section 326(e) provide that a petitioner bears "the burden of proving a proposition of unpatentability by a preponderance of the evidence."¹³⁶

Case law applies such a preponderance standard to the PTO in examinations and reexaminations. CHISUM ON PATENTS § 11.03[1][c][iv], § 11.07[4][d][vii].

Case law recognizes that the burden of production of evidence may shift to an applicant if the PTO examiner makes a prima facie case of unpatentability. See CHISUM ON PATENTS § 5.06[1][a]. Logically, such a shifting procedure should apply in inter partes and post-grant review. Pertinent to the question of burden shifting is new Section 324 on the "threshold" for post-grant review: it refers to information that demonstrates unpatentability if "not rebutted."

The preponderance standard contrasts with the more onerous "clear and convincing" evidence standard that governs a validity challenge in a court proceeding. In 2011, the Supreme Court confirmed that the higher standard governs validity challenges.¹³⁷ CHISUM ON PATENTS § 5.06[2][f].

6.3.6. Settlement. Amended Section 317 and new Section 327 address settlements.¹³⁸

¹³⁶§ 316(e), § 326(e).

¹³⁷Microsoft Corp. v. i4i Limited Partnership, 31 S. Ct. 2238 (2011), discussed § 5.06[2][f].

¹³⁸§ 317 on "Settlement":

"(a) In General.—An inter partes review instituted under this chapter shall be terminated with respect to any petitioner upon the joint request of the petitioner and the patent owner, unless the Office has decided the merits of the proceeding before the request for termination is filed. If the inter partes review is terminated with respect to a petitioner under this section, no estoppel under section 315(e) shall attach to the petitioner, or to the real party in interest or privy of the petitioner, on the basis of that petitioner's institution of that inter partes review. If no petitioner remains in the inter partes review, the Office may terminate the review or proceed to a final written decision under section 318(a).

(b) Agreements in Writing.—Any agreement or understanding between the patent owner and a petitioner, including any collateral agreements referred to in such agreement or understanding, made in connection with, or in contemplation of, the termination of an inter partes review under this section shall be in writing and a true copy of such agreement or understanding shall be filed in the Office before the termination of the inter partes review as between the parties. At the request of a party to the proceeding, the agreement or understanding shall be

If a petitioner and the patent owner jointly request termination, the PTO must grant termination as to that petitioner unless the PTO "has decided the merits of the proceeding before the request for termination is filed."

If no petitioner remains, the PTO may terminate the review *or* "proceed to a final written decision" under Section 318(a) or Section 328(a). By way of contrast, with *ex parte* reexamination, there is no provision for termination of a reexamination in case of a settlement between a requester and a patent owner. The PTO conducts a reexamination in the public interest and reaches a decision on the patentability of the claims under reexamination as with an original examination. CHISUM ON PATENTS § 11.07[4][d][ii].

If a review is terminated for a petitioner, no estoppel attaches.

Sections 317(b) and 327(b) require that an agreement between a patent owner and a petitioner in connection with (or contemplation of) a review termination be filed in the PTO before the termination. This filing requirement resembles that for settlements of interferences. CHISUM ON PATENTS § 10.09[1][e]. The general concern with settlements of patent disputes is that there may be some unjustifiable conduct among competitors that violates antitrust principles. Potential claimants may agree to divide patent rights that, in fact, are not supportable in view of the prior art.

On request, the PTO must treat the agreement as "business confidential information" and make it "available only to Federal Government agencies on written request, or to any person on a showing of good cause."

An agreement in regard to a patent's validity may not preclude a party from a subsequent challenge to validity. CHISUM ON PATENTS § 19.02[3].

6.3.7. Decision of the Board. Sections 318 and 328 address the decision of the Patent Trial and Appeal Board in a review proceeding that is instituted and not dismissed.¹³⁹

treated as business confidential information, shall be kept separate from the file of the involved patents, and shall be made available only to Federal Government agencies on written request, or to any person on a showing of good cause."

See also § 327 (same except referring to § 325(e) and § 328(e)).

¹³⁹§ 318 on "Decision of the Board":

(a) Final Written Decision.—If an *inter partes* review is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board shall issue a final written decision with respect to the patentability of any patent claim challenged by

6.3.7.1 Final Decision. The Board issues "a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under" Section 316(d) or 326(d).

6.3.7.2 Certificate; Claim Cancellation, Confirmation and Amendment. As with ex parte reexamination, the PTO issues a certificate after the decision and the exhaustion of any appeal. CHISUM ON PATENTS § 11.07[4][f]

The certificate implements three actions:

- (1) "canceling any claim of the patent finally determined to be unpatentable,"
- (2) "confirming any claim of the patent determined to be patentable," and
- (3) "incorporating in the patent by operation of the certificate any new or amended claim determined to be patentable."

6.3.7.3 Intervening Rights. As with reexamination, Sections 318(c) and 328(c) provide for "intervening rights." CHISUM ON PATENTS § 11.07[4][f][ii]. Amended and new claims have the same effect as that specified for reissue claims under Section 252. CHISUM ON PATENTS § 15.05.

the petitioner and any new claim added under section 316(d).

(b) Certificate.—If the Patent Trial and Appeal Board issues a final written decision under subsection (a) and the time for appeal has expired or any appeal has terminated, the Director shall issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent by operation of the certificate any new or amended claim determined to be patentable.

(c) Intervening Rights.—Any proposed amended or new claim determined to be patentable and incorporated into a patent following an inter partes review under this chapter shall have the same effect as that specified in section 252 for reissued patents on the right of any person who made, purchased, or used within the United States, or imported into the United States, anything patented by such proposed amended or new claim, or who made substantial preparation therefor, before the issuance of a certificate under subsection (b).

(d) Data on Length of Review.—The Office shall make available to the public data describing the length of time between the institution of, and the issuance of a final written decision under subsection (a) for, each inter partes review."

See also § 328 (same except referring to § 326(d)).

Intervening rights provide protection for persons who, before the issuance of the certificate, made, bought, used or imported "anything patented by such proposed amended or new claim" or "made substantial preparation therefor."

6.3.8 Appeal. Sections 319 and 329 provide a right of appeal to any party "dissatisfied with the final written decision."¹⁴⁰

The appeal is to the Federal Circuit. Unlike a rejected applicant, there is no alternative right to bring a civil action in a district court under Section 145.

6.4 Citation of Patent Owner Statements on Claim Scope. Existing Section 301 allows any person to cite to the PTO prior art consisting of patents or printed publications that the person believes to have a bearing on the patentability of any claim in an issued patent. CHISUM ON PATENTS § 11.07[4][a].

AIA Section 6(g) amends Section 301, allowing the filing of "statements of the patent owner filed in a proceeding before a Federal court or the Office in which the patent owner took a position on the scope of any claim of a particular patent."¹⁴¹

¹⁴⁰§ 319, § 329.

¹⁴¹AIA 2011 § 6(g)(1) (amending § 301). Section 301, as amended, provides

"301. Citation of prior art and written statements

(a) In General.—Any person at any time may cite to the Office in writing—

(1) prior art consisting of patents or printed publications which that person believes to have a bearing on the patentability of any claim of a particular patent; or

(2) statements of the patent owner filed in a proceeding before a Federal court or the Office in which the patent owner took a position on the scope of any claim of a particular patent.

(b) Official File.—If the person citing prior art or written statements pursuant to subsection (a) explains in writing the pertinence and manner of applying the prior art or written statements to at least 1 claim of the patent, the citation of the prior art or written statements and the explanation thereof shall become a part of the official file of the patent.

(c) Additional Information.—A party that submits a written statement pursuant to subsection (a)(2) shall include any other documents, pleadings, or evidence from the proceeding in which the statement was filed that addresses the written statement.

(d) Limitations.—A written statement submitted pursuant to subsection

In some district courts, patent owners and accused infringers are required to file claim construction statements as part of pre-trial *Markman* claim construction proceedings. CHISUM ON PATENTS § 18.06[2][a][vii][C].

The party submitting the statement must "include any other documents, pleadings, or evidence from the proceeding in which the statement was filed that addresses the written statement."

The PTO may consider a submitted claim scope statement only for a limited purpose: "to determine the proper meaning of a patent claim" in ex parte reexamination (§ 304), inter partes review (§ 314) or post-grant review (§ 324).¹⁴²

The submitted statement may be redacted if it "is subject to an applicable protective order."

The PTO may, upon request, keep the submitting person's identity confidential.

The amendments to Section 301 take effect one year after enactment, that is,

(a)(2), and additional information submitted pursuant to subsection (c), shall not be considered by the Office for any purpose other than to determine the proper meaning of a patent claim in a proceeding that is ordered or instituted pursuant to section 304, 314, or 324. If any such written statement or additional information is subject to an applicable protective order, such statement or information shall be redacted to exclude information that is subject to that order.

(e) Confidentiality.—Upon the written request of the person citing prior art or written statements pursuant to subsection (a), that person's identity shall be excluded from the patent file and kept confidential."

¹⁴²The provision for submission of the statements and the limitation on their use are discussed in the House Committee Report as follows:

"The Act expands the category of documents that may be cited in a reexamination proceeding to include written statements of the patent owner that have been filed in a proceeding before a Federal court or the USPTO regarding the scope of claims. This addition will counteract the ability of patent owners to offer differing interpretations of prior art in different proceedings. These written statements, which include documents, pleadings or evidence from proceedings that address the patent owner's statements, shall not be considered for any purpose other than to determine the proper meaning of the claims that are the subject of the request in a proceeding. Specifically, the Committee does not intend these statements to be a basis for the institution of a reexamination proceeding. Reexaminations will continue to be available only on the basis of 'patents or printed publications.' "

H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 46 (June 1, 2011).

on September 16, 2012, and will apply to any patent issued before, on or after that date.¹⁴³

6.5 Ex Parte Reexamination. AIA 2011 Section 6(h) makes two alterations to ex parte reexamination.

6.5.1 PTO Initiated Reexamination. First, Section 6(h)(1) amends § 303(a) as follows:

"On his own initiative, and any time, the Director may determine whether a substantial new question of patentability is raised by patents and publications discovered by him or cited under the provisions of [Section 301] section 301 or 302 of this title."¹⁴⁴

The House Committee Report notes:

"Subsection (h) amends § 303 to provide that the Director may determine whether to initiate reexamination on the Director's own initiative based on citations by any person other than the owner of the patent under section 301 or 302."¹⁴⁵

The amendment is effective on September 16, 2012, and applies to any patent.¹⁴⁶

6.5.2. Appeal; No Section 145 Civil Action. Section 6(h)(2) amends § 306 as follows:

"The patent owner involved in a reexamination proceeding under this chapter may appeal under the provisions of section 134 of this title, and may seek court review under the provisions of sections 141 to [145] 144 of this title, with respect to any decision adverse to the patentability of any original or proposed amended or new claim of the patent."¹⁴⁷

The number change signifies that a patent owner may only appeal to the

¹⁴³AIA 2011 § 6(g)(3).

¹⁴⁴AIA 2011 § 6(h)(1)(A) (amending § 303(a)).

¹⁴⁵H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 77 (June 1, 2011).

¹⁴⁶AIA 2011 § 6(h)(1)(B).

¹⁴⁷AIA 2011 § 6(h)(2)(A).

Federal Circuit from an adverse decision in a reexamination and may not file a Section 145 civil action. On Section 145 civil actions, see CHISUM ON PATENTS § 11.06[3][c].

The 1999 Act adding inter partes reexamination had confined appeals in a similar fashion. CHISUM ON PATENTS § 11.07[4][g]. The House Report notes: "§306 is amended to conform to the changes made by § 4605 of the American Inventors Protection Act of 1999, Public Law 106-113, to §§ 134 and 141 of title 35."¹⁴⁸

The change on appeals was effective on enactment (September 16, 2011) and applied to pending reexaminations.¹⁴⁹

§ 7 Patent Trial and Appeal Board.

As noted above, AIA ANALYSIS § 3.7.1, the AIA's Section 7 alters the name of the PTO Board from "Board of Patent Appeals and Interferences" to "Patent Trial and Appeal Board."¹⁵⁰

The House Committee Report notes:

"The Act renames the Patent Board the 'Patent Trial and Appeal Board' and sets forth its duties, which are expanded to include jurisdiction over the new post-grant review and derivation proceedings. This section strikes references to proceedings eliminated by the Act, including interference proceedings, and updates the various appeals statutes."¹⁵¹

¹⁴⁸H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 77 (June 1, 2011).

¹⁴⁹AIA 2011 § 6(h)(2)(B): "The amendment made by this paragraph shall take effect on the date of the enactment of this Act and shall apply to any appeal of a reexamination before the Board of Patent Appeals and Interferences or the Patent Trial and Appeal Board that is pending on, or brought on or after, the date of the enactment of this Act."

¹⁵⁰AIA 2011 § 7 (amending 35 U.S.C. §§ 6, 134, 141, 143, 28 U.S.C. § 1295(a)(4)(A), 42 U.S.C. § 2182, 51 U.S.C. § 20135).

¹⁵¹H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 48 (June 1, 2011).

The Report also notes:

"The Board of Patent Appeals and Interferences is replaced with the new Patent Trial and Appeal Board ('Board'). The Board is charged with (i) reviewing adverse decisions of examiners on applications and reexamination proceedings, (ii) conducting derivation proceedings, and (iii) conducting the post-grant review proceedings. This section also updates the various appeals statutes."

The change is effective one year after enactment with certain exceptions.¹⁵²

§ 8 Preissuance Submissions by Third Parties.

Prior to the AIA, the patent statutes and PTO regulations provided only limited opportunity for third parties to file "protests" against pending patent applications. CHISUM ON PATENTS § 11.03[3][b], [c].

AIA Section 8 adds a new provision (§ 122(e) on "Preissuance Submissions by Third Parties."¹⁵³ The text of new section 122(e) is set forth in Appendix D.

The provisions takes effect one year after enactment, that is, on September 16, 2012, and will apply to any patent issued before, on or after that date.¹⁵⁴

8.1 Material for Submissions: Publications and Patents. The material that may be submitted is: "any patent, published patent application, or other printed publication of potential relevance to the examination of [an] application."¹⁵⁵ Thus, nondocumentary prior art, such as matters in public use, cannot be submitted.

As with requests for reexamination and inter partes review, questions may arise as to whether a reference constitutes a printed publication as opposed to being merely matter available to the public under amended Section 102(a). See AIA ANALYSIS § 6.1.1.1.

8.2 Description of Asserted Relevance. Unlike prior PTO practice, Section 122(e) permits and indeed requires "a concise description of the asserted relevance of each submitted document."¹⁵⁶

H.R. Rep. No. 112-98 at 77.

¹⁵²AIA 2011 § 7(e).

¹⁵³AIA 2011 § 8.

¹⁵⁴AIA 2011 § 8(b) ("The amendments made by this section shall take effect upon the expiration of the 1-year period beginning on the date of the enactment of this Act and shall apply to any patent application filed before, on, or after that effective date.").

¹⁵⁵AIA 2011 § 8(a) (adding 35 U.S.C. § 122(e)).

¹⁵⁶AIA 2011 § 8(a) (adding 35 U.S.C. § 122(e)).

See H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 48, n.43, n.45 (June 1, 2011):

"After an application is published, members of the public—most likely, a

8.3 Consideration; Inclusion in Record. New Section 122(e) is not explicit about what the PTO is to do with the submitted information. It states only that the submission is for "consideration and inclusion in the record."¹⁵⁷

Unclear is whether the PTO examiners must give actual consideration to the submitted information.

8.4 Time Limitation. New Section 122(e) requires that the submission be submitted before the earlier of (1) a notice of allowance, or (2) the later of two events: (a) six months after the application for the public is published, and (b) a first rejection.¹⁵⁸ Publication generally occurs 18 months after the effective filing date. CHISUM ON PATENTS § 11.02[4][e].

8.5 Requirements. The submission must contain the concise description of relevance, a fee, and a compliance statement.¹⁵⁹

§ 9 Venue; Section 145 Review Actions.

competitor or someone else familiar with the patented invention's field—may realize they have information relevant to a pending application. The relevant information may include prior art that would prohibit the pending application from issuing as a patent. Current USPTO rules permit the submission of such prior art by third parties only if it is in the form of a patent or publication, [See 35 C.F.R. § 1.99.] but the submitter is precluded from explaining why the prior art was submitted or what its relevancy to the application might be. [See 35 C.F.R. § 1.99(d) ('A submission under this section shall not include any explanation of the patents or publications, or any other information.'). Such restrictions decrease the value of the information to the examiner and may, as a result, deter such submissions. [See *Perspectives on Patents: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary, 109th Cong. (2005)* (statement of David Simon, Chief Patent Counsel, Intel Corporation).]

"The Act improves the process by which third parties submit relevant information to the UPSTO by permitting those third parties to make statements concerning the relevance of the patents, patent applications, and other printed publications that they bring to the USPTO's attention."

¹⁵⁷AIA 2011 § 8(a) (adding 35 U.S.C. § 122(e)).

¹⁵⁸AIA 2011 § 8(a) (adding 35 U.S.C. § 122(e)).

¹⁵⁹AIA 2011 § 8(a) (adding 35 U.S.C. § 122(e)).

During original examination, an applicant facing final rejection by the PTO Board has an option to (1) appeal directly on the record to the Federal Circuit or (2) file a Section 145 civil action against the PTO Director. CHISUM ON PATENTS § 11.06[3][c].

The extent to which a patent applicant can rely on new evidence in a Section 145 proceeding is currently under review by the Supreme Court.¹⁶⁰

For historic reasons, the venue for Section 145 actions has been the district court in the District of Columbia. AIA Section 9 changes the venue to the Eastern District of Virginia, the district in which the Patent and Trademark Office is located.¹⁶¹ The change is effective upon enactment (September 16, 2011) and applies to "any civil action commenced on or after that date."¹⁶²

§ 10 Fee Setting Authority; "Micro Entities."

The subject of fees, including the level of fees, who should set them and revise them, whether all collected fees should go to the PTO's budget, and what

¹⁶⁰Hyatt v. Kappos, 625 F.3d 1320 (Fed. Cir. 2010), *cert. granted*, 131 S. Ct. 3064 (2011).

¹⁶¹AIA 2011 § 9(a):

"(a) Technical Amendments Relating to Venue.—Sections 32, 145, 146, 154(b)(4)(A), and 293 of title 35, United States Code, and section 21(b)(4) of the Trademark Act of 1946 (15 U.S.C. 1071(b)(4)), are each amended by striking 'United States District Court for the District of Columbia' each place that term appears and inserting 'United States District Court for the Eastern District of Virginia'."

See H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 49 (June 1, 2011):

"In 1999, as part of the American Inventors Protection Act (AIPA), Congress established that as a general matter the venue of the USPTO is the district where it resides. [See 35 U.S.C. § 1(b).] The USPTO currently resides in the Eastern District of Virginia. However, Congress inadvertently failed to make this change uniformly throughout the entire patent statute. As a result, certain sections of the patent statute (and one section of the trademark statute) continue to allow challenges to USPTO decisions to be brought in the District of Columbia, a place where the USPTO has not resided in decades.

"Because the USPTO no longer resides in the District of Columbia, the sections that authorize venue for litigation against the USPTO are consistently changed to reflect the venue where the USPTO currently resides."

¹⁶²AIA 2011 § 9(b).

actions should demand a fee, is of great practical and political importance.

Over the years, Congress has addressed fees regularly. In 1982, Congress significantly raised fees and differentiated among applicants by providing a 50 percent reduction for "small entities." CHISUM ON PATENTS § 11.02[1][d].

The AIA's Section 10 grants fee setting authority.¹⁶³ It also creates a third category of applicants: "micro entities", which receive a 75 percent reduction.¹⁶⁴

¹⁶³AIA 2011 § 10(a).

The House Committee Report discusses this new authority as follows:

"Although the USPTO has had the ability to set certain fees by regulation, most fees (e.g., filing fee, issuance fee, maintenance fees) are set by Congress. [See, e.g., 35 U.S.C. § 41.] History has shown that such a scheme does not allow the USPTO to respond promptly to the challenges that confront it. The USPTO has argued for years that it must have fee-setting authority to administer properly the agency and its growing workload.

"The Act allows the USPTO to set or adjust all of its fees, including those related to patents and trademarks, so long as they do no more than reasonably compensate the USPTO for the services performed. Prior to setting such fees, the Director must give notice to, and receive input from, the Patent or Trademark Public Advisory Committee (PPAC or TPAC). The Director may also reduce fees for any given fiscal year, but only after consultation with the PPAC or TPAC. The Act details the procedures for how the Director shall consult with the PPAC and TPAC, including providing for public hearings and the dissemination to the public of any recommendations made by either Committee. Fees shall be prescribed by rule. Any proposed fee change shall be published in the Federal Register and include the specific rationale and purpose for the proposed change. The Director must seek public comments for no less than 45 days. The Director must also notify Congress of any final decision regarding proposed fees. Congress shall have no more than 45 days to consider and comment on any proposed fee, but no proposed fee shall be effective prior to the expiration of this 45-day period.

H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 49 (June 1, 2011).

¹⁶⁴AIA 2011 § 10(b).

New Section 123 in Title 35 defines a "micro entity" as an applicant who, inter alia, has not filed more than four applications, has a limited gross income, and has not granted ownership to an entity of specified size. Included are applicants who are employees of institutions of higher education (universities). AIA 2011 § 10(g) (adding 35 U.S.C. § 123).

The House Committee Report discusses this new super-small applicant as follows:

"As part of the ongoing effort to nurture U.S. innovation, Congress has long recognized that certain groups, including independent inventors, small business concerns, and non-profit organizations (collectively referred to as "small business entities") should not bear the same financial burden for filing patent

§ 11 Fees for Patent Services.

The AIA's Section 11 sets forth a fee structure.¹⁶⁵ The House Committee Report notes that this "represents a reference point for any future adjustments to the fee schedule by the [PTO] Director."¹⁶⁶

11.1 Prioritized Examination. Section 11(h) sets a "prioritized examination fee" of \$4800 for "prioritized examination of a nonprovisional application for an original utility or plant patent."¹⁶⁷ The PTO is directed to establish regulations, which may limited the number of filings for prioritized examination. Pending the regulations, Section 11(h) provides that (1) an application for prioritized examination shall contain no more than 4 independent claims or more than 30 totals claims, and (2) the PTO may not accept more than 10,000 requests per year.

11.2 Surcharge for the PTO. Section 11(i) provided for "Appropriation Account Transition Fees," a 15% surcharge on fees, the fees to be used only for the PTO.¹⁶⁸

applications as larger corporate interests. The current statute provides for a significant reduction in certain fees for small business entities. [See 35 U.S.C. § 41(h).] The Committee was made aware, however, that there is likely a benefit to describing—and then accommodating—a group of inventors who are even smaller, in order to ensure that the USPTO can tailor its requirements, and its assistance, to the people with very little capital, and just a few inventions, as they are starting out.

"This section of the Act defines this even smaller group—the micro-entity—that includes only truly independent inventors. The Committee expects that the USPTO will make accommodations under its authority in recognition of the special status of micro-entities."

H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 50, n.48 (June 1, 2011).

¹⁶⁵AIA 2011 § 11(a).

¹⁶⁶H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 78 (June 1, 2011).

¹⁶⁷AIA 2011 § 11(h).

¹⁶⁸AIA 2011 § 11(i) provides as follows:

(i) Appropriation Account Transition Fees.—

(1) Surcharge.—

(A) In general.—There shall be a surcharge of 15 percent,

§ 12 Supplemental Examination: Considering, Reconsidering and Correcting Relevant Information.

In Section 12, the AIA establishes a new and unique procedure available to patent owners: a "supplemental examination," in new Section 257.¹⁶⁹

The purpose of supplemental examination is to "consider, reconsider, or correct information believed to be relevant to the patent." In the supplemental examination, the PTO determines whether a substantial new question of patentability is presented and orders reexamination if the determination is positive.

A supplemental examination can offer a patent owner a distinct benefit: it may sanitize ("cure") a patent of potential unenforceability due to inequitable conduct in procurement of the patent. On "curing" inequitable conduct, see CHISUM ON PATENTS § 19.03[6][a][iii].

Though the inequitable conduct problem seems to have been a primary

rounded by standard arithmetic rules, on all fees charged or authorized by subsections (a), (b), and (d)(1) of section 41, and section 132(b), of title 35, United States Code. Any surcharge imposed under this subsection is, and shall be construed to be, separate from and in addition to any other surcharge imposed under this Act or any other provision of law.

(B) Deposit of amounts.—Amounts collected pursuant to the surcharge imposed under subparagraph (A) shall be credited to the United States Patent and Trademark Appropriation Account, shall remain available until expended, and may be used only for the purposes specified in section 42(c)(3)(A) of title 35, United States Code.

(2) Effective date and termination of surcharge.— The surcharge provided for in paragraph (1)—

(A) shall take effect on the date that is 10 days after the date of the enactment of this Act; and

(B) shall terminate, with respect to a fee to which paragraph (1)(A) applies, on the effective date of the setting or adjustment of that fee pursuant to the exercise of the authority under section 10 for the first time with respect to that fee."

¹⁶⁹AIA 2011 § 12(a).

See H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 78 (June 1, 2011) ("This section authorizes a new § 257 of the Patent Act that addresses the 'supplemental examination' of a patent to correct errors or omissions in proceedings before the Office. Information that was not considered or was inadequately considered or was incorrect can be presented to the Office.").

motivator for creating the procedure,¹⁷⁰ the supplemental examination may also shore up a patent claim's validity in other ways, diluting a potential validity challenger's argument that the PTO decision to allow the claim was based on incorrect or incomplete information.

The supplemental examination allows a patent owner to seek reexamination of a claim on a ground other than patentability over a patent or printed publication. Unlike reissue, a patent owner need not aver that the patent is inoperative or invalid through error. See CHISUM ON PATENTS § 15.03[2]. The procedure, to a degree, resembles a form of "no defect" reissue reexamination, which the PTO abandoned in 1982. CHISUM ON PATENTS § 15.03[1][e].

On the other hand, the new procedure carries risks and uncertainties. A patent owner's hope is that the PTO will determine that the identified information raised no substantial new question of patentability, but with, the PTO, as with life in general, hopes are not always realized.

The amendment adding Section 257 takes effect on September 16, 2012, that

¹⁷⁰The House Committee Report focuses on inequitable conduct:

"Patents are unenforceable and invalid if they are obtained through fraud. This concept is addressed in the 'inequitable conduct' defense, which allows a defendant in an infringement suit to plead that the plaintiff patent-holder would not have received a patent but for misrepresentations made to the USPTO. Inequitable conduct requires proof of materiality as well as intent to deceive. These standards require courts and litigants to invest time and resources in determining the patent-holder's state of mind or intent when developing the invention and submitting the application. Critics of the inequitable conduct defense, including the National Academies and the Federal Trade Commission, argue that our patent system is hampered by provisions that require courts to divine the difficult-to-prove subjective intent of individuals in patent disputes. And most defendants reflexively plead inequitable conduct as a defense to infringement, prompting the Federal Circuit to label the practice a 'plague' on the patent system.

"The Act addresses the inequitable conduct doctrine by authorizing supplemental examination of a patent to correct errors or omissions in proceedings before the Office. Under this new procedure, information that was not considered or was inadequately considered or was incorrect can be presented to the Office. If the Office determines that the information does not present a substantial new question of patentability or that the patent is still valid, that information cannot later be used to hold the patent unenforceable or invalid on the basis for an inequitable-conduct attack in civil litigation."

H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 50 (June 1, 2011).

is, one year after the AIA's enactment on September 16 2011.¹⁷¹

12.1 Request; Substantial New Question of Patentability. New Section 257(a) permits a patent owner to "request supplemental examination of a patent in the [PTO] to consider, reconsider, or correct information believed to be relevant to the patent." The PTO will impose a fee for such a request, in addition to the regular fees for any reexamination that is ordered.¹⁷²

The "relevant" standard is distinctly neutral. It does not imply a belief that the information is "material" under any of the definitions of materiality that have been articulated under the inequitable conduct doctrine. CHISUM ON PATENTS § 19.03[3].

The PTO may establish "requirements" for a request.

Within three months of the request, the PTO conducts a "supplemental examination." It issues a certificate, which indicates "whether the information presented in the request raises a substantial new question of patentability."

12.2 Reexamination Ordered. The PTO orders a reexamination if the certificate indicates that one or more item of information raises a new question of patentability.¹⁷³

The reexamination proceeds as a Chapter 30 ex parte reexamination except that the PTO addresses each patentability question raised, not merely those relating to patents and publications.¹⁷⁴

¹⁷¹AIA 2011 § 12(c).

¹⁷²AIA 2011 § 12(a) (adding 35 U.S.C. § 257(d)).

See H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 78 (June 1, 2011) ("New subsection (d) of § 257 authorizes the Director to establish fees, by regulation, to help defray the cost of a supplemental examination, in addition to those charged pursuant to Chapter 30.").

¹⁷³See H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 78 (June 1, 2011) ("Under new subsection (b), if the Director issues a certificate affirming that this threshold is met, a reexamination shall be ordered and will be conducted according to the procedures under Chapter 30 of the Patent Act (ex parte reexamination).").

¹⁷⁴AIA § 12(a) (adding 35 U.S.C. § 257(b)): "During the reexamination, the Director shall address each substantial new question of patentability identified during the supplemental examination, *notwithstanding the limitations in chapter 30 relating to patents and printed publication or any other provision of such chapter.*" (Emphasis added).

12.3 Effect. New Section 257(c) governs the "effect" of a supplemental reexamination.

12.3.1 In General; No Basis for Inequitable Conduct. Section 257(c)(1) provides that a patent "shall not be held unenforceable on the basis of conduct relating to" information that is "considered, reconsidered, or corrected during a supplemental examination of the patent."¹⁷⁵

The statute does not precisely say that information that the patent owner presents in the request has been "considered, reconsidered, or corrected" if the PTO finds no substantial new question of patentability.¹⁷⁶ However, that effect appears to be the intent and follows logically from a presumption that the PTO will do its duty and "consider" the information offered for consideration. Rules the PTO adopts may clarify the manner in which the PTO indicates its consideration, reconsideration or correction of information.¹⁷⁷

On the effect of a patent owner's *failure* to seek supplement reexamination, Section 257(c)(1) provides that "[t]he making of a request under subsection (a), or the absence thereof, shall not be relevant to enforceability of the patent under section 282."¹⁷⁸ The statute does not state whether a request may be relevant to an invalidity defense.

12.3.2. Exceptions. Section 257(c)(2) recites "exceptions" to Section

¹⁷⁵AIA § 12(a) (adding 35 U.S.C. § 257(c)(1)).

¹⁷⁶The House Committee Report is no clearer than the statute:

"New Subsection (c) of §257 stipulates that a patent cannot be held unenforceable on the basis of conduct relating to information that had not been considered, was inadequately considered, or was incorrect in a prior examination if the information was considered, reconsidered, or corrected during the supplemental examination. Challengers may still argue in court that the Office's conclusion in supplemental examination was erroneous and that the information renders the patent invalid, but the information cannot be used to render the patent invalid or unenforceable on the basis of inequitable conduct."

¹⁷⁷Case law recognizes that courts may give deference to the interpretation of a statute that an agency such as the PTO is statutorily-charged with administering. See, e.g., *Cooper Technologies Co. v. Dudas*, 536 F.3d 1330 (Fed. Cir. 2008).

¹⁷⁸AIA § 12(a) (adding 35 U.S.C. § 257(c)(1)).

257(c)(1).¹⁷⁹ The "exceptions" mean that information considered in a supplemental examination can be the basis for a holding of unenforceability, although, presumably, only if the standards or unenforceability are met. Those standards were addressed by a closely-divided en banc Federal Circuit in the *Therasense, Inc. v. Becton, Dickinson & Co.* decision.¹⁸⁰

The scope of the two exceptions and the relationship between them are not clear, at least from a first-blush, literal reading of the statutory language.¹⁸¹

The first exception (2(A)) is for "prior allegations" as follows:

"Paragraph (1) shall not apply to an allegation 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) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 355(j)(2)(B)(iv)(II)), before the date of a supplemental examination request under subsection (a) to consider, reconsider, or correct information forming the basis for the allegation."¹⁸²

The (2)(A) exception, read literally, refers independently to two circumstances of an allegation, either which occur *before a supplemental examination request*.

The first (2)(A) circumstance is a "civil action." That would literally encompass any suit by a patent owner for infringement in which an accused infringer pleads "with particularity" one or more instances of inequitable conduct. Federal Circuit case law requires particularity in pleading inequitable conduct. CHISUM ON PATENTS § 19.03[6][b][ii].

The second (2)(A) circumstance, after the first comma, is a Section 505(j)(2)(B)(iv)(II) notice. Such a notice is known as a "Paragraph IV" certification, which a generic drug manufacturer can make in regard to a patented drug that the Food and Drug Administration has approved for marketing. The certification supports the generic manufacturer's "ANDA", abbreviated new drug application, filed with the FDA. In a Paragraph IV certification, the ANDA filer

¹⁷⁹AIA 2011 § 12(a) (adding 35 U.S.C. § 257(c)(2)).

¹⁸⁰*Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276 (Fed. Cir. 2011) (en banc).

¹⁸¹Unlike the meaning of "consideration," noted above, the PTO views on the scope of exceptions would not likely influence judicial interpretation because they do not relate to how the PTO conducts its proceedings, only the effect of those proceedings.

¹⁸²AIA 2011 § 12(a) (adding 35 U.S.C. § 257(c)(2)(A)).

certifies that a patent listed by a patent owner with the FDA as covering the drug, "is invalid or will not be infringed by the manufacture, use, or sale of the new drug for which the application is submitted." When a generic manufacturer files an ANDA with a Paragraph IV certification, a patent owner may sue for infringement under a specific provision, Section 271(e)(2). If filed promptly (within 45 days), the suit will automatically stay FDA approval of the ANDA for a period of time. CHISUM ON PATENTS § 16.03[1][d][ii].

The second exception, (2)(B), is for "patent enforcement actions" as follows:

"In an action brought under section 337(a) of the Tariff Act of 1930 (19 U.S.C. 1337(a)), or section 281 of this title, paragraph (1) shall not apply to any defense raised in the action that is based upon information that was considered, reconsidered, or corrected pursuant to a supplemental examination request under subsection (a), unless the supplemental examination, and any reexamination ordered pursuant to the request, are concluded before the date on which the action is brought."

Unlike 2(A), which refers to events before a patent owner's *request* for a supplemental examination, the 2(B) exception refers to *conclusion* of the supplemental examination, including a reexamination if necessary.

The 2(B) exception, like (2)(A), refers to two circumstances, that is, types of actions as to which the sanitized effect of a supplemental examination is withheld.¹⁸³

The first is a Section 337 importation exclusion proceeding in the International Trade Commission. CHISUM ON PATENTS § 16.05[3][c]. The second is an action under "section 281 of this title." Section 281 provides: "A patentee shall have remedy by civil action for infringements of his patent," and, thus, seems to cover the "civil action" referred to 2(A).¹⁸⁴

The two exceptions, each of which refers to two circumstances, appear to have been drafted independently, each with no regard to the language in the other.

As described above, the (2)(A) exception (first circumstance), read literally, removes the sanitizing effect of paragraph (1) if an allegation is "pled with particularity in a civil action," presumably by an accused infringer, before the patent owner filed a supplemental examination request "to consider ... the

¹⁸³AIA 2011 § 12(a) (adding 35 U.S.C. § 257(c)(2)(B)).

¹⁸⁴35 U.S.C. § 281.

information forming the basis for the allegation." But the (2)(B) exception (second circumstance) seems to more broadly remove the effect of paragraph (1) in civil actions. It provides that, for a civil action, paragraph (1) is not applicable to "any defense" based on information considered in a supplemental examination request unless the supplemental examination (and any reexamination) are concluded before the action is brought, that is, *finished*, not merely *requested*.

Thus, read literally, the (2)(B) exception renders superfluous the (2)(A) exception as applied to a "civil action." That tentative reading violates a general legal principle, which the Supreme Court refers to as "the canon against superfluity."¹⁸⁵

Can the exceptions be construed so as to avoid the "superfluity" as to civil actions?

One way to reconcile the two would be to read the (2)(A) exception as limited to drug suits under the Hatch-Waxman Act. In other words, "civil action" would refer to the civil actions under Section 271(e) that typically follow the "notice" referred to in the phrase after the comma. The pleading with particularity would be in a Section 271(e) suit against an ANDA filer. The ANDA filer would negate the patent owner's use of supplemental examination request if the filer either set forth the allegation in the Paragraph IV statement or in the civil action before the patent owner's request. On the other hand, Section (2)(B) would be read as applicable to section 281 civil suits (other than Hatch-Waxman Act suits) and to International Trade Commission proceedings under the Tariff Act.

That reconciling construction finds some support in the legislative history.¹⁸⁶ The construction also has a reasonable policy basis. With civil actions for infringement generally, it is reasonable to expect a patent owner to review the patent in question and seek PTO supplemental reexamination if there is "information" that may need consideration or correction. It is reasonable to expect

¹⁸⁵Microsoft Corp. v. i4i Limited Partnership, 131 S. Ct. 2238, 2248 (2011), discussed § 5.06[2][f].

¹⁸⁶See H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 78 (June 1, 2011) ("New subsection (c) also enumerates three exceptions to these terms: (1) prior allegations involving certain new drug applications (21 USC § 355(j)); (2) patent enforcement actions before the International Trade Commission or a US district court, unless the supplemental examination was concluded before the date on which the action is brought; and (3) instances in which fraud on the USPTO was practiced or attempted.").

The third exception was removed from subsection (c), as enacted. Instead, a separate section (e) on "fraud" was included, as described below.

the patent owner to do so before filing suit, such a suit imposing significant costs and burdens of an accused infringer. See CHISUM ON PATENTS § 20.03[4][c].

In contrast, with the special drug infringement suits, the accused infringer is the party that initiates the chain of events leading to the infringement suit. It is not as reasonable to expect a patent owner to seek and complete a supplemental reexamination before the action is filed. On the other hand, it is reasonable to preclude a patent owner from gaining the sanitizing effect of a supplemental examination when the patent owner is spurred into action by the ANDA filer's prior specific allegations in an Paragraph IV certification or in the suit once filed.

12.4 Fraud. Court decisions distinguish between "inequitable conduct" in prosecution of a patent and actual "fraud." CHISUM ON PATENTS § 11.03[4][a], § 11.03[4][a]. However, in decisions such as *Therasense*, the Federal Circuit has raised the required showings of materiality and intent, making the distinction less clear.¹⁸⁷

In the past, the PTO exercised authority to strike or reject an application on account of "fraud" or "inequitable conduct." In 1988, the PTO stopped doing so, leaving such issues to the court. CHISUM ON PATENTS § 11.03[4][b][iv].

New Section 257(e) addresses what the PTO may do if it "becomes aware, during the course of a supplemental examination or reexamination proceeding ordered under this section, that a material fraud on the Office may have been committed in connection with the patent that is the subject of the supplemental examination."¹⁸⁸ The PTO "shall ... refer the matter to the Attorney General for such further action as the Attorney General may deem appropriate." The Attorney General's potential action could be a criminal prosecution for perjury. Also, there is authority for the United States suing a patent owner to cancel a patent obtained by fraud. CHISUM ON PATENTS § 19.03[6][c].

The PTO's reference to the Attorney General is "in addition to any other actions the [PTO] Director is authorized to take, including the cancellation of any claims found to be invalid under section 307 as a result of a reexamination ordered under this section."¹⁸⁹ The "other action" might include disciplinary action against registered attorneys and agents, as discussed below.

¹⁸⁷*Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276 (Fed. Cir. 2011) (en banc).

¹⁸⁸AIA 2011 § 12(a) (adding 35 U.S.C. § 257(e)).

¹⁸⁹AIA 2011 § 12(a) (adding 35 U.S.C. § 257(e)).

It is possible that a patent under reexamination might contain claims unrelated to a fraud as well as ones obtained by the fraud. The other claims might not be "invalid" as such. Can the PTO nevertheless cancel all the claims of a tainted patent? Courts apply an "all claims" rule to inequitable conduct. CHISUM ON PATENTS § 19.03[6][b].

12.5 "Rule of Construction": Actions Not Precluded by Supplemental Examination. New Section 257(f) provides a "Rule of Construction," which is a list of three actions that Section 257 supplemental reexamination does not preclude or limit.¹⁹⁰ In other words, these are actions that can be taken despite a patent owner's success in a supplemental examination.

12.5.1 Sanctions under Criminal, Antitrust, and Unfair Competition Laws. Section 257(f)(1) allows sanctions under the criminal, antitrust and federal unfair competition laws.¹⁹¹

12.5.2 PTO Investigation and Sanctioning of Misconduct. Section 257(f)(2) recognizes the PTO's authority "to investigate issues of possible misconduct and impose sanctions for misconduct in connection with matters or proceedings before the" PTO.¹⁹²

The statute is not specific as to what sanctions are appropriate and against

¹⁹⁰§ 257(f):

"(f) Rule of Construction.—Nothing in this section shall be construed—

(1) to preclude the imposition of sanctions based upon criminal or antitrust laws (including section 1001(a) of title 18, the first section of the Clayton Act, and section 5 of the Federal Trade Commission Act to the extent that section relates to unfair methods of competition);

(2) to limit the authority of the Director to investigate issues of possible misconduct and impose sanctions for misconduct in connection with matters or proceedings before the Office; or

(3) to limit the authority of the Director to issue regulations under chapter 3 relating to sanctions for misconduct by representatives practicing before the Office."

AIA 2011 § 12(a) (adding 35 U.S.C. § 257(f)).

¹⁹¹AIA 2011 § 12(a) (adding 35 U.S.C. § 257(f)(1)).

¹⁹²AIA 2011 § 12(a) (adding 35 U.S.C. § 257(f)(2)).

whom.

12.5.3 PTO Regulations on Sanctions for Misconduct by Practitioners; Section 32; Statute of Limitations. Section 257(f)(3) recognizes the PTO's authority "to issue regulations under chapter 3 relating to sanctions for misconduct by representatives practicing before the Office."¹⁹³

Chapter 3 in Title 35 contains Section 32 on "Suspension or exclusion from practice" as well as Section 33 on "Unauthorized representation as practitioner."¹⁹⁴

Another section of the AIA, Section 3(k), amends Section 32 to add a statute of limitations.¹⁹⁵ According to Judge Bryson's dissent in *Therasense*, the PTO's

¹⁹³AIA 2011 § 12(a) (adding 35 U.S.C. § 257(f)(3)).

¹⁹⁴Section 32, after the 2011 Act amendment, reads:
§ 32. Suspension or exclusion from practice.

"The Director May, After Notice and Opportunity for a hearing, suspend or exclude, either generally or in any particular case, from further practice before the Patent and Trademark Office, any person, agent, or attorney shown to be incompetent or disreputable, or guilty of gross misconduct, or who does not comply with the regulations established under section 2(b)(2)(D) of this title, or who shall, by word, circular, letter, or advertising, with intent to defraud in any manner, deceive, mislead, or threaten any applicant or prospective applicant, or other person having immediate or prospective business before the Office. The reasons for any such suspension or exclusion shall be duly recorded. The Director shall have the discretion to designate any attorney who is an officer or employee of the United States Patent and Trademark Office to conduct the hearing required by this section. **A proceeding under this section shall be commenced not later than the earlier of either the date that is 10 years after the date on which the misconduct forming the basis for the proceeding occurred, or 1 year after the date on which the misconduct forming the basis for the proceeding is made known to an officer or employee of the Office as prescribed in the regulations established under section 2(b)(2)(D).** The United States District Court for the District of Columbia, under such conditions and upon such proceedings as it by its rule determines, may review the action of the Director upon the petition of the person so refused recognition or so suspended or excluded."

35 U.S.C. § 32 (as amended by AIA 2011 § 3(k)).

¹⁹⁵AIA 2011 § 3(k) (amending 35 U.S.C. § 32).

See H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 74 (June 1, 2011) ("Paragraph (1) amends § 32 of the Patent Act ('suspension or exclusion from practice') by placing time limitations on the commencement of a proceeding. Paragraph (2) imposes a reporting

position had been that it was constrained in bringing disciplinary actions by a general five-year statute of limitations:

"The prospect of agency disciplinary action for disclosure violations is unrealistic, the PTO explains, because the Office is required by statute to file any charges within five years, see 28 U.S.C. § 2462, and it seldom learns of inequitable conduct within that period of time."¹⁹⁶

Section 3(k) lengthens the period to ten years after the misconduct occurs but only one year after "the misconduct forming the basis for the proceedings is made known" to PTO.

§ 13 Funding Agreements.

AIA 2011 Section 13(a) alters a provision in the Bayh-Dole Act on patent rights in government funded research.

Existing Section 202(c)(7)(E) divided royalties with 75% for the Government. Section 13(a) lowers that share to 15%.¹⁹⁷

§ 14 Tax Strategies.

requirement on the Director regarding instances of misconduct before the agency and how they were addressed.").

¹⁹⁶Therasense, Inc. v. Becton, Dickinson & Co., 649 F.3d 1276 (Fed. Cir. 2011) (en banc) (Bryson, dissenting).

Section 2462, cited by Judge Bryson, provides:

"Except as otherwise provided by Act of Congress, an action, suit or proceeding for the enforcement of any civil fine, penalty, or forfeiture, pecuniary or otherwise, shall not be entertained unless commenced within five years from the date when the claim first accrued if, within the same period, the offender or the property is found within the United States in order that proper service may be made thereon."

28 U.S.C. § 2462.

¹⁹⁷H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 79 (June 1, 2011) ("Clause (i) of § 202(c)(7)(E) is amended to permit a nonprofit organization that has a funding agreement for the operation of a Government-owned-contractor-operated facility to retain 85%, rather than 25% under current law, of licensing royalties in excess of the amount equal to 5% of the annual budget of the facility.")

Whether inventions pertaining to computer software and to business methods should qualify as potentially patentable subject matter has long been hotly debated in the courts and among commentators and organizations studying the United States patent system. CHISUM ON PATENTS § 1.03[6].

The Supreme Court's *Bilski* decision was indecisive.¹⁹⁸ A bare majority of the Justices declined to exclude categorically business methods but indicated that some claims to business methods were excluded from patenting as "abstract ideas."

In the AIA's Section 14, Congress limited the patenting of methods concerning tax strategies by dictating that a tax strategy should be, in effect, prior art in determining the novelty or unobviousness of a claim, even if the strategy was previously unknown.¹⁹⁹

¹⁹⁸*Bilski v. Kappos*, 130 S. Ct. 3218 (2010).

¹⁹⁹Section 14 provides:

"TAX STRATEGIES DEEMED WITHIN THE PRIOR ART.

(a) In General.—For purposes of evaluating an invention under section 102 or 103 of title 35, United States Code, any strategy for reducing, avoiding, or deferring tax liability, whether known or unknown at the time of the invention or application for patent, shall be deemed insufficient to differentiate a claimed invention from the prior art.

(b) Definition.—For purposes of this section, the term "tax liability" refers to any liability for a tax under any Federal, State, or local law, or the law of any foreign jurisdiction, including any statute, rule, regulation, or ordinance that levies, imposes, or assesses such tax liability.

(c) Exclusions.—This section does not apply to that part of an invention that—

(1) is a method, apparatus, technology, computer program product, or system, that is used solely for preparing a tax or information return or other tax filing, including one that records, transmits, transfers, or organizes data related to such filing; or

(2) is a method, apparatus, technology, computer program product, or system used solely for financial management, to the extent that it is severable from any tax strategy or does not limit the use of any tax strategy by any taxpayer or tax advisor.

(d) Rule of Construction.—Nothing in this section shall be construed to imply that other business methods are patentable or that other business method patents are valid.

(e) Effective Date; Applicability.—This section shall take effect on the date of the enactment of this Act and shall apply to any patent application that is pending on, or filed on or after, that date, and to any patent that is issued on or

The special treatment of tax strategies, as opposed to other intangible processes, violates a venerable and longstanding principle of general industry and technology neutrality in the patent system. Putting aside political influence, is there any principled or policy-based justification for treating something (a tax strategy) as prior art when it is not? The House Committee Report makes an effort to provide one.²⁰⁰

The Section 14(a) provision on prior art treatment is for "any strategy for reducing, avoiding, or deferring tax liability." Section 14(b) defines "tax liability" broadly, as liability under Federal, State, local or foreign law.

Section 14(c) provides two "exclusions." Section 14 does not apply to "that part of an invention" that is a "method, apparatus, technology, computer program product, or system" that is (1) used solely for preparing a tax or information return or other tax filing, including one that records, transmits, transfers, or organizes data related to such filing" or (2) "used solely for financial management, to the extent that it is severable from any tax strategy or does not limit the use of any tax strategy by any taxpayer or tax advisor."²⁰¹

after that date."
AIA 2011, § 14.

²⁰⁰The Report notes:

"In recent years, the numbers of patents on tax-strategies have increased. Critics assert that it is not fair to permit patents on techniques used to satisfy a government mandate, such as compliance with the Internal Revenue Code.

"Tax preparers, lawyers, and planners have a long history of sharing their knowledge regarding how to file returns, plan estates, and advise clients. The ability to interpret the tax law and implement such interpretations should remain in the public domain, available to all taxpayers and their advisors.

"The Act mandates that tax strategies are deemed 'insufficient to differentiate a claimed invention from the prior art.' In other words, any future tax strategy will be considered indistinguishable from all other publicly available information that is relevant to a patent's claim of originality. Under the Act, however, protection (an exclusion) is made available for software that enables individuals to file their income tax returns or that assists them with managing their finances. The exclusion does not apply to that part of the software related to a tax strategy."

H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 51-52 (June 1, 2011).

²⁰¹The House Committee Report discusses the scope of the prior art provision and the exclusions.

In *Bilski*, the Supreme Court had relied, in part, on a narrow "prior user" exception to infringement of business method patents as reflecting implicit Congressional recognition that some business methods were patentable as processes or methods under Section 101. CHISUM ON PATENTS § 1.03[6][m][ii][c]. To avoid that kind of implication from the AIA, Congress declared nothing in Section 14 "shall be construed to imply that other business methods are patentable or that other business method patents are valid."²⁰²

"The provision is directed to tax strategies, which are a subset of business methods, and is not intended to deny patent protection for an invention that consists of tax preparation software or other tools used solely to enter data on tax or information returns or any other filing required by a tax authority. Thus, a software program that is novel and non-obvious as software would not be affected by this section even though the software is used for a tax purpose. A prior-art software program, however, could not overcome the section 102 and 103 hurdles by implementing a novel and non-obvious strategy for reducing, avoiding, or deferring taxes.

"There may be situations in which some aspects of an invention are separable from the tax strategy. In this case, any claim that encompasses a tax strategy will be subject to the provision and the novelty or non-obviousness of the tax strategy will be deemed insufficient to differentiate that claim from the prior art. However, any claim that does not involve a tax strategy would not be within the scope of the provision. In such a case, if the invention includes claims that are separable from the tax strategy, such claims could, if otherwise enforceable, be enforced.

"Inventions that fall within the scope of the provision include those especially suitable for use with tax-favored structures that must meet certain requirements, such as employee benefit plans, tax-exempt organizations, or any other entities that must be structured or operated in a particular manner to obtain certain tax consequences. Thus, the provision applies if the effect of an invention is to aid in satisfying the qualification requirements for the desired tax-favored entity status, to take advantage of the specific tax benefits offered in a tax-favored structure, or to allow for tax reduction, avoidance, or deferral not otherwise automatically available in such entity or structure.

"In general, the USPTO may seek advice and assistance from Treasury and the IRS to better recognize tax strategies. Such consultations should help ensure that patents do not infringe on the ability of others to interpret the tax law and that implementing such interpretations remains in the public domain, available to all taxpayers and their advisors."

H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 79 (June 1, 2011).

²⁰²AIA 2011 § 14(d).

Section 14 was effective on the AIA's enactment (September 16, 2011), and applies "to any patent application that is pending on, or filed on or after, that date, and to any patent that is issued on or after that date."²⁰³

§ 15 Best Mode Requirement.

United States patent law has required, at least since 1952, in the first paragraph of Section 112 of Title 35, that a patent applicant disclose in the specification filed with a patent application not only a written description of the invention ("description requirement") and how to make and use the invention ("enablement requirement") but also the "the best mode contemplated by the inventor of carrying out his invention." CHISUM ON PATENTS § 7.05.

The best mode requirement as been defended as an important aspect of the basic patent bargain offered to inventors: a grant of exclusive rights for a period of time in exchange for an immediate full disclosure of the invention. An inventor ought not to be able to conceal potentially valuable preferred features of an invention. But the requirement has also been criticized on a number of grounds. First, it is an obstacle to international harmonization because most other patent systems do not require a best mode disclosure. Second, the necessary extra disclosure complicates and slows the preparation of an application, a consideration that is more serious under a first-to-file system, which the AIA 2011 partially adopts. Third, the requirement operates arbitrarily, focusing on the state of mind of a specific person or persons (the inventor or joint inventor) at a specific point in time (the filing date). Fourth, the requirement lends itself to aggressive litigation strategies, such as attempts to lure an inventor into admitting a best mode violation in an early deposition in a case or evasiveness by inventors as to what they preferred. Fifth, the requirement is uncertain in scope in terms of the relationship between the undisclosed "mode" and the claimed invention. Sixth, a best mode "violation" cannot be cured and often results in the loss of a necessary early priority application filing date. Seventh, there are other incentives for applicants to disclose preferred modes, including the desirability of preventing later patenting of a preferred mode by others.

These and other considerations have evoked suggestions to abolish or reform

²⁰³AIA 2011 § 14(e).

the best mode requirement.²⁰⁴ Oddly, in the AIA 2011, Congress did neither. Instead, it retained the requirement (though changing the phrase to one of gender neutrality²⁰⁵) but removed a best mode violation as a requirement for priority of a prior application and an invalidity defense in an infringement act. Hence, the requirement remains, but the consequences of a violation are greatly diminished.

The House Committee Report explains the concerns with best mode, but it does not explain why such a truncated action was taken.²⁰⁶

Not clear are what effect the changes in the best mode requirement will have on application drafting, on examination in the PTO and on the duty of candor

²⁰⁴See Chisum, "Best Mode Concealment and Inequitable Conduct in Patent Procurement: A Nutshell, A Review of Recent Federal Circuit Cases and A Plea for Modest Reform," 13 Santa Clara Computer & High Tech. L.J. 277 (1997).

²⁰⁵See AIA ANALYSIS § 4.3, above.

As amended, the phrase reads "shall set forth the best mode contemplated by the inventor or joint inventor of carrying out the invention," instead of carrying out "his invention."

²⁰⁶The Report notes:

"The Act amends § 282(b) to eliminate as a defense to patent infringement the patentee's failure to comply with the best mode requirement of § 112. An applicant for a patent must disclose: (1) a written description of the invention; (2) a written description of the manner of making and using the invention, sufficient to enable one skilled in the art to make and use it (known as the "enablement requirement"); and (3) the best mode contemplated by the inventor of carrying out the invention. ... The disclosures required of an applicant are part of the important tradeoff that underlies the patent laws: the grant of a limited-term monopoly in exchange for disclosure of the invention.

"Under current law, the defense of patent invalidity is available for failure to comply with any requirement of § 112 (specification) or § 251 (reissued patents). Further, a defendant in patent litigation may also allege an intentional nondisclosure of the best mode, with intent to deceive the Office, as a basis for an unenforceability defense. Many have argued in recent years that the best mode requirement, which is unique to American patent law, is counterproductive. ... They argue that challenges to patents based on best mode are inherently subjective and not relevant by the time the patent is in litigation, because the best mode contemplated at the time of the invention may not be the best mode for practicing or using the invention years later.

"In response to these concerns, the Act includes a provision that eliminates best mode as a basis for both invalidity and unenforceability defenses under § 282; other defenses are unaffected.

H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 52 (June 1, 2011).

(inequitable conduct).

15.1 In General; Removal of Best Mode as an Invalidity Defense; Post Grant Review. Section 15(a) amends 35 U.S.C. § 282(3) on the defense of invalidity for noncompliance with Section 112 to state: "failure to comply with— (A) any requirement of section 112, *except that the failure to disclose the best mode shall not be a basis on which any claim of a patent may be canceled or held invalid or otherwise unenforceable.*"²⁰⁷

The AIA introduces a new procedure for "post-grant review" by third parties. AIA ANALYSIS § 6.1.1.2. The review encompasses "any ground that could be raised under paragraph (2) or (3) of section 282(b) (relating to invalidity of the patent or any claim)." Thus, a third party will be precluded from raising a best mode violation in a post grant review because Section 282(b)(3) excludes such violations.

15.2 Domestic Priority under Sections 119 and 120; Foreign Priority. Under existing law, a later application can obtain the benefit of an earlier application only if the prior application provides an adequate disclosure, as to the claims in the later application, as required by the first paragraph of Section 112.

It has been suggested that compliance with the best mode requirement in a priority application is not necessary because only the same invention need be described or disclosed and that the "best mode" is not the invention, as such.²⁰⁸ Nevertheless, a contrary position has been widely assumed to be the law for (1) the benefit of a prior application under Section 120, CHISUM ON PATENTS § 13.04[2][a], (2) priority to a provisional application filed in the United States under Section 119(e), CHISUM ON PATENTS § 11.02[1][g][ii] and (3) possibly, as discussed below, for priority to foreign filed applications under Section 119(a).

The AIA's Section 15(b) alters the first sentences in Section 119(e)(1) and Section 120 as follows:

"§ 119. Benefit of earlier filing date; right of priority.

"...

²⁰⁷AIA 2011 § 15(a) (amending 35 U.S.C. § 282).

²⁰⁸See CHISUM ON PATENTS § 13.04[2][a] ("Section 120 refers to the 'invention disclosed' as required by Section 112. Section 112 provides that the inventor must (a) 'describe' 'the invention' and how to make and use it, and (b) 'set forth' the best mode, etc. It could be argued that Section 120 refers to (a) but not (b).").

"(e) An application for patent filed under section 111(a) or section 363 [of this title] for an invention disclosed in the manner provided by [the first paragraph of section 112 of this title] *section 112(a) (other than the requirement to disclose the best mode)* in a provisional application filed under section 111(b) [of this title], by an inventor or inventors named in the provisional application, shall have the same effect, as to such invention, as though filed on the date of the provisional application filed under section 111(b) [of this title], if the application for patent filed under section 111(a) or section 363 [of this title] is filed not later than 12 months after the date on which the provisional application was filed and if it contains or is amended to contain a specific reference to the provisional application. ...

"§ 120. Benefit of earlier filing date in the United States. An application for patent for an invention disclosed in the manner provided by [the first paragraph of section 112 of this title] *section 112(a) (other than the requirement to disclose the best mode)* in an application previously filed in the United States, or as provided by section 363 [of this title], [which is filed by an inventor or inventors named] *which names an inventor or joint inventor* in the previously filed application shall have the same effect, as to such invention, as though filed on the date of the prior application, if filed before the patenting or abandonment of or termination of proceedings on the first application or on an application similarly entitled to the benefit of the filing date of the first application and if it contains or is amended to contain a specific reference to the earlier filed application."²⁰⁹

The AIA does not amend Section 119(a) in regard to priority to foreign applications. This inaction is probably due to the fact that Section 119(a), unlike Sections 119(e) and Section 120, does not refer to Section 112, first paragraph. Section 119(a), consistent with the Paris Convention, which it implements, refers to the "same invention." CHISUM ON PATENTS § 14.03[3].

Case law has construed "same invention" in Section 119(a) as including both the enablement requirement and the written description requirement of Section 112. There is little authority on whether the best mode requirement must be complied with. CHISUM ON PATENTS § 14.02[1], § 14.02[5].

After the AIA amendments to Sections 119(e) and 120, it would be

²⁰⁹AIA 2011 § 15(b) (amending 35 U.S.C. § 119(e)(1), § 120).

anomalous and potentially contrary to international principles of national treatment to withhold priority from a foreign applicant who files an application in the U.S. one year after a first foreign filing disclosing the same invention but no best mode while extending priority to a similarly situated U.S. applicant (for example, one who filed a provisional application that met enablement and written description but not best mode and then filed a nonprovisional application one year later).

15.3 Effective Date; Validity of Existing Patents; No Intervening Rights.

With past amendments, which had the potential impact of rendering previously invalid patents valid, Congress has made some provision for intervening rights for third parties who may have relied on the invalidity of a patent. See CHISUM ON PATENTS § 5.03[3][c][vi][C].

The AIA makes no such provision with regard to the abolition of best mode as a defense. Section 15(c) provides: "The amendments made by this section shall take effect upon the date of the enactment of this Act and shall apply to proceedings commenced on or after that date."²¹⁰ The enactment date was September 16, 2011. Thus, the abolition applies to existing patent patents that were, under prior law, invalid because of a best mode violation.

Hypothesize an extreme scenario. A obtains a patent in 2005 claiming X. In 2007, A asserts infringement against company B, which is building a large plant to produce X. A offers a license. After B studies the patent and determines that it is invalid for a best mode violation, B declines the license offer. Not hearing further from A, B builds its business, reaching \$50 million in sales of X in August 2011. On September 17, 2011, A sues B, alleging infringement of the patent. B may (or may not) have a defense of laches or estoppel. But is there some theory whereby it can avoid the effect of AIA Section 15? Could there be an unconstitutional deprivation of property without due process?

§16 Marking.

The patent statutes have long required that a patent owner or one acting with the patent owner's authority place a patent mark on patented "articles." CHISUM ON PATENTS § 20.03[7][c].

Failure to mark does not invalidate the patent or preclude a patent owner's ability to sue an infringer, but it will limit the damages against the infringer to the

²¹⁰AIA 2011 § 15(c).

acts of infringement after the patent owner gives notice or sues.²¹¹

The statutes also prohibit false marking and authorize "any person" to sue for a penalty.

AIA Section 16 makes several changes to the marking and false marking statutes.

16.1 Virtual Marking; Posting on the Internet. AIA Section 16(a)(1) adds a new form of mark: the "virtual mark."

The Section amends Section 287(a) as follows:

"(a) Patentees, and persons making, offering for sale, or selling within the United States any patented article for or under them, or importing any patented article into the United States, may give notice to the public that the same is patented, either by fixing thereon the word "patent" or the abbreviation "pat.", together with the number of the patent, [or when,] *or by fixing thereon the word 'patent' or the abbreviation 'pat.' together with an address of a posting on the Internet, accessible to the public without charge for accessing the address, that associates the patented article with the number of the patent, or when,* from the character of the article, this can not be done, by fixing to it, or to the package wherein one or more of them is contained, a label containing a like notice. In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice. Filing of an action for infringement shall constitute such

²¹¹See H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 52, n.55, n.56 (June 1, 2011):

"In general, for patented 'articles,' a patent holder must give an alleged infringer notice of the claimed infringement, and the infringer must continue to infringe, before the patent holder may succeed in a suit for damages. [See 35 U.S.C. § 287.] Actual notice requires the affirmative communication of infringement to the defendant, which may include the filing of a lawsuit. Constructive notice is possible by 'marking' any patented article that the patent holder (or its licensee) makes, uses, sells or imports. [See 35 U.S.C. § 287.] Failure to appropriately mark an article can preclude the recovery of damages until notice is effective."

notice."²¹²

The amendment is a verbal landmark, adding for the first time the word "Internet" to the Patent Act. Its purpose is to "save costs" and to "facilitate effective marking on smaller products."²¹³

Congress directed the PTO to analyze and report on the effectiveness of virtual marking.²¹⁴

The virtual marking amendment applies "to any case that is pending on, or commenced on or after, the date of the enactment of this Act."²¹⁵ The enactment date was September 16, 2011.

16.2 False Marking. Prior to its amendment in 2011, Section 292 prohibited false and counterfeit marking, imposed a fine of "\$500 for every such offense," authorized "any person" to sue, and provided that the person could retain

²¹²AIA 2011 § 16(a)(1) (amending 35 U.S.C. § 287(a)).

²¹³See H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 52-53 (June 1, 2011):

"The Act permits patent holders to 'virtually mark' a product by providing the address of a publicly available website that associates the patented article with the number of the patent. The burden will remain on the patent holder to demonstrate that the marking was effective. This amendment will save costs for producers of products that include technology on which a patent issues after the product is on the market, and will facilitate effective marking on smaller products."

²¹⁴AIA 2011 § 15(a)(3):

"(3) Report.— Not later than the date that is 3 years after the date of the enactment of this Act, the Director shall submit a report to Congress that provides—

(A) an analysis of the effectiveness of 'virtual marking', as provided in the amendment made by paragraph (1) of this subsection, as an alternative to the physical marking of articles;

(B) an analysis of whether such virtual marking has limited or improved the ability of the general public to access information about patents;

(C) an analysis of the legal issues, if any, that arise from such virtual marking; and

(D) an analysis of the deficiencies, if any, of such virtual marking."

²¹⁵AIA 2011 § 16(a)(2).

one half the penalty, the other half going to the Government.²¹⁶ Such suits are known as "qui tam" actions. CHISUM ON PATENTS § 20.04[7][c][vii].

In the years before the 2011 Act, false marking suits proliferated with plaintiffs claiming extremely high penalties based on theories that each sale of a product with a false mark was a separate offense and that a product with a mark noting a patent that had expired was a false mark. Court decisions supported, in part, these theories as well as confirming a private party's standing to sue and the Government's right to intervene in the suits.²¹⁷ A key issue was the required showing of an "intent of deceiving the public."²¹⁸

The 2011 Act amends the false marking statute to curb the "surge" in suits.²¹⁹

²¹⁶"Any person may sue for the penalty, in which event one-half shall go to the person suing and the other to the use of the United States." 35 U.S.C. § 292(b) (2006).

²¹⁷*Stauffer v. Brook Brothers, Inc.*, 619 F.3d 1321 (Fed. Cir. 2010); *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295 (Fed. Cir. 2009).

²¹⁸*Pequignot v. Solo Cup Co.*, 608 F.3d 1356 (Fed. Cir. 2010) (summary judgment of no intent).

²¹⁹See H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 53 (June 1, 2011):

"The Federal Circuit's recent decision in *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295 (Fed. Cir. 2009), which held that section 292's \$500 fine is assessed for each product that is falsely marked, has created a surge in false-marking qui tam litigation. Though one might assume that section 292 actions are targeted at parties that assert fictitious patents in order to deter competitors, such a scenario is almost wholly unknown to false-marking litigation. False-marking suits are almost always based on allegations that a valid patent that did cover the product has expired, but the manufacturer continued to sell products stamped with the patent; or that an existing patent used to mark products is invalid or unenforceable; or that an existing and valid patent's claims should not be construed to cover the product in question.

"Indeed, a recent survey of such suits found that a large majority involved valid patents that covered the products in question but had simply expired. For many products, it is difficult and expensive to change a mold or other means by which a product is marked as patented, and marked products continue to circulate in commerce for some period after the patent expires. It is doubtful that the Congress that originally enacted this section anticipated that it would force manufacturers to immediately remove marked products from commerce once the patent expired, given that the expense to manufacturers of doing so will generally greatly outweigh any conceivable harm of allowing such products to continue to circulate in commerce."

It does so even though the amendment could deprive the Government of some revenue.²²⁰

The 2011 Act's Section 16(b) makes three changes.²²¹ The changes "apply to

²²⁰See H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 69-70 (June 1, 2011):

"H.R. 1249 would change how certain patent cases, known as false marking cases, are handled by the court system. False marking cases are brought when a defendant is accused of incorrectly claiming a product's right to certain patent protection. Under current law, such cases can be brought by any person on behalf of the government; the government receives half of the value of any fines or amount paid as part of a court-mediated settlement, with the person bringing the case receiving the other. H.R. 1249 would permit competitors to recover damages for the competitive harm caused by a defendant's false marking but would eliminate the option for individuals to seek fines on behalf of the government by stating that only the United States can sue for a civil penalty. H.R. 1249 would further specify that a defendant would not be liable for a false marking suit if the patent involved either expired within 3 years of the alleged false marking or if the word 'expired' were added to the claim of patent protection.

"Information from the Department of Justice (DOJ) indicates that in 2010, the government collected fines (recorded as revenues) of about \$3 million from false marking cases. Under current law, CBO expects that a diminishing number of new cases will be filed through 2011 and beyond, as courts define stricter standards for proving 'intent to deceive' on the part of the defendant, and as companies rectify their patent marking procedures in response to the risk of litigation. Based on information from DOJ, CBO estimates that about a third of currently pending cases will eventually be settled in court; we expect the rest to be dismissed with no monetary settlement. Thus, CBO estimates that under current law, by 2014, federal revenues from those cases will drop to less than \$500,000 a year.

"By changing both who can litigate and their incentives for doing so, H.R. 1249 would significantly reduce both the pending caseload and the number of future cases filed. Therefore, CBO estimates that enacting the bill would reduce federal revenues by \$7 million over the 2011-2016 period and by \$8 million over the 2011-2021 period."

²²¹See H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 80 (June 1, 2011):

"Subsection (b) addresses false marking in the following ways: (1) Only the United States may sue for the qui tam penalty under the subsection. (2) A person who has suffered a competitive injury as a result of a violation may still bring a civil action in US district court for compensatory damages. (3) Persons or companies otherwise liable under § 292 (the false marking statute) are protected during a 3-year window beginning on the date the patent at issue expires. Beyond

all cases, without exception, that are pending on, or commenced on or after, the date of the enactment of this Act," that is, September 16, 2011.²²² Thus, the statute dictates that pending private qui tam actions be terminated.

16.2.1 Penalty Suits Only By the United States. First, Section 16(b)(1) restricts standing in false marking qui tam actions to the United States. It adds to the end of 35 U.S.C. § 292(a): "Only the United States may sue for the penalty authorized by this subsection."²²³ As noted below, it replaces Section 292(b), which formerly allowed "any person" to sue.

16.2.2 Civil Action for Damages. Second, Section 16(b)(2) adds a new "Civil actions for damages" as 35 U.S.C. § 292(b):

"(b) A person who has suffered a competitive injury as a result of a violation of this section may file a civil action in a district court of the United States for recovery of damages adequate to compensate for the injury."²²⁴

Proving that a false patent mark caused a competitive injury will be difficult. For example, will it suffice to obtain the testimony of customers that they bought a falsely-marked product from the patent owner or its licensee, believing that they could not obtain it from the plaintiff because of patent protection?

16.2.3 Expired Patents. An earlier version of the bill that became the AIA included a "three-year window" provision on marking with expired patents.²²⁵

the 3-year window, persons or companies are also protected if they place the word 'patent' or 'patented', the abbreviation 'pat.', or the patent number either on the article or through an Internet posting, consistent with the amendments in subsection (a)."

As enacted, the AIA did not include the "3-year window." Rather, as noted below, the AIA provides that it is not false marking to include a patent that covered the product but has expired.

²²²AIA 2011 § 16(b)(4).

²²³AIA 2011 § 16(b)(1) (amending 35 U.S.C. § 292(a)).

²²⁴AIA 2011 § 16(b)(2) (amending 35 U.S.C. § 292(b)).

²²⁵The bill provided the following for Section 292(c):

"(c) Whoever engages in an activity under subsection (a) for which

As enacted, the AIA adopts a simpler approach, one that can be justified because it is relatively easy to determine from a patent's number whether it has expired.

Amended Section 292(c) provides: "The marking of a product, in a manner described in subsection (a), with matter relating to a patent that covered that product but has expired is not a violation of this section."²²⁶

This change in approach is one of the few instances in the AIA in which simplicity prevailed over complexity.

§ 17 Advice of Counsel.

The concepts of "willful infringement" and "advice of counsel" did not appear in the Patent Act (Title 35) prior to the 2011 AIA, but the concepts were extensively developed in case law. CHISUM ON PATENTS § 20.03[3][b][v].

The concepts have been important with regard to three aspects of patent infringement. First, Patent Act Section 284 states that a court may increase damages up to three times but provides no standard for triggering an increase.²²⁷

liability would otherwise be imposed shall not be liable for such activity—

(1) that is engaged in during the 3-year period beginning on the date on which the patent at issue expires; or

(2) that is engaged in after the end of that 3-year period if the word 'expired' is placed before the word 'patent', 'patented', the abbreviation 'pat', or the patent number, either on the article or through a posting on the Internet, as provided in section 287(a)."

H.R. 1249, § 16(b)(3) 112th Cong., 1st Sess.

²²⁶AIA 2011 § 16(c) (amending 35 U.S.C. § 292)

²²⁷35 U.S.C. § 284:

§ 284 Damages.

"Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

When the damages are not found by a jury, the court shall assess them. In either event *the court may increase the damages up to three times the amount found or assessed*. Increased damages under this paragraph shall not apply to provisional rights under section 154(d) of this title [35 USCS § 154(d)].

The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances."

The courts interpreted the increased damages provision as requiring a finding that infringement was willful. Second, Section 285 provides for an award of attorney fees in exceptional cases.²²⁸ Court decisions recognize that willful infringement may render a case "exceptional," justifying an award of fees from an infringer to a patent owner. CHISUM ON PATENTS § 20.03[3][c]. Third, liability for active inducement of infringement requires a showing of "intent." A showing of willful infringement is pertinent to such intent. CHISUM ON PATENTS § 17.04[2].

In assessing willful infringement for purposes of enhanced damages and attorney fees, Federal Circuit decisions relied on an infringer's failure to obtain the advice of counsel on possible infringement, or the failure to offer evidence of such advice, as evidence of willfulness. The Federal Circuit later changed course in the *Knorr-Bremse* decision, holding en banc that "no adverse inference that an opinion of counsel was or would have been unfavorable flows from an alleged infringer's failure to obtain or produce an exculpatory opinion of counsel."²²⁹

A subsequent Federal Circuit panel decision suggested that advice of counsel may still be relevant to active inducement liability.²³⁰

In Section 17, the AIA adds 35 U.S.C. § 298, which precludes reliance on the lack of advice of counsel for either willfulness or inducement:

"§ 298. Advice of counsel

"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."²³¹

(Emphasis added.)

²²⁸35 U.S.C. § 285: "The court in exceptional cases may award reasonable attorney fees to the prevailing party."

²²⁹*Knorr-Bremse Systeme Fuer Nutzfahrzeuge GMBH v. Dana Corp.*, 383 F.3d 1337, 1341 (Fed. Cir. 2004).

See also *In re Seagate Technology LLC*, 497 F.3d 1360 (Fed. Cir. 2007) (en banc).

²³⁰*Broadcom Corp. v. Qualcomm Inc.*, 543 F.3d 683, 699 (Fed. Cir. 2008).

²³¹AIA 2011 § 17 (adding 35 U.S.C. § 298).

The House Committee Report discusses the provision as follows:

"The Act includes a new provision that bars courts and juries from

Section 17 contains no effective date provision. The AIA's default effective date is one year after the September 16, 2011, enactment, that is, September 16, 2012, applying "to any patent issued on or after that effective date."²³²

§ 18 Transitional Program for Covered Business Method Patents.

As noted in AIA ANALYSIS § 14.0, the patentability of business methods has been and remains contentious.

Critics of business method patents contend that (1) such methods should be excluded categorically as patent eligible subject matter, and (2) many business method patents have been inadequately examined for compliance with the Section 102 and 103 conditions of patentability and have issued for methods that are old or obvious in view of the prior art. In two decisions, Supreme Court Justices referred to business method patents as of suspect validity.²³³

AIA Section 18 responds to the second criticism by providing a "Transitional Program for Covered Business Method Patents," that is complex and detailed but, fortunately, temporary.²³⁴

drawing an adverse inference from an accused infringer's failure to obtain opinion of counsel as to infringement or his failure to waive privilege and disclose such an opinion. Section 298 of title 35 is designed to protect attorney-client privilege and to reduce pressure on accused infringers to obtain opinions of counsel for litigation purposes. It reflects a policy choice that the probative value of this type of evidence is outweighed by the harm that coercing a waiver of attorney-client privilege inflicts on the attorney-client relationship. Section 298 applies to findings of both willfulness and intent to induce infringement—and thus legislatively abrogates the Federal Circuit's decision in *Broadcom Corp. v. Qualcomm Inc.*, 543 F.3d 683, 699 (Fed. Cir. 2008).

H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 53 (June 1, 2011).

²³²AIA 2011 § 35.

²³³*Bilski v. Kappos*, 130 S. Ct. 3218, 3329 (2010); *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 396-97 (2006) (Kennedy, concurring; noting the "vagueness and suspect validity of" the "burgeoning number of patents over business methods").

In *Bilski*, eight of the nine justices concurred in Justice Kennedy's statement on "suspect validity." CHISUM ON PATENTS § 1.03[6][m][ii][C].

²³⁴The House Committee Report provides background:

"A number of patent observers believe the issuance of poor business-method patents during the late 1990's through the early 2000's led to the patent 'troll' lawsuits that compelled the Committee to launch the patent reform project 6

As with Section 14, the AIA avoids any implication with regard to whether business methods constitute patentable subject matter: "Nothing in this section shall be construed as amending or interpreting categories of patent-eligible subject matter set forth under section 101 of title 35, United States Code."²³⁵

18.1 Establishing Transitional Proceeding; Post-Grant Review. AIA Section 18(a) directs the PTO to issue regulations that establish and implement a transitional proceeding to review the validity of "covered business method patents."²³⁶ Section 18 is set forth in Appendix G.

The definition of the critical phrase, a "covered business method patent," is discussed below. AIA ANALYSIS § 18.4.

18.1.1 Standards and Procedures; Post-Grant Review; Exceptions. Generally, the proceeding must use the standards and procedures of the new Chapter 32 post-grant review. See AIA ANALYSIS § 6.3. However, Section 18(a)(1) lists five qualifications ("subject to the following").

18.1.1.1 No Nine-Month Limit; Stays of Preliminary

years ago. At the time, the USPTO lacked a sufficient number of examiners with expertise in the relevant art area. Compounding this problem, there was a dearth of available prior art to assist examiners as they reviewed business method applications. Critics also note that most countries do not grant patents for business methods.

"The Act responds to the problem by creating a transitional program 1 year after enactment of the bill to implement a provisional post-grant proceeding for review of the validity of any business method patent. In contrast to the era of the late 1990's-early 2000's, examiners will review the best prior art available. A petition to initiate a review will not be granted unless the petitioner is first sued for infringement or is accused of infringement. The program otherwise generally functions on the same terms as other post-grant proceedings initiated pursuant to the bill. Any party may request a stay of a civil action if a related post-grant proceeding is granted. The program sunsets after 10 years, which ensures that patent holders cannot delay filing a lawsuit over a shorter time period to avoid reevaluation under the transitional program."

H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 54 (June 1, 2011).

²³⁵AIA 2011 § 18(e).

²³⁶AIA 2011 § 18(a).

Injunction Motions; No Estoppel. Section 18 makes certain provisions on the timing and effect of post grant review not applicable to the transitional proceedings.²³⁷

First, it makes the § 321(c) window of nine months from issue not applicable. Thus, the contemplation is that this form of post grant review for business method patents will be available at any time. On the nine-month window, see AIA ANALYSIS § 6.1.2.2. It also makes the related provision on reissue of original claims (§ 325(f)) not applicable. See AIA ANALYSIS § 6.3.4.6.

Second, it makes § 325(b) not applicable. This means that a court may stay consideration of a preliminary injunction motion. See AIA ANALYSIS § 6.3.4.2.

Third, it makes § 325(e)(2) not applicable. This means a petitioner who initiates a review will not be estopped from raising invalidity grounds in civil actions and other proceedings that "reasonably could have raised." See AIA ANALYSIS § 6.3.4.5. Instead, AIA Section 18(a)(1)(D), discussed below, limits an estoppel to grounds a petitioner actually raised.

18.1.1.2 Petitioner as Party to Infringement Suit; Infringement Charge. Section 18(a)(1)(B) limits who may petition for a transitional proceeding to persons (and real parties in interest and in privity) who have "been sued for infringement of the patent or has been charged with infringement under [a covered business method] patent."²³⁸

Questions will arise as to when a patent owner has charged infringement. That inquiry is similar to what arises in determining declaratory judgment jurisdiction. CHISUM ON PATENTS § 21.02[1][d][iii][A]. For example, a letter from a patent owner identifying a patent and the recipient's product line may (or may not) be deemed a charge of infringement for jurisdictional purposes.²³⁹

18.1.1.3 Prior Art Limitation. Section 18(a)(1)(C) limits the prior art that a petitioner may rely on when challenging a covered business method patent on the basis of novelty (section 102) or obviousness (section 103) as in effect before the effective date of the 2011 AIA amendments, that is, before March

²³⁷AIA 2011 § 18(a)(1)(A).

²³⁸AIA 2011 § 18(a)(1)(B).

²³⁹See, e.g., *Hewlett-Packard Co. v. Accelaron LCC*, 587 F.3d 1358 (Fed. Cir. 2009).

16, 2013.²⁴⁰ This means claims in existing patents and ones based on applications filed prior to March 16, 2013.

For such patent claims, petitioner may rely only on:

"(i) prior art that is described by section 102(a) of such title (as in effect on the day before such effective date); or

"(ii) prior art that—

(I) discloses the invention more than 1 year before the date of the application for patent in the United States; and

(II) would be described by section 102(a) of such title (as in effect on the day before the effective date set forth in section 3(n)(1)) if the disclosure had been made by another before the invention thereof by the applicant for patent."

This provision is ambiguous. It purports to eliminate all of Section 102 except subsection (a), that is, it omits use of (b) through (g), and then adds a new category.

On subpart (i), Section 102(a), as in effect until March 16, 2013, bars a patent if "the invention was [1] known or [2] used by others in this country, or [3] patented or [4] described in a printed publication in this or a foreign country," provided those events are "before the invention thereof by the applicant for patent." As noted above, the categories "known" and "used" have been interpreted to mean known or used in a form accessible to the public. These four categories of prior art are "described" in Section 102(a). Or are they? It could be argued that the (i) subsection's use of "described" refers only to "*described* in a printed publication."

Subpart (ii) operates as a substitute for old Section 102(b) because both refer to events more than one year before "the date of the application for patent in the United States." Subpart (ii)(I) refers to prior art that "discloses the invention" more than a year before the filing date. This creates an ambiguity because, inter alia, old Section 102 does not use the terms "discloses" or "disclosure." It is unclear whether an invention "known or used" is a disclosure.

Subpart (ii)(II) creates a hypothetical: the disclosure more than a year before the filing is prior art if it "would be described by" by old section 102(a) had "the disclosure had been made by another before the invention thereof by the applicant for patent." Of course, Section 102(a) does not "describe" prior art; it sets forth categories of events that are prior art.

The awkward wording of subpart (ii) is a puzzle. One reading of subpart

²⁴⁰AIA 2011 § 18(a)(1)(C).

(ii)(II) is that it simply erases words and concepts of "another" and "before the invention thereof by the applicant for patent." Thus, the hypothetical prior art provision created by subpart (ii) (for purposes of a transitional proceeding only) would be:

"the invention was known or used in this country, or patented or described in a printed publication in this or a foreign country more than 1 year before the date of the application for patent in the United States."

This tentative interpretation does not account for an important category of prior art: Section 102(e) "senior right," that is, disclosure in a previously-filed but not yet published patent application by another. It can be questioned whether Congress would have intended to omit this category, which is well-established for PTO examination, even for a "transitional" proceeding. However, there is a plausible explanation. Patent applicants can respond to a Section 102(e) rejection by showing a date of invention earlier than the filing date of the prior application. Congress may have intended to avoid proof of remote invention dates (that is, more than a year earlier). To accomplish that, Congress might have eliminated reliance on Section 102(e) from transitional PTO reexamination. This interpretation does not eliminate all instances in which a patent owner might wish to prove a pre-filing invention date. The patent owner would still be able to show such dates up to a year before the filing date to avoid Section 102(a) prior art. Also, the transitional review prior art limitation does not preclude a challenge in court to a business method patent's validity based on Section 102(e).

An alternative interpretation is that the subpart (ii)(A) word "discloses" includes descriptions in filed patented applications, even though not yet public, and that subpart (ii)(II) makes the disclosure (if a year before the filing date) a section 102(a) description in a printed publication (or patent), effective just before the applicant's invention date (even though that invention date is in fact earlier). A problem with this interpretation is that it expands rather than limits the category of prior art that may be used to attack a patent on section 102 and section 103 grounds. That would be contrary to Section 18(a)(1)(C)'s wording as a limitation on prior art on which a petitioner can rely.

The House Committee Report contains no explanation of the prior art limitation or the reason for it.²⁴¹

²⁴¹The section-by-section portion of the report states:

"The proceeding is limited in certain respects. A petition cannot be accepted

The drafters of this provision had something in mind but did not express that intent with clarity.

The PTO would do the patent community a great favor if it set forth its interpretation of this ambiguous statute in its regulations providing for transitional proceedings.

18.1.1.4 Estoppel. Section 18(a)(1)(D) substitutes a more limited estoppel effect for a transitional proceeding than will apply to a post-grant review generally.²⁴²

A petitioner may not assert in a civil action or an International Trade Commission proceeding "that the claim is invalid on any ground that the petitioner raised during [a] transitional proceeding." This contrasts to an estoppel as to any ground the petitioner "reasonably could have raised." See AIA ANALYSIS § 6.3.4.5.

18.1.1.5 Limitation to Covered Business Method Patents. Section 18(a)(1)(E) states, redundantly, that the PTO "may institute a transitional proceeding only for a patent that is a covered business method patent."²⁴³

18.1.2 Effective Date. Section 18(a)(2) provides that the PTO regulations for the transitional proceeding take effect one year after enactment, that is, the regulations take effect September 16, 2012.²⁴⁴

unless the petitioner or his real party in interest has been sued for infringement of the patent or has been charged with infringement. Nor can the petitioner or his real party in interest later assert invalidity before the ITC or a Federal court on a ground that was considered and resulted in a written decision by the agency in the course of a transitional proceeding."

H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 80 (June 1, 2011).

²⁴²AIA 2011 § 18(a)(1)(D).

²⁴³AIA 2011 § 18(a)(1)(E).

²⁴⁴AIA 2011 § 18(a)(2) provides:

"The regulations issued under paragraph (1) shall take effect upon the expiration of the 1-year period beginning on the date of the enactment of this Act and shall apply to any covered business method patent issued before, on, or after that effective date, except that the regulations shall not apply to a patent described in section 6(f)(2)(A) of this Act during the period in which a petition for post-grant review of that patent would satisfy the requirements of section 321(c) of title 35,

The proceedings will apply to any covered business method patent issued before, on, or after that effective date.

An exception is made for patents "described in 6(f)(2)(A) during the period in which a petition for post-grant review of that patent would satisfy the requirements of section 321(c) of title 35, United States Code." This exception applies to covered business method patents filed after March 15, 2013 and during the nine-month from grant period. For that period of time, such patents are subject to full post-grant review petitioning, including grounds other than Sections 102 and 103.²⁴⁵

18.1.3. Sunset. Section 18(a)(3) is a "sunset" provision, stating that "this subsection," that is, subsection 18(a), and the PTO's implementing regulations, are repealed eight years after the regulations take effect.²⁴⁶ Petitions filed before the repeal date will continue.

18.2 Request for Stay of Infringement Suits. Section 18(b) provides that, in an infringement suit, a court should decide whether to grant a party's motion for a stay in relation to a transitional proceeding for a patent. It sets forth factors for the court to consider:

"the court shall decide whether to enter a stay based on—

United States Code."

²⁴⁵Section 6(f)(2)(A) states: "The amendments made by subsection (d) shall take effect upon the expiration of the 1-year period beginning on the date of the enactment of this Act and, except as provided in section 18 and in paragraph (3), shall apply only to patents described in section 3(n)(1)." Section 3(n)(1) sets the effective date for the amendments to Sections 102 and 103, which implement the first-to-file and grace period provisions, as for patent claims based on applications filed on or after March 16, 2013. In turn, Section 321(c) provides a nine months window for filing post-grant review petitions.

²⁴⁶AIA 2011 § 18(a)(3) provides:

"(A) In general.—This subsection, and the regulations issued under this subsection, are repealed effective upon the expiration of the 8-year period beginning on the date that the regulations issued under to paragraph (1) take effect.

(B) Applicability.—Notwithstanding subparagraph (A), this subsection and the regulations issued under this subsection shall continue to apply, after the date of the repeal under subparagraph (A), to any petition for a transitional proceeding that is filed before the date of such repeal."

(A) whether a stay, or the denial thereof, will simplify the issues in question and streamline the trial;

(B) whether discovery is complete and whether a trial date has been set;

(C) whether a stay, or the denial thereof, would unduly prejudice the nonmoving party or present a clear tactical advantage for the moving party; and

(D) whether a stay, or the denial thereof, will reduce the burden of litigation on the parties and on the court."²⁴⁷

Courts have the discretionary power to stay their proceedings without such statutory authorization and have, when appropriate, granted such stays pending PTO reexaminations. CHISUM ON PATENTS § 11.07[4][b][iv][B].

What is highly unusual is Section 18(b)(1)'s authorization of "an immediate interlocutory appeal" of a district court's "decision," meaning a decision to either grant or to deny a stay.²⁴⁸ Furthermore, the review is "de novo."

18.3 Automated Teller Machine Exemption for Venue Purposes. Section 18(c) provides an "ATM Exemption for Venue Purposes."²⁴⁹

The exemption is of little or no practical effect unless a court interprets the exemption as altering the current judicial interpretation of the venue statutes with regard to patent infringement suits against a corporation. CHISUM ON PATENTS § 21.02[1].

For many years, Congress has provided a special restrictive venue statute with regard to infringement suits. Under 28 U.S.C. §1400(b), a patent owner can only sue in a district in which either (1) "the defendant resides" or (2) "the

²⁴⁷AIA 2011 § 18(b)(1).

²⁴⁸AIA 2011 § 18(b)(2) provides:

"A party may take an immediate interlocutory appeal from a district court's decision under paragraph (1). The United States Court of Appeals for the Federal Circuit shall review the district court's decision to ensure consistent application of established precedent, and such review may be de novo."

²⁴⁹AIA 2011 § 18(c) provides:

"In an action for infringement under section 281 of title 35, United States Code, of a covered business method patent, an automated teller machine shall not be deemed to be a regular and established place of business for purposes of section 1400(b) of title 28, United States Code."

defendant has committed acts of infringement" *and* "has a regular and established place of business." For the latter, both prongs are necessary. The Supreme Court interpreted Section 1400(b) as exclusive of other, more permissible venue provisions, including ones on suits against corporations. There was one exception: suits against "aliens," including foreign corporations, could be brought in any district.

However, in 1988, Congress amended the general corporation venue statute, 28 U.S.C. Section 1391(c), to provide that a corporation "resides" in any district in which it is subject to personal jurisdiction. In the 1991 *VE Holding* decision, a Federal Circuit panel construed the amendment as applying to infringement suits.²⁵⁰

Because distributing a product in a state or district often will be sufficient to subject a corporation to jurisdiction in the district, see CHISUM ON PATENTS § 21.02[3][a][i], *VE Holding* meant that patent owners had a wide choice of venues. A phenomenon in which patent owners sue in a favored district, such as the Eastern District of Texas, grew. A response has been a growth in mandamus petitions to order the Eastern District to transfer cases which have little substantial contact with the district.²⁵¹

The AIA's "ATM Exemption" for infringement suits based on covered business method patents addresses only the "place of business" prong of Section 1400(b), which the Federal Circuit has held not applicable to corporations. Most if not virtually all ATMs are owned by corporations.

The exemption thus poses a dilemma. On the one hand, courts hesitate to interpret a statute as of no practical effect. On the other hand, it would be extreme to read such a specific, narrow exemption as an implied overturning of the *VE Holding* decision with regard to patent infringement suit venue generally.

An intermediate and attractive interpretation would be to read the amendment as creating a specific "exemption" from the *VE Holding* interpretation. Thus, venue in suits based on covered business method patents cannot be based on the presence of ATMs in a state. In deciding whether an accused infringer is subject to personal jurisdiction in a state in an infringement suit (and thus subject to

²⁵⁰*VE Holding Corp. v. Johnson Gas Appliance*, 917 F.2d 1574, 16 USPQ2d 1614 (Fed. Cir. 1990), *cert. denied*, 499 U.S. 922 (1991).

²⁵¹*Acer America Corp., In re*, 626 F.3d 1252 (Fed. Cir. 2010); *In re Zimmer Holdings, Inc.*, 609 F.3d 1378 (Fed. Cir. 2010); *In re Nintendo*, 589 F.3d 1194 (Fed. Cir. 2009); *In re Hoffmann-La Roche Inc.*, 587 F.3d 1333 (Fed. Cir. 2009)

Compare *In re Vistaprint Ltd.*, 628 F.3d 1342 (Fed. Cir. 2010).

venue), the court would exclude from the relevant contacts the installation of automatic teller machines.

18.4 Definition of "Covered Business Method." In the debate over whether business methods should be patentable, the elephant in the room (the question that is of critical importance but is discussed only opaquely) is how to define the "business methods" that are to be treated specially.

The inability to define, precisely, what is a "business method" so as to distinguish it from other types of methods and processes that traditionally have been eligible for patent protection if the conditions of novelty and unobviousness are met was a significant factor in the decision by the majority of the Supreme Court justices in *Bilski* rejecting a categorical exclusion.²⁵² CHISUM ON PATENTS § 1.03[5].

Section 18(d)(1) provides the following definition:

"For purposes of this section, the term "covered business method patent" means a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions."²⁵³

A definition focusing on "financial products or services" is arbitrarily narrow, reflecting the political clout of banks and the financial service industry, which sought special protection against business method patents. Other businesses and industries have been impacted by a surge in patenting of intangible methods, which are often held by nonpracticing entities and person. Consider, for example, the patent on a method of conducting a dry cleaning business at issue in 1996's landmark *Markman* decision.²⁵⁴ CHISUM ON PATENTS § 18.02[4].

The definition also defaults by providing the exception for "patents for technological inventions." What is technological is the question for business method patents, not the answer. CHISUM ON PATENTS § 5.04[1][c]. Congress punted

²⁵²See *Bilski v. Kappos*, 130 S. Ct. 3218, 3228 (2010) (lack of clarity on "how far a prohibition of business method patents would reach" and whether such a prohibition "would exclude technologies for conducting a business more efficiently").

²⁵³AIA 2011 § 18(d)(1).

²⁵⁴*Markman v. Westview Instruments*, 517 U.S. 370 (1996).

by directing the PTO to issue regulations "for determining whether a patent is for a technological invention."

§ 19 Jurisdiction and Procedural Matters.

Since the early 19th century, the federal courts have had exclusive jurisdiction over cases arising under the patent laws.²⁵⁵ Exclusive jurisdiction means that state courts have no jurisdiction over such cases.

The governing statute now is 28 U.S.C. Section 1338(a).

Supreme Court and Federal Circuit cases address whether cases that touch on patent questions but do not directly concern infringement or validity of a patent "arise under" patent law for jurisdictional purposes. CHISUM ON PATENTS § 21.02[1]. For example, a client-inventor's suit against a patent attorney asserting a state law-based legal malpractice claim in prosecuting or litigating a patent may, or may not, be deemed to arise under patent law. CHISUM ON PATENTS § 21.02[1][c][iv]

When Congress created the Federal Circuit in 1982, it defined that court's exclusive appellate jurisdiction over appeals from district courts in terms of whether a district court's jurisdiction was based, at least in part, on Section 1338(a) "arising under" patent law jurisdiction. That increased the importance of the "arising under" inquiry. CHISUM ON PATENTS § 21.02[5].

In the 2002 *Holmes Group* case,²⁵⁶ the Supreme Court, in a questionable decision, held that a case in which a plaintiff asserted a nonpatent claim and a defendant asserted a patent counterclaim did not "arise under" patent law. The result was that appeals of decisions on patent infringement counterclaims would go to the regional circuits, rather than to the Federal Circuit, potentially jeopardizing the uniformity that Congress intended when it created the Federal Circuit. It also meant that state courts could decide patent infringement counterclaims.

In AIA Section 19, Congress rectified *Holmes Group* and addressed other jurisdictional and procedural matters.

The Section 19 amendments "apply to any civil action commenced on or

²⁵⁵See Chisum, "The Allocation of Jurisdiction Between State and Federal Courts in Patent Litigation," 46 Wash. L. Rev. 633 (1971). (This article was written before the author began work on a treatise on patent law.)

²⁵⁶*Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.*, 535 U.S. 826 (2002).

after the date of the enactment of this Act."²⁵⁷

19.1 The "*Holmes Group* Fix." Section 19(a) through 19(e) provides a "*Holmes Group* Fix."²⁵⁸

19.1.1 State Court Jurisdiction. Section 19(a) bars state court jurisdiction, using the phrase "any claim for relief arising under," inter alia, "any Act of Congress relating to patents."²⁵⁹

"*Claim* for relief" contrasts with the traditional phrase "*case* arising under." This difference could have significance for state court jurisdiction over state law claims for relief, such as those for malpractice or breach of license, which have been deemed to make a case one arising under federal patent law even though the plaintiff's claim is created by state law. CHISUM ON PATENTS § 21.02[1][c][vi]. The Supreme Court has recognized this distinction.²⁶⁰

19.1.2 Federal Circuit Appellate Jurisdiction; Compulsory Counterclaims. Section 19(b) amends the statute defining the Federal Circuit's exclusive jurisdiction, 28 U.S.C. § 1295(a)(1), to include civil actions "in which a

²⁵⁷AIA 2011 § 19(e).

²⁵⁸See H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 81 (June 1, 2011) ("Subsection (a) through (d) enact the so-called *Holmes Group* fix (H.R. 2955, 109th Congress), which the House Judiciary Committee reported favorably in 2006. The Committee Report accompanying H.R. 2955 (House Rep. 109-407), which we reaffirm, explains the bill's reasons for abrogating *Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.*, 535 U.S. 826 (2002), and more fully precluding state court jurisdiction over patent legal claims.").

²⁵⁹As amended by AIA § 19(a), 35 U.S.C. § 1338(a) reads:

"(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks. [Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases.] *No State court shall have jurisdiction over any claim for relief arising under any Act of Congress relating to patents, plant variety protection, or copyrights. For purposes of this subsection, the term 'State' includes any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the United States Virgin Islands, American Samoa, Guam, and the Northern Mariana Islands.*"

²⁶⁰E.g., *Christianson v. Colt Industries Operating Corp.*, 486 U.S. 800 (1988).

party has asserted a compulsory counterclaim arising under ... any Act of Congress relating to patents or plant variety protection."²⁶¹

A "compulsory counterclaim" under the Federal Rules of Civil Procedure is one that "arises out of the transaction or occurrence that is the subject matter of the opposing party's claim."²⁶²

19.1.3 Removal from State Court to Federal Court. Section 19(c)(1) adds a new section, 28 U.S.C. § 1454, providing for the removal from state court to federal court of "civil actions in which any party asserts a claim for relief arising under any Act of Congress relating to patents, plant variety protection, or copyrights."²⁶³ This new section is in addition to the existing removal statute for cases arising under Federal law. Unlike removal generally, "any party" may remove, not just the defendant. The time limitations for removal "may be extended at any time for cause shown."

19.2 Joinder of Parties and Stay of Actions; Multiple Infringers. At least traditionally, a patent owner could not join as defendants in a single infringement suit multiple accused infringers who had no relation to each other except that they were accused of infringing the same patent. CHISUM ON PATENTS § 21.03[6][a] (noting: "P cannot join ... independent infringing manufacturers. Their conduct is transactionally unrelated, and there is presumptively less overlap of issues since ... two accused devices ...may differ in ways that are critical to infringement.").

However, in the years preceding enactment of the AIA, some district courts, including the Eastern District of Texas, a venue popular with patent owners, adopted a contrary rule. In response, AIA § 19(d) provides a new section, 35 U.S.C. § 299.²⁶⁴ Section 299(b) bars joinder of accused infringers (or consolidation of

²⁶¹AIA 2011 § 19(b) (amending 28 U.S.C. § 1295(a)(1)).

²⁶²Federal Rules of Civil Procedure Rule 13(a)(1)(A).

²⁶³AIA 2011 § 19(c) (1) (adding 28 U.S.C. § 1454).

²⁶⁴The new Section 299 provides:

"§ 299. Joinder of parties

(a) Joinder of Accused Infringers.—With respect to any civil action arising under any Act of Congress relating to patents, other than an action or trial in which an act of infringement under section 271(e)(2) has been pled, parties that are accused infringers may be joined in one action as defendants or counterclaim

actions for trial) "based solely on allegations that they each have infringed the patent or patents in suit." Accused infringer may waive the limitation. The House Committee Report indicates an intent to abrogate the contrary decisions.²⁶⁵

defendants, or have their actions consolidated for trial, or counterclaim defendants only if—

(1) any right to relief is asserted against the parties jointly, severally, or in the alternative with respect to or arising out of the same transaction, occurrence, or series of transactions or occurrences relating to the making, using, importing into the United States, offering for sale, or selling of the same accused product or process; and

(2) questions of fact common to all defendants or counterclaim defendants will arise in the action.

(b) Allegations Insufficient for Joinder.—For purposes of this subsection, 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 or patents in suit.

(c) Waiver.—A party that is an accused infringer may waive the limitations set forth in this section with respect to that party."

²⁶⁵The Report states:

"The Act also addresses problems occasioned by the joinder of defendants (sometimes numbering in the dozens) who have tenuous connections to the underlying disputes in patent infringement suits.

"The Act amends chapter 29 of the Patent Act by creating a new § 299 that addresses joinder under Rule 20 and consolidation of trials under Rule 42. Pursuant to the provision, parties who are accused infringers in most patent suits may be joined as defendants or counterclaim defendants only if: (1) relief is asserted against the parties, jointly, severally, or in the alternative, arising out of the same transaction regarding the manufacture, use, or importation of the accused product or process; and (2) questions of fact common to all of the defendants will arise in the action. New §299 also clarifies that joinder will not be available if it based solely on allegations that a defendant has infringed the patent(s) in question.

[Footnote 61:

Section 299 legislatively abrogates the construction of Rule 20(a) adopted in *MyMail, Ltd. v. America Online, Inc.*, 223 F.R.D. 455 (E.D. Tex. 2004); *Sprint Communications Co. v. Theglobe.com, Inc.*, 233 F.R.D. 615 (D. Kan. 2006); *Adrain v. Genetec Inc.*, 2009 WL3063414 (E.D. Tex. September 22, 2009); *Better Educ. Inc. v. Einstruction Corp.*, 2010 WL 918307 (E.D. Tex. March 10, 2010); *Mannatech, Inc. v. Country Life, LLC*, 2010 WL 2944574 (N.D. Tex. July 26, 2010); *Alford Safety Services, Inc., v. Hot-Hed, Inc.*,

An exception is made for Section 271(e)(2) suits by a pharmaceutical patent owner against multiple generic manufacturers who file abbreviated new drug applications (ANDAs). On ANDA suits, see AIA ANALYSIS § 12.3.2 above and CHISUM ON PATENTS § 16.03[1][d][i].

§ 20.0 "Technical Amendments."

AIA 2011 Section 20 contains amendments that are of more interest than the title, "Technical Amendments," suggests.

The Section 20 amendment are effective on September 16, 2012, that is, a year after enactment, and "apply to proceedings commenced on or after that effective date."²⁶⁶

20.1 Joint inventions; Correction of Inventorship. Section 116 concerns the basic requirement that joint inventors of an invention apply jointly.

A basic principle of United States patent law is that a patent application and resulting patent must identify the actual human inventor or inventors. The principle persists even though the AIA allows non-inventors to apply. AIA ANALYSIS § 4.0. Inventor identification is still required.

Long experience has shown that determining which persons in fact contribute to an invention, and therefore qualify as inventors that must be identified in a patent, can be a difficult judgment and that good faith mistakes can be made. CHISUM ON PATENTS § 2.02, § 2.03.

At one time, the consequences of a mistake were severe and potentially uncorrectable. In the 1952 Act, Congress included Section 116, which allows correction of inventorship designation mistakes. A companion provision, Section 256, allows correction of inventorship on issued patents. Originally, the statutes only allowed correction of misjoinder (e.g., drop B as joint inventor with A) and

2010 WL 3418233 (E.D. La. August 24, 2010); and *Eolas Technologies, Inc. v. Adobe Systems, Inc.*, 2010 WL 3835762 (E.D. Tex. September 28, 2010)—effectively conforming these courts' jurisprudence to that followed by a majority of jurisdictions. *See generally Rudd v. Lux Products Corp.*, 2011 WL 148052 (N.D. Ill. January 12, 2011)."

H.R. Rep. No. 112-98, 112th Cong., 1st Sess. 54-55, n.61 (June 1, 2011).

²⁶⁶AIA 2011 § 20(l).

nonjoinder (e.g., add B to A), but, in 1982, the statutes were amended to allow a complete substitution (B for A). CHISUM ON PATENTS § 2.04[1][d].

20.1.1 Correcting Applications; Section 116; Deceptive Intent.

AIA 2011 Section 20(a) alters Section 116 to read as follows:

"§ 116 Joint inventors.

(a) Joint Inventions. When an invention is made by two or more persons jointly, they shall apply for patent jointly and each make the required oath, except as otherwise provided in this title. Inventors may apply for a patent jointly even though (1) they did not physically work together or at the same time, (2) each did not make the same type or amount of contribution, or (3) each did not make a contribution to the subject matter of every claim of the patent.

(b) Omitted Inventor. If a joint inventor refuses to join in an application for patent or cannot be found or reached after diligent effort, the application may be made by the other inventor on behalf of himself and the omitted inventor. The Director, on proof of the pertinent facts and after such notice to the omitted inventor as he prescribes, may grant a patent to the inventor making the application, subject to the same rights which the omitted inventor would have had if he had been joined. The omitted inventor may subsequently join in the application.

(c) Correction of Errors in Application. "Whenever through error a person is named in an application for patent as the inventor, or through error an inventor is not named in an application, [~~and such error arose without any deceptive intention on his part,~~]the Director may permit the application to be amended accordingly, under such terms as he prescribes."²⁶⁷

The amendment makes two changes. First, it adds subsectioning (a, b, c) and titles for clarity.

Second, it strikes the requirement that an inventorship error have arisen "without any deceptive intention on his part."

At first glance, this second change appears significant. Did Congress really intend to allow deception? But, in fact, the prior deceptive intent requirement was confusing and had little practical impact. CHISUM ON PATENTS § 2.04[4]. The

²⁶⁷AIA 2011 § 20(a) (amending 35 U.S.C. § 116).

antecedent of "his" was peculiar. Should the focus be only on the erroneously omitted person? If so, that made little sense. The general duty of candor imposed on patent applicants and their representatives bars actions taken with deceptive intent. Also, the PTO does not require detailed information on the circumstances surrounding an inventorship designation and grants corrections without an inquiry into deceptive intent. CHISUM ON PATENTS § 2.04[4][c][ii].

20.1.2 Correcting Patents; Section 256. In addition to allowing for consensual corrections of inventorship in patents, Section 256 is the statutory basis for an important category of suits, to wit, suits by omitted inventors and their assignees to establish inventorship (and potentially partial or total ownership) of a patent. This is a mistaken reading of Section 256. Section 256 was intended to allow correction by a court when a patent's validity was challenged in the course of an infringement suit. Clear language in a statute is required in order to create federal court jurisdiction and a new cause of action. The phrase in Section 256, "The court before which such matter is called in question may order ...," does not meet that standard. The "matter" is an issue of potential invalidity, which may be raised in an infringement suit or declaratory judgment action. Unfortunately, the mistaken reading is entrenched in Federal Circuit case law. CHISUM ON PATENTS § 2.04[7].

The question of whose deceptive intent mattered under Section 256 has presented difficult interpretive questions. CHISUM ON PATENTS § 2.04[c][iii], [7][c][ii].

AIA 2011 Section 20(f) adds subsectioning and deletes the reference to deceptive intention, as follows:

"§ 256 Misjoinder of inventor.

(a) Correction. Whenever through error a person is named in an issued patent as the inventor, or through error an inventor is not named in an issued patent [~~and such error arose without any deceptive intention on his part~~], the Director may, on application of all the parties and assignees, with proof of the facts and such other requirements as may be imposed, issue a certificate correcting such error.

(b) Patent Valid if Error Corrected. The error of omitting inventors or naming persons who are not inventors shall not invalidate the patent in which such error occurred if it can be corrected as provided in this section. The court before which such matter is called

in question may order correction of the patent on notice and hearing of all parties concerned and the Director shall issue a certificate accordingly."²⁶⁸

Section 256's title and the added subtitles give no hint of a Congressional intent to create jurisdiction over independent suits.

20.2 Filing of Application in Foreign Country. The Invention Secrecy Act requires that a person obtain a license to file a patent in a foreign country for an invention made in the United States if the filing is less than six months after a filing of an application for the invention in the PTO. A violation can result in invalidity of a corresponding United States patent. CHISUM ON PATENTS § 1.06[3].

20.2.1 Retroactive Licenses. Section 184 of Title 35 authorizes the PTO to issue retroactive, curative licenses. CHISUM ON PATENTS § 1.06[3][c].

AIA 2011 Section 20(b) amends Section 184 in a manner similar to the Section 116 amendment, that is, to add subsections and to delete the reference to "without deceptive intent."²⁶⁹

²⁶⁸AIA 2011 § 20(f) (amending 35 U.S.C. § 256).

²⁶⁹As amended, Section 184 provides:

"§ 184 Filing of application in foreign country.

(a) Filing in Foreign Country. Except when authorized by a license obtained from the Commissioner of Patents a person shall not file or cause or authorize to be filed in any foreign country prior to six months after filing in the United States an application for patent or for the registration of a utility model, industrial design, or model in respect of an invention made in this country. A license shall not be granted with respect to an invention subject to an order issued by the Commissioner of Patents pursuant to section 181 [of this title] without the concurrence of the head of the departments and the chief officers of the agencies who caused the order to be issued. The license may be granted retroactively where an application has been filed abroad through error [~~and without deceptive intent~~] and the application does not disclose an invention within the scope of section 181 [of this title]."

(b) Application. The term "application" when used in this chapter [35 USCS §§ 181 et seq.] includes applications and any modifications, amendments, or supplements thereto, or divisions thereof.

(c) Subsequent Modifications, Amendments, and Supplements. The scope of a license shall permit subsequent modifications, amendments, and supplements containing additional subject matter if the application upon which

20.2.2 Consequences. Section 185 specifies the consequences of an unlicensed foreign filing that violates Section 184.

AIA 2011 Section 20(c) removes the "deceptive intent" language.²⁷⁰

20.3 Reissue. The Patent Act provides that a patent owner may file an application for a reissue to correct certain errors in a patent.

CHISUM ON PATENTS § 15.03

The AIA amends Sections 251 to add subsectioning and delete reference to "deceptive intent."²⁷¹

the request for the license is based is not, or was not, required to be made available for inspection under section 181 [of this title] [35 USCS § 181] and if such modifications, amendments, and supplements do not change the general nature of the invention in a manner which would require such application to be made available for inspection under such section 181 [35 USCS § 181]. In any case in which a license is not, or was not, required in order to file an application in any foreign country, such subsequent modifications, amendments, and supplements may be made, without a license, to the application filed in the foreign country if the United States application was not required to be made available for inspection under section 181 [35 USCS § 181] and if such modifications, amendments, and supplements do not, or did not, change the general nature of the invention in a manner which would require the United States application to have been made available for inspection under such section 181 [35 USCS § 181]."

AIA 2011 § 20(b) (amending 35 U.S.C. § 184).

²⁷⁰As amended, Section 185 reads:

§ 185 Patent barred for filing without license. Notwithstanding any other provisions of law any person, and his successors, assigns, or legal representatives, shall not receive a United States patent for an invention if that person, or his successors, assigns, or legal representatives shall, without procuring the license prescribed in section 184 [of this title], have made, or consented to or assisted another's making, application in a foreign country for a patent or for the registration of a utility model, industrial design, or model in respect of the invention. A United States patent issued to such person, his successors, assigns, or legal representatives shall be invalid, unless the failure to procure such license was through error [~~and without deceptive intent~~], and the patent does not disclose subject matter within the scope of section 181 [of this title]."

AIA 2011 § 20(c) (amending 35 U.S.C. § 185).

²⁷¹Section 251 as amended provides:

"§ 251 Reissue of defective patents.

20.4 Disclaimers. The Patent Act provides for disclaimers of a "complete claim" in a patent.

The effect of failure to disclaim a claim is that a patent owner may be denied costs in an infringement suit that establishes infringement of other claims in the patent. See CHISUM ON PATENTS § 11.07[2].

A notable 19th Century Supreme Court decision, *O'Reilly v. Morse*,²⁷² applied the disclaimer statute. It held invalid one broad claim in Samuel Morse's patent on the telegraph even though the Court had held other claims valid and infringed. The result was that Morse was denied costs.

Importantly, the second paragraph of the disclaimer statutes provides for disclaimers of a "terminal part of the term" of a patent. Terminal disclaimers play an important role in the law of double patenting. CHISUM ON PATENTS § 9.04.

20.4.1. Section 253. AIA 2011 Section 20(e) adds to the disclaimer statute, 35 U.S.C. § 253, subsections and deletes the reference to deceptive

(a) In General. Whenever any patent is, through error [~~without any deceptive intention~~], deemed wholly or partly inoperative or invalid, by reason of a defective, specification or drawing, or by reason of the patentee claiming more or less than he had a right to claim in the patent, the Director shall, on the surrender or such patent and the payment of the fee required by law, reissue the patent for the invention disclosed in the original patent, and in accordance with a new and amended application, for the unexpired part of the term of the original patent. No new matter shall be introduced into the application for reissue.

(b) Multiple Reissued Patents. The Director may issue several reissued patents for distinct and separate parts of the things patented, upon demand of the applicant, and upon payment of the required fee for a reissue for each of such reissued patents.

(c) Applicability of This Title. The provisions of this title relating to applications for patent shall be applicable to applications for reissue of a patent, except that application for reissue may be made and sworn to by the assignee of the entire interest if the application does not seek to enlarge the scope of the claims of the original patent.

(d) Reissue Patent Enlarging Scope of Claims. No reissued patent shall be granted enlarging the scope of the claims of the original patent unless applied for within two years from the grant of the original patent."

AIA 2011 § 20(d) (amending 35 U.S.C. § 251).

²⁷²*O'Reilly v. Morse*, 56 U.S. (15 How.) 62 (1854). See CHISUM ON PATENTS § 1.03[2][b].

intent.²⁷³

Section 20(e) has an apparently erroneous title, "Effect of Reissue." Section 252, not Section 253, concerns "Effect of Reissue."

20.4.2 Section 288. AIA 2011 Section 20(h) amends Section 288 to delete the reference to "without deceptive intention."²⁷⁴

20.5 Presumption of Validity; Section 282. The AIA Section 20(g) amends the statutory provision on defenses to infringement, adding subsectioning and deleting the provision on Section 103(b)(1), which the AIA deleted.²⁷⁵ See AIA ANALYSIS § 3.4.

Separately, AIA Section 15 added a subpart (4). See AIA ANALYSIS § 15.0.²⁷⁶

²⁷³As amended, Subsection 253 reads.

"§ 253 Disclaimer.

(a) In General. Whenever[, ~~without any deceptive intention,~~] a claim of a patent is invalid the remaining claims shall not thereby be rendered invalid. A patentee, whether of the whole or any sectional interest therein, may, on payment of the fee required by law, make disclaimer of any complete claim, stating therein the extent of his interest in such patent. Such disclaimer shall be in writing and recorded in the Patent and Trademark Office; and it shall thereafter be considered as part of the original patent to the extent of the interest possessed by the disclaimant and by those claiming under him.

(b) Additional Disclaimer or Dedication. In like manner any patentee or applicant may disclaim or dedicate to the public the entire term, or any terminal part of the term, of the patent granted or to be granted."

AIA 2011 § 20(e) (amending 35 U.S.C. § 253).

²⁷⁴As amended, Section 288 provides:

"§ 288 Action for infringement of a patent containing an invalid claim.

Whenever[, ~~without deceptive intention,~~] a claim of a patent is invalid, an action may be maintained for the infringement of a claim of the patent which may be valid. The patentee shall recover no costs unless a disclaimer of the invalid claim has been entered at the Patent and Trademark Office before the commencement of the suit."

AIA 2011 § 20(h) (amending 35 U.S.C. § 288).

²⁷⁵AIA 2011 § 20(g) (amending 35 U.S.C. § 282).

²⁷⁶AIA 2011 § 15(a) (amending 35 U.S.C. § 282).

Section 272, as amended, is set forth in Appendix H.

20.6 Reviser's Notes; Unnecessary References; Additional Technical Amendments. AIA 2011 Section 20(i) provides a series of amendments referred to as "Reviser's Notes."²⁷⁷ Section 20(j) strikes "unnecessary references," in Title 35, such as those to "of this title."²⁷⁸ Section 20(k) on "Additional Technical Amendments," deleted Sections 155 and 155A of title 35, which are specific and obsolete provisions for patent term extension.²⁷⁹

§ 21 Travel Expenses and Payment of Administrative Judges.

AIA 2011 Section 21 concerns, inter alia, expenses and pay of administrative patent judges, who are members of the Patent Trial and Appeals Board.²⁸⁰ See AIA ANALYSIS § 3.7.1.

§ 22 Patent and Trademark Office Funding.

AIA 2011 Section 22 concerns "Patent Trademark Office Funding," and includes, inter alia, a provision establishing a "Patent and Trademark Fee Reserve Fund."²⁸¹

§ 23 Satellite Offices of the Patent and Trademark Office.

AIA 2011 Section 23 directs the PTO to establish "3 or more satellite offices" to carry out the PTO's duties.²⁸² At the time of enactment, the PTO had already selected Detroit, Michigan, as the site of one satellite office.

²⁷⁷ AIA 2011 § 20(i).

²⁷⁸ AIA 2011 § 20(j).

²⁷⁹ AIA 2011 § 20(k).

²⁸⁰ AIA 2011 § 21.

²⁸¹ AIA 2011 § 22.

²⁸² AIA 2011 § 23.

§ 24 Designation of Detroit Satellite Office.

AIA 2011 Section 24 names the Detroit satellite as "Elijah J. McCoy United States Patent and Trademark Office."²⁸³

§ 25 Priority Examination for Important Technologies.

AIA 2011 Section 25 authorizes the PTO to "provide for prioritization of examination of applications for products, processes, or technologies that are important to the national economy or national competitiveness."²⁸⁴

§ 26 Study on Implementation.

AIA 2011 Section 26 directs the PTO to study implement of the AIA and report to Congress in four years.²⁸⁵

§ 27 Study on Genetic Testing.

AIA 2011 Section 27 directs the PTO to study "effective ways to provide independent, confirming genetic diagnostic test activity where gene patents and exclusive licensing for primary genetic diagnostic tests exist."²⁸⁶

This Section is a political response to the current controversy over the patenting of gene sequences and the licensing practices of one particular company, Myriad Genetics, Inc., which holds patents concerning genes and testing for human breast cancer.

In a widely-followed case challenging the PTO's established practice of issuing patents on isolated gene sequences, in July 2011, the Federal Circuit upheld gene sequence claims but held invalid claims to methods of comparing gene

²⁸³AIA 2011 § 24.

²⁸⁴AIA 2011 § 25.

²⁸⁵AIA 2011 § 26.

²⁸⁶AIA 2011 § 27.

sequences.²⁸⁷

§ 28 Patent Ombudsman Program for Small Business Concerns.

AIA 2011 Section 28 establishes a "Patent Ombudsman Program" in the PTO to provide service and support to "small business concerns and independent inventors."²⁸⁸

§ 29 Establishment of Methods for Studying the Diversity of Applicants.

AIA 2011 Section 29 requires the PTO to establish "methods for studying the diversity of patent applicants, including those applicants who are minorities, women, or veterans," but prohibits the PTO from using "the results of such study to provide any preferential treatment to patent applicants."²⁸⁹

§ 30 Sense of Congress: Create Jobs, Protect Small Businesses and Inventors.

AIA 2011 Section 30 expresses the sense of Congress that the patent system should, inter alia, "develop new technologies that spur growth and create jobs" but protect "the rights of small businesses and inventors from predatory behavior."²⁹⁰

§ 31 International Patent Protections; USPTO Study.

AIA 2011 Section 31 directs the PTO to study how to "help small businesses with international patent protection."²⁹¹

§ 32 Pro Bono Programs for "Under-Resourced" Inventors and Businesses.

²⁸⁷ Association for Molecular Pathology v. United States Patent and Trademark Office, 653 F.3d 1329 (Fed. Cir. 2011).

²⁸⁸ AIA 2011 § 28.

²⁸⁹ AIA 2011 § 29.

²⁹⁰ AIA 2011 § 30.

²⁹¹ AIA 2011 § 31.

AIA 2011 Section 32 directs the PTO to support "pro bono programs" that assist "under-resourced independent inventors and small businesses."²⁹²

§ 33 Human Organism Patents.

AIA 2011 Section 33(a) imposes a categorical exclusion of patents claiming human organisms:

"(a) Limitation.—Notwithstanding any other provision of law, no patent may issue on a claim directed to or encompassing a human organism."²⁹³

Section 33(b)(1) provides that the limitation applies to "any application for patent that is pending on, or filed on or after, the date of the enactment of this Act," that is, September 16, 2011.²⁹⁴ However, Section 33(b)(2) clarifies that the limitation does not "affect the validity of any patent issued on an application to which paragraph (1) does not apply."²⁹⁵

Questions of interpretation will arise as to the scope of the ban on claims "encompassing a human organism."

§ 34 Study of Patent Litigation by Non-Practicing Entities or Patent Assertion Entities.

AIA 2011 Section 34(a) directs the "Comptroller General of the United States" to study "the consequences of litigation by non-practicing entities, or by patent assertion entities, related to patent claims."²⁹⁶

Section 34(b) specifies the contents of the study:

"The study conducted under this section shall include the following:

(1) The annual volume of litigation described in subsection (a) over the 20-year period ending on the date of the enactment of this

²⁹²AIA 2011 § 32.

²⁹³AIA 2011 § 33(a).

²⁹⁴AIA 2011 § 33(b)(1).

²⁹⁵AIA 2011 § 33(b)(2).

²⁹⁶AIA 2011 § 34(a).

Act.

(2) The volume of cases comprising such litigation that are found to be without merit after judicial review.

(3) The impacts of such litigation on the time required to resolve patent claims.

(4) The estimated costs, including the estimated cost of defense, associated with such litigation for patent holders, patent licensors, patent licensees, and inventors, and for users of alternate or competing innovations.

(5) The economic impact of such litigation on the economy of the United States, including the impact on inventors, job creation, employers, employees, and consumers.

(6) The benefit to commerce, if any, supplied by non-practicing entities or patent assertion entities that prosecute such litigation."²⁹⁷

§ 35 Default Effective Date.

AIA 2011 Section 35 states a "default" effective date for the AIA's provisions.

"Except as otherwise provided in this Act, the provisions of this Act shall take effect upon the expiration of the 1-year period beginning on the date of the enactment of this Act and shall apply to any patent issued on or after that effective date."²⁹⁸

§ 36 Budgetary Effects.

AIA 2011 Section 36 reports on the AIA's budgetary effects.²⁹⁹

§ 37 Calculation of 60-Day Period for Application of Patent Term Extension; Controversy at the End.

The last section of the America Invents Act of 2011, Section 37, proved to

²⁹⁷AIA 2011 § 34(b).

²⁹⁸AIA 2011 § 35.

²⁹⁹AIA 2011 § 36.

be, at the end of the Act's journey through Congress, its most controversial.

In its Section 156, the Patent Act provides for the extension of the term of patents concerning FDA-approved drugs and methods. CHISUM ON PATENTS § 16.04[5]. Section 156 requires that an application for extension be filed within a specified 60-day period.

A patent owner commonly experiences a dramatic loss of revenue when a drug patent expires. Consequently, a failure to apply for an extension in a timely fashion can be extremely costly.

In an episode that precipitated Section 37, a law firm filed an application late on the last day of the period. The application was rejected by the PTO. The patent owner sued to overturn the PTO's action.³⁰⁰ The patent owner reached a contingent settlement of a malpractice claim against the responsible law firm.

The version of the AIA passed by the House of Representatives contained the Section 37 relief provision.³⁰¹ In the Senate, a motion to strike Section 37 was debated on the Senate floor and was narrowly defeated.

³⁰⁰See *The Medicines Company v. Kappos*, 731 F. Supp. 2d 470 (E.D. Va. 2010).

³⁰¹AIA 2011 § 37.

APPENDICES

Appendix A

Effective Date of AIA Section 3 "First Inventor to File," § 3(n) 125 Stat. 284 (2011). See AIA ANALYSIS § 3.1.

(n) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this section, the amendments made by this section shall take effect upon the expiration of the 18-month period beginning on the date of the enactment of this Act, and shall apply to any application for patent, and to any patent issuing thereon, that contains or contained at any time—

(A) a claim to a claimed invention that has an effective filing date as defined in section 100(i) of title 35, United States Code, that is on or after the effective date described in this paragraph; or

(B) 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.

(2) INTERFERING PATENTS.—The provisions of sections 102(g), 135, and 291 of title 35, United States Code, as in effect on the day before the effective date set forth in paragraph (1) of this subsection, shall apply to each claim of an application for 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) 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

(B) 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."

Appendix B

Comparison of Section 102 Before and After Amendment Effective March 16, 2013. See AIA ANALYSIS § 3.3.

Old Section 102	New Section 102
<p>§ 102. Conditions for patentability; novelty and loss of right to patent.</p> <p>A person shall be entitled to a patent unless—</p> <p>(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</p> <p>(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</p> <p>(c) he has abandoned the invention, or</p> <p>(d) the invention was first patented or caused to be patented, or was the subject of an inventor's certificate, by the applicant or his legal representatives or assigns in a foreign country prior to the date of the application for patent in this country on an application for patent or inventor's certificate filed more than twelve months before the filing of the application in the United States, or</p> <p>e) the invention was described in (1) an application for patent, published under section 122(b), by another filed in the United States before the invention by the applicant for patent or (2) a patent granted on an application for patent by another filed in the United States before the invention by the applicant for patent, except that an international application filed under the treaty defined in section 351(a) shall have the effects for the purposes of this subsection of an application filed in the United States only if the international</p>	<p>§ 102. Conditions for patentability; novelty</p> <p>(a) NOVELTY; PRIOR ART. A person shall be entitled to a patent unless—</p> <p>(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</p> <p>(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.</p> <p>(b) EXCEPTIONS.—</p> <p>(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—</p> <p>(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</p> <p>(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</p> <p>(2) DISCLOSURES APPEARING IN</p>

application designated the United States and was published under Article 21(2) of such treaty in the English language, or

(f) he did not himself invent the subject matter sought to be patented, or

(g)

(1) during the course of an interference conducted under section 135 or section 291, another inventor involved therein establishes, to the extent permitted in section 104, that before such person's invention thereof the invention was made by such other inventor and not abandoned, suppressed, or concealed, or

(2) before such person's invention thereof, the invention was made in this country by another inventor who had not abandoned, suppressed, or concealed it. In determining priority of invention under this subsection, there shall be considered not only the respective dates of conception and reduction to practice of the invention, but also the reasonable diligence of one who was first to conceive and last to reduce to practice, from a time prior to conception by the other.

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.

(c) COMMON OWNERSHIP UNDER JOINT RESEARCH AGREEMENTS.—Subject matter disclosed and a claimed invention shall be deemed to have been owned by the same person or subject to an obligation of assignment to the same person in applying the provisions of subsection (b)(2)(C) if—

(1) the subject matter disclosed was developed and the claimed invention was made by, or on behalf of, 1 or more parties to a joint research agreement that was in effect on or before the effective filing date of the claimed invention;

(2) the claimed invention was made as a result of activities undertaken within the scope of the joint research agreement; and

(3) the application for patent for the claimed invention discloses or is amended to disclose the names of the parties to the joint research agreement.

(d) PATENTS AND PUBLISHED APPLICATIONS EFFECTIVE AS PRIOR ART.—For purposes of determining whether a patent or application for patent is prior art to

	<p>a claimed invention under subsection (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—</p> <ul style="list-style-type: none">(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 upon 1 or more prior filed applications for patent, as of the filing date of the earliest such application that describes the subject matter."
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Appendix C

Comparison of Section 103 Before and After Amendment Effective March 16, 2013. See AIA ANALYSIS § 3.4.

Old Section 103	New Section 103
<p>(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title [35 USCS § 102], if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.</p> <p>(b) (1) Notwithstanding subsection (a), and upon timely election by the applicant for patent to proceed under this subsection, a biotechnological process using or resulting in a composition of matter that is novel under section 102 [35 USCS § 102] and nonobvious under subsection (a) of this section shall be considered nonobvious if—</p> <p style="padding-left: 2em;">(A) claims to the process and the composition of matter are contained in either the same application for patent or in separate applications having the same effective filing date; and</p> <p style="padding-left: 2em;">(B) the composition of matter, and the process at the time it was invented, were owned by the same person or subject to an obligation of assignment to the same person.</p> <p>(2) A patent issued on a process under paragraph (1)—</p> <p style="padding-left: 2em;">(A) shall also contain the claims to the composition of matter used in or made by that process, or</p> <p style="padding-left: 2em;">(B) shall, if such composition of matter is</p>	<p>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.</p>

claimed in another patent, be set to expire on the same date as such other patent, notwithstanding section 154 [35 USCS § 154].

(3) For purposes of paragraph (1), the term "biotechnological process" means—

(A) a process of genetically altering or otherwise inducing a single- or multi-celled organism to—

(i) express an exogenous nucleotide sequence,

(ii) inhibit, eliminate, augment, or alter expression of an endogenous nucleotide sequence, or

(iii) express a specific physiological characteristic not naturally associated with said organism;

(B) cell fusion procedures yielding a cell line that expresses a specific protein, such as a monoclonal antibody; and

(C) a method of using a product produced by a process defined by subparagraph (A) or (B), or a combination of subparagraphs (A) and (B).

(c) (1) Subject matter developed by another person, which qualifies as prior art only under one or more of subsections (e), (f), and (g) of section 102 of this title [35 USCS § 102], shall not preclude patentability under this section where the subject matter and the claimed invention were, at the time the claimed invention was made, owned by the same person or subject to an obligation of assignment to the same person.

(2) For purposes of this subsection, subject matter developed by another person and a claimed invention shall be deemed to have been owned by the same person or subject to an obligation of assignment to the same person if—

(A) the claimed invention was made by or on behalf of parties to a joint research agreement that was in effect on or before the date the claimed invention was made;

<p>(B) the claimed invention was made as a result of activities undertaken within the scope of the joint research agreement; and</p> <p>(C) the application for patent for the claimed invention discloses or is amended to disclose the names of the parties to the joint research agreement.</p> <p>(3) For purposes of paragraph (2), the term "joint research agreement" means a written contract, grant, or cooperative agreement entered into by two or more persons or entities for the performance of experimental, developmental, or research work in the field of the claimed invention.</p>	
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Appendix D

Comparison of Section 115 on Inventor Oath and Declaration Before and After Amendment Effective September 16, 2012. See AIA ANALYSIS § 4.1

Old Section 115	New Section 115
<p>The applicant shall make oath that he believes himself to be the original and first inventor of the process, machine, manufacture, or composition of matter, or improvement thereof, for which he solicits a patent; and shall state of what country he is a citizen. Such oath may be made before any person within the United States authorized by law to administer oaths, or, when made in a foreign country, before any diplomatic or consular officer of the United States authorized to administer oaths, or before any officer having an official seal and authorized to administer oaths in the foreign country in which the applicant may be, whose authority shall be proved by certificate of a diplomatic or consular officer of the United States, or apostille of an official designated by a foreign country which, by treaty or convention, accords like effect to apostilles of designated officials in the United States, and such oath is valid if it complies with the laws of the state or country where made. When the application is made as provided in this title by a person other than the inventor, the oath may be so varied in form that it can be made by him. For purposes of this section, a consular officer shall include any United States citizen serving overseas, authorized to perform notarial functions pursuant to section 1750 of the Revised Statutes, as amended (22 U.S.C. 4221).</p>	<p>§ 115. Inventor's oath or declaration</p> <p>(a) Naming the Inventor; Inventor's Oath or Declaration.—An application for patent that is filed under section 111(a) or commences the national stage under section 371 shall include, or be amended to include, the name of the inventor for any invention claimed in the application. Except as otherwise provided in this section, each individual who is the inventor or a joint inventor of a claimed invention in an application for patent shall execute an oath or declaration in connection with the application.</p> <p>(b) Required Statements.—An oath or declaration under subsection (a) shall contain statements that—</p> <p>(1) the application was made or was authorized to be made by the affiant or declarant; and</p> <p>(2) such individual believes himself or herself to be the original inventor or an original joint inventor of a claimed invention in the application.</p> <p>(c) Additional Requirements.—The Director may specify additional information relating to the inventor and the invention that is required to be included in an oath or declaration under subsection (a).</p> <p>(d) Substitute Statement.—</p> <p>(1) In general.— In lieu of executing an oath or declaration under subsection (a), the applicant for patent may provide a substitute statement under the circumstances described in paragraph (2) and such additional circumstances that the Director may specify by regulation.</p>

	<p>(2) Permitted circumstances.— A substitute statement under paragraph (1) is permitted with respect to any individual who—</p> <p>(A) is unable to file the oath or declaration under subsection (a) because the individual—</p> <p>(i) is deceased;</p> <p>(ii) is under legal incapacity; or</p> <p>(iii) cannot be found or reached after diligent effort; or</p> <p>(B) is under an obligation to assign the invention but has refused to make the oath or declaration required under subsection (a).</p> <p>(3) Contents.— A substitute statement under this subsection shall—</p> <p>(A) identify the individual with respect to whom the statement applies;</p> <p>(B) set forth the circumstances representing the permitted basis for the filing of the substitute statement in lieu of the oath or declaration under subsection (a); and</p> <p>(C) contain any additional information, including any showing, required by the Director.</p> <p>(e) Making Required Statements in Assignment of Record.—An individual who is under an obligation of assignment of an application for patent may include the required statements under subsections (b) and (c) in the assignment executed by the individual, in lieu of filing such statements separately.</p> <p>(f) Time for Filing.—A notice of allowance under section 151 may be provided to an applicant for patent only if the applicant for patent has filed each required oath or declaration under subsection (a) or has filed a substitute statement under subsection (d) or recorded an assignment meeting the requirements of subsection (e).</p> <p>(g) Earlier-Filed Application Containing Required Statements or Substitute</p>
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	<p>Statement.—</p> <p>(1) Exception.— The requirements under this section shall not apply to an individual with respect to an application for patent in which the individual is named as the inventor or a joint inventor and who claims the benefit under section 120, 121, or 365(c) of the filing of an earlier-filed application, if—</p> <p>(A) an oath or declaration meeting the requirements of subsection (a) was executed by the individual and was filed in connection with the earlier-filed application;</p> <p>(B) a substitute statement meeting the requirements of subsection (d) was filed in connection with the earlier filed application with respect to the individual; or</p> <p>(C) an assignment meeting the requirements of subsection (e) was executed with respect to the earlier-filed application by the individual and was recorded in connection with the earlier-filed application.</p> <p>(2) Copies of oaths, declarations, statements, or assignments.— Notwithstanding paragraph (1), the Director may require that a copy of the executed oath or declaration, the substitute statement, or the assignment filed in connection with the earlier-filed application be included in the later-filed application.</p> <p>(h) Supplemental and Corrected Statements; Filing Additional Statements.—</p> <p>(1) In general.— Any person making a statement required under this section may withdraw, replace, or otherwise correct the statement at any time. If a change is made in the naming of the inventor requiring the filing of 1 or more additional statements under this section, the Director shall establish regulations under which such additional statements may be filed.</p> <p>(2) Supplemental statements not required.— If an individual has executed an</p>
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	<p>oath or declaration meeting the requirements of subsection (a) or an assignment meeting the requirements of subsection (e) with respect to an application for patent, the Director may not thereafter require that individual to make any additional oath, declaration, or other statement equivalent to those required by this section in connection with the application for patent or any patent issuing thereon.</p> <p>(3) Savings clause.— A patent shall not be invalid or unenforceable based upon the failure to comply with a requirement under this section if the failure is remedied as provided under paragraph (1).</p> <p>(i) Acknowledgment of Penalties.—Any declaration or statement filed pursuant to this section shall contain an acknowledgment that any willful false statement made in such declaration or statement is punishable under section 1001 of title 18 by fine or imprisonment of not more than 5 years, or both."</p>
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Appendix E

Preissuance Submissions by Third Parties. See AIA ANALYSIS § 8.

(e) Preissuance Submissions by Third Parties.—

(1) In general.— Any third party may submit for consideration and inclusion in the record of a patent application, any patent, published patent application, or other printed publication of potential relevance to the examination of the application, if such submission is made in writing before the earlier of—

(A) the date a notice of allowance under section 151 is given or mailed in the application for patent; or

(B) the later of—

(i) 6 months after the date on which the application for patent is first published under section 122 by the Office, or

(ii) the date of the first rejection under section 132 of any claim by the examiner during the examination of the application for patent.

(2) Other requirements.— Any submission under paragraph (1) shall—

(A) set forth a concise description of the asserted relevance of each submitted document;

(B) be accompanied by such fee as the Director may prescribe; and

(C) include a statement by the person making such submission affirming that the submission was made in compliance with this section."

Appendix F

Supplemental Examinations Requested by Patent Owner. See AIA ANALYSIS § 12.

§ 257. Supplemental examinations to consider, reconsider, or correct information

(a) Request for Supplemental Examination.—A patent owner may request supplemental examination of a patent in the Office to consider, reconsider, or correct information believed to be relevant to the patent, in accordance with such requirements as the Director may establish. Within 3 months after the date a request for supplemental examination meeting the requirements of this section is received, the Director shall conduct the supplemental examination and shall conclude such examination by issuing a certificate indicating whether the information presented in the request raises a substantial new question of patentability.

(b) Reexamination Ordered.—If the certificate issued under subsection (a) indicates that a substantial new question of patentability is raised by 1 or more items of information in the request, the Director shall order reexamination of the patent. The reexamination shall be conducted according to procedures established by chapter 30, except that the patent owner shall not have the right to file a statement pursuant to section 304. During the reexamination, the Director shall address each substantial new question of patentability identified during the supplemental examination, notwithstanding the limitations in chapter 30 relating to patents and printed publication or any other provision of such chapter.

(c) Effect.—

(1) In general.— A patent shall not be held unenforceable on the basis of conduct relating to information that had not been considered, was inadequately considered, or was incorrect in a prior examination of the patent if the information was considered, reconsidered, or corrected during a supplemental examination of the patent. The making of a request under subsection (a), or the absence thereof, shall not be relevant to enforceability of the patent under section 282.

(2) Exceptions.—

(A) Prior allegations.—Paragraph (1) shall not apply to an allegation 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) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 355(j)(2)(B)(iv)(II)), before the date of a supplemental examination request under subsection (a) to consider, reconsider, or correct information forming the basis for the allegation.

(B) Patent enforcement actions.—In an action brought under section 337(a) of the Tariff Act of 1930 (19 U.S.C. 1337(a)), or section 281 of this title, paragraph (1) shall not apply to any defense raised in the action that is based upon information that was considered, reconsidered, or corrected pursuant to a supplemental examination request under subsection (a), unless the supplemental examination, and any reexamination ordered pursuant to the request, are concluded before the date on which the action is brought.

(d) Fees and Regulations.—

(1) Fees.— The Director shall, by regulation, establish fees for the submission of a request for supplemental examination of a patent, and to consider each item of information submitted in the request. If reexamination is ordered under subsection (b), fees established and

applicable to ex parte reexamination proceedings under chapter 30 shall be paid, in addition to fees applicable to supplemental examination.

(2) Regulations.— The Director shall issue regulations governing the form, content, and other requirements of requests for supplemental examination, and establishing procedures for reviewing information submitted in such requests.

(e) Fraud.—If the Director becomes aware, during the course of a supplemental examination or reexamination proceeding ordered under this section, that a material fraud on the Office may have been committed in connection with the patent that is the subject of the supplemental examination, then in addition to any other actions the Director is authorized to take, including the cancellation of any claims found to be invalid under section 307 as a result of a reexamination ordered under this section, the Director shall also refer the matter to the Attorney General for such further action as the Attorney General may deem appropriate. Any such referral shall be treated as confidential, shall not be included in the file of the patent, and shall not be disclosed to the public unless the United States charges a person with a criminal offense in connection with such referral.

(f) Rule of Construction.—Nothing in this section shall be construed—

(1) to preclude the imposition of sanctions based upon criminal or antitrust laws (including section 1001(a) of title 18, the first section of the Clayton Act, and section 5 of the Federal Trade Commission Act to the extent that section relates to unfair methods of competition);

(2) to limit the authority of the Director to investigate issues of possible misconduct and impose sanctions for misconduct in connection with matters or proceedings before the Office; or

(3) to limit the authority of the Director to issue regulations under chapter 3 relating to sanctions for misconduct by representatives practicing before the Office.

Appendix G

Transitional Post-Grant Review for Covered Business Method Patents (AIA 2011 § 18(a)). See AIA ANALYSIS § 18.

"(a) Transitional Program.—

(1) Establishment.— Not later than the date that is 1 year after the date of the enactment of this Act, the Director shall issue regulations establishing and implementing a transitional post-grant review proceeding for review of the validity of covered business method patents. The transitional proceeding implemented pursuant to this subsection shall be regarded as, and shall employ the standards and procedures of, a post-grant review under chapter 32 of title 35, United States Code, subject to the following:

(A) Section 321(c) of title 35, United States Code, and subsections (b), (e)(2), and (f) of section 325 of such title shall not apply to a transitional proceeding.

(B) 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 of the patent or has been charged with infringement under that patent.

(C) A petitioner in a transitional proceeding who challenges the validity of 1 or more claims in a covered business method patent on a ground raised under section 102 or 103 of title 35, United States Code, as in effect on the day before the effective date set forth in section 3(n)(1), may support such ground only on the basis of—

(i) prior art that is described by section 102(a) of such title of such title (as in effect on the day before such effective date); or

(ii) prior art that—

(I) discloses the invention more than 1 year before the date of the application for patent in the United States; and

(II) would be described by section 102(a) of such title (as in effect on the day before the effective date set forth in section 3(n)(1)) if the disclosure had been made by another before the invention thereof by the applicant for patent.

(D) The petitioner in a transitional proceeding that results in a final written decision under section 328(a) of title 35, United States Code, with respect to a claim in a covered business method patent, or the petitioner's real party in interest, may not assert, either in a civil action arising in whole or in part under section 1338 of title 28, United States Code, or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 (19 U.S.C. 1337), that the claim is invalid on any ground that the petitioner raised during that transitional proceeding.

(E) The Director may institute a transitional proceeding only for a patent that is a covered business method patent."

Appendix H

Section 282 on the Presumption of Validity and Defenses, As Amended. See AIA ANALYSIS § 15, § 20.1

§ 282 Presumption of validity; defenses.

(a) In General. A patent shall be presumed valid. Each claim of a patent (whether in independent, dependent, or multiple dependent form) shall be presumed valid independently of the validity of other claims; dependent or multiple dependent claims shall be presumed valid even though dependent upon an invalid claim. ~~[Notwithstanding the preceding sentence, if a claim to a composition of matter is held invalid and that claim was the basis of a determination of nonobviousness under section 103(b)(1), the process shall no longer be considered nonobvious solely on the basis of section 103(b)(1).]~~ The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.

(b) Defenses. The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:

(1) Noninfringement, absence of liability for infringement, or unenforceability[.].

(2) Invalidity of the patent or any claim in suit on any ground specified in part II of this title as a condition for patentability[.].

~~[(3) Invalidity of the patent or any claim in suit for failure to comply with any requirement of section 112 or 251 of this title,]~~

(3) Invalidity of the patent or any claim in suit for failure to comply with—

(A) any requirement of section 112, except that the failure to disclose the best mode shall not be a basis on which any claim of a patent may be canceled or held invalid or otherwise unenforceable; or

(B) any requirement of section 251.

(4) Any other fact or act made a defense by this title.

(c) Notice of Actions; Actions During Extension of Patent Term. In actions involving the validity or infringement of a patent the party asserting invalidity or noninfringement shall give notice in the pleadings or otherwise in writing to the adverse party at least thirty days before the trial, of the country, number, date, and name of the patentee of any patent, the title, date, and page number of any publication to be relied upon as anticipation of the patent in suit or, except in actions in the United States [Claims Court]Court of Federal Claims, as showing the state of the art, and the name and address of any person who may be relied upon as the prior inventor or as having prior knowledge of or as having previously used or offered for sale the invention of the patent in suit. In the absence of such notice proof of the said matters may not be made at the trial except on such terms as the court requires.

Invalidity of the extension of a patent term or any portion thereof under section 154(b) or 156 of this title because of the material failure—

- (1) by the applicant for the extension, or
- (2) by the Director,

to comply with the requirements of such section shall be a defense in any action involving the infringement of a patent during the period of the extension of its term and shall be pleaded. A due diligence determination under section 156(d)(2) or 157(e) is not subject to review; in such an action."