

# The New Patent Law Enacted September 16, 2011

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## I. INTRODUCTION.

On 9/12/2011, H.R.1249, having the short title "Leahy-Smith America Invents Act", herein after the "Act", having passed both houses of the United States Congress, was presented for signature to the President who signed it 9/16/2011. Upon signature, the Act became law. This article reviews the Act, section by section, identifies changes, and provides analysis of the impact of the Act. The Act contains 37 sections sequentially numbers Sec. 1 to 37. What follows is a copy and review of each of the 37 sections of the Act. Material quoted from the bill appears in quotations, without indenting or other formatting, for simplicity. However, subsection of the Act, such as Sec. 6(a), are indented, to distinguish them from codified sections contained in the corresponding subsection of the Act. Throughout, I refer to "pre-existing", "prior", or "old" law to mean law in effect prior to enactment of the Act and "new", "amended", or the like, to refer to law in effect after enactment of the Act. Where an effective date provision is relevant, I clarify the effective date.

## II. OUTLINE OF H.R. 1249

HR1249 begins with a "SECTION 1. SHORT TITLE; TABLE OF CONTENTS" which contains the following list of the 37 sections.

- "Sec. 1. Short title; table of contents.
- Sec. 2. Definitions.
- Sec. 3. First inventor to file.
- Sec. 4. Inventor's oath or declaration.
- Sec. 5. Defense to infringement based on prior commercial use.
- Sec. 6. Post-grant review proceedings.
- Sec. 7. Patent Trial and Appeal Board.
- Sec. 8. Preissuance submissions by third parties.
- Sec. 9. Venue.
- Sec. 10. Fee setting authority.
- Sec. 11. Fees for patent services.
- Sec. 12. Supplemental examination.
- Sec. 13. Funding agreements.
- Sec. 14. Tax strategies deemed within the prior art.
- Sec. 15. Best mode requirement.
- Sec. 16. Marking.
- Sec. 17. Advice of counsel.
- Sec. 18. Transitional program for covered business method patents.
- Sec. 19. Jurisdiction and procedural matters.

- Sec. 20. Technical amendments.
- Sec. 21. Travel expenses and payment of administrative judges.
- Sec. 22. Patent and Trademark Office funding.
- Sec. 23. Satellite offices.
- Sec. 24. Designation of Detroit satellite office.
- Sec. 25. Priority examination for important technologies.
- Sec. 26. Study on implementation.
- Sec. 27. Study on genetic testing.
- Sec. 28. Patent Ombudsman Program for small business concerns.
- Sec. 29. Establishment of methods for studying the diversity of applicants.
- Sec. 30. Sense of Congress.
- Sec. 31. USPTO study on international patent protections for small businesses.
- Sec. 32. Pro bono program.
- Sec. 33. Limitation on issuance of patents.
- Sec. 34. Study of patent litigation.
- Sec. 35. Effective date.
- Sec. 36. Budgetary effects.
- Sec. 37. Calculation of 60-day period for application of patent term extension."

## SEC. 2 - RELEVANT DEFINITIONS

### "SEC. 2. DEFINITIONS.

In this Act:

- (1) DIRECTOR- The term `Director' means the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office.
- (2) OFFICE- The term `Office' means the United States Patent and Trademark Office.
- (3) PATENT PUBLIC ADVISORY COMMITTEE- The term `Patent Public Advisory Committee' means the Patent Public Advisory Committee established under section 5(a) of title 35, United States Code.
- (4) TRADEMARK ACT OF 1946- The term `Trademark Act of 1946' means the Act entitled `An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes', approved July 5, 1946 (15 U.S.C. 1051 et seq.) (commonly referred to as the `Trademark Act of 1946' or the `Lanham Act').
- (5) TRADEMARK PUBLIC ADVISORY COMMITTEE- The term `Trademark Public Advisory Committee' means the Trademark Public Advisory Committee established under section 5(a) of title 35, United States Code."

## ANALYSIS

Sec. 2 is definitional and its definitions provide for no substantive change in law.

Section 3, ("FIRST INVENTOR TO FILE") contains several subsections. I quote each

subsection in turn, followed by analysis. However, Sec. 3 provides the sea change according rights to the first inventor to file instead of the first inventor to invent. Sec. 3 contains revisions to 35 USC 100, 102, 103, 104, 291, 135, and 157. I quote and then provide analysis.

#### SEC. 3(a) - REVISIONS TO DEFINITIONS IN 35 USC 100

"(a) Definitions- Section 100 of title 35, United States Code, is amended--

(1) in subsection (e), by striking 'or inter partes reexamination under section 311'; and

(2) by adding at the end the following:

`(f) The term 'inventor' means the individual or, if a joint invention, the individuals collectively who invented or discovered the subject matter of the invention.

`(g) The terms 'joint inventor' and 'coinventor' mean any 1 of the individuals who invented or discovered the subject matter of a joint invention.

`(h) The term 'joint research agreement' means a written contract, grant, or cooperative agreement entered into by 2 or more persons or entities for the performance of experimental, developmental, or research work in the field of the claimed invention.

`(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; or

`(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.

`(j) The term 'claimed invention' means the subject matter defined by a claim in a patent or an application for a patent.'"

#### ANALYSIS

The pre-existing definition in 35 USC 100(e) is revised to remove the reference to inter partes reexamination since the Act replaces inter parte reexamination with inter partes review and post grant review proceedings.

There are newly added definitions 35 USC 100(f)-(j).

New 100(f) defines "inventor" not first inventor to file, to be the individual or individuals "who invented or discovered the subject matter of the invention".

New 100(g) logically relies upon (f) in defining joint inventor, and coinventor.

New 100(h) is consistent with existing law defining the impact of joint research agreements on legal prior art.

New 100(j) defines a "claimed invention" to mean the subject matter defined by a claim in a patent or an application for patent. This departs from conventional use by examiners and some practitioners of the term the claimed invention because it expressly defines that term to refer to "a claim" not 'the claims' in an application of patent. Thus, statute now recognizes the

legal distinctness of each claim.

New 100(i)(1) defines the effective filing date for a claimed invention, which therefore means the filing date for each claim in a patent or application to which that claim is "entitled", to be the earliest of that actual filing date of the application (see 100(i)(1)(A)); any domestic non provisional (35 USC 120, 121, 365(c)); any foreign national or domestic provisional (119); and any foreign international (35 USC 365(a) or 365(b)) claim (see (a)(2)(i)(1)(B)). This section does not specify what "entitled" means, but it will most likely be construed to mean compliance with written description and enablement requirements of 35 USC 112. Since the Act partially vitiates the best mode requirement, how best mode issues will affect entitlement to a filing date, is an open legal question.

Thus, the "effective filing date" of a claim has two distinct meanings. If the application or patent has no priority claim, domestic, foreign, or international, then the effective filing date of a claim in the application is the "the actual filing date of the patent or the application". On the other hand, if the application or patent has any priority claim, then the effective filing date of a claim in the application is "the earliest application for which the patent or application is entitled, as to such invention." Obviously, a claim in an application for patent may be a claim for which the patent or application is [not] entitled, such as a claim lacking enablement within the meaning of current case law. Regardless, such a claim will have the "effective filing date" of the application within the meaning of new 35 USC 100(i)(1)(A).

The new 35 USC 100(i) is critical. It controls the effective date provision for the conversion from first to invent, to first to file, as specified in H.R. 1249, section 3(n), discussed below.

## SEC. 3(b) - REVISIONS TO 35 USC 102, NOVELTY

"(b) Conditions for Patentability-

(1) IN GENERAL- Section 102 of title 35, United States Code, is amended to read as follows:

-`Sec. 102. Conditions for patentability; novelty

`(a) Novelty; Prior Art- A person shall be entitled to a patent unless--

`(1) the claimed invention was patented, described in a printed publication, or in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention; or

`(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.

`(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.

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

(A) the subject matter disclosed was obtained directly or indirectly from the inventor or a joint inventor;

(B) the subject matter disclosed had, before such subject matter was effectively filed under subsection (a)(2), been publicly disclosed by the inventor or a joint inventor or another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor; or

(C) the subject matter disclosed and the claimed invention, not later than the effective filing date of the claimed invention, were owned by the same person or subject to an obligation of assignment to the same person.

(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 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.'

(2) CONTINUITY OF INTENT UNDER THE CREATE ACT- The enactment of section 102(c) of title 35, United States Code, under paragraph (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.

(3) CONFORMING AMENDMENT- The item relating to section 102 in the table of sections for chapter 10 of title 35, United States Code, is amended to read as follows:  
`102. Conditions for patentability; novelty.'"

## ANALYSIS

### 1 YEAR GRACE PERIOD NO LONGER EXPRESSLY INCLUDES USE, SALE, OR OFFER FOR SALE

The preexisting novelty requirement provides for a grace period after use, sale, offer for sale, or public disclosure, of one year for an inventor to file a patent for the invention being used, sold, offered for sale or disclosed to the public, without such acts making the invention prior art to the late filing for a patent. Unfortunately, the phrasing of the new section 102 does not expressly provide a grace period for use, sale, or offer for sale, of a claimed invention.

Quoting in concatenation of the logically related new sections 102(a)(1) and (b)(1) provides that "A person shall be entitled to a patent unless ... 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 ... (b) [Exceptions] ... 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 " disclosed by any of the inventors or someone obtaining the inventive disclosure from any of the inventors. Unfortunately, new section 102(a)(1) distinguishes between "use, sale, offer for sale, or public disclosure" whereas new section 102(b)(1) only provides a grace period for "disclosure". Accordingly, the exceptions in the new 35 USC 102(b)(1) do not expressly provide a grace period for the acts of use, sale, or offer for sale.

### PRIOR ART EFFECT OF PATENTS, NOVELTY BASED UPON COMMON OWNERSHIP

The new law preserves the prior art effect of United States patent publications and patents as of their filing dates. Quoting in concatenation the logically related new sections 102(b)(a)(2) and (b)(1)(b)(2) provides that "A person shall be entitled to a patent unless ...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 ... [except if] the subject matter disclosed was obtained directly or indirectly from [any of the inventors] ... or ... disclosed by [disclosed by any of the inventors or someone obtaining the inventive disclosure from any of the inventors] .. or ... the subject matter disclosed and the claimed invention ... were owned by the same person or subject to an obligation of assignment to the same person [not later than the effective filing date of the claimed invention]." This section preserves the pre-existing law respecting 102(e) and 102(f) (derivation).

However, the new law also expands the pre-existing exclusion from prior art of

commonly owned inventions. Under the pre-existing section 103(c), the exclusion of commonly owned subject matter only applied to claims that were novel over the prior commonly owned patent. Under the new 102(b)(2)(C), prior patents that were co-owned at the time of the filing of the subsequent application are not prior art even if they disclose the subject matter claimed in the late filed application. This change in the law favors large entities over small entities, since it avoids a large entity's prior filed patents from obstructing allowance of claims in later filed applications.

A consequence of this novelty exclusion is that new tactics exist to game the system. For example, a later filed application disclosing and claiming subject matter disclosed in an earlier application filed by the same company may, if issued, result in a patent with a patent term extending further into the future. This may allow large entities to time when they will have patent protection in correspondence to the timing of commercial activity. Another option arises in the context of mergers and acquisitions. This is because the exclusion in item (1)(b)(2)(C) refers to the "effective filing date of the claimed invention". However, the new law's definitional section, 35 USC 100(i)(1)(A), specifies the "effective filing date of the claimed invention", to be the date the subsequent application is filed, so long as the subsequent application lacks priority claims. Consequently, claims in any patent application filed by inventors of an acquired company after the acquisition of the acquired company by an acquiring company (or even just after the obligation to assign to the acquiring company arises), will be novel over disclosures in existence in the IP of the acquiring company. This may favor delay in patent filings of a company about to be acquired, if the acquisition is imminent.

#### PRIOR ART EFFECT OF PATENTS, NOVELTY BASED UPON A JOINT RESEARCH AGREEMENT

The prior law provide for an exclusion for obviousness of patents subject to a joint research agreement (JRE). In correspondence to the exclusion from novelty of prior co-owned patents, the new law, section 102(c), expands the JRE, from obviousness, to novelty. That is, claims of an application subject to a JRE are not unpatentable due to the disclosure in another patent or patent application subject to the JRE and owned by a different entity, if certain formalities are met (identification in the application of the names of the parties to the joint research agreement, etc.). This change will preclude challenges to ownership of patents by parties to JRE, except perhaps for a derivation/inventorship challenges. In the context of university industry partnerships employing JREs, this change appears to favor industry over its university JRE partner, since JREs typically are associated with restricted or exclusive licenses, and only the industry partner benefits from manufacturing and sale of resulting inventions.

#### SEC. 3(c) - REVISIONS TO 35 USC 103, NON-OBVIOUSNESS

"(c) Conditions for Patentability; Nonobvious Subject Matter- Section 103 of title 35, United States Code, is amended to read as follows:

-`Sec. 103. Conditions for patentability; non-obvious subject matter

`A patent for a claimed invention may not be obtained, notwithstanding that the claimed invention is not identically disclosed as set forth in section 102, if the differences between the

claimed invention and the prior art are such that the claimed invention as a whole would have been obvious before the effective filing date of the claimed invention to a person having ordinary skill in the art to which the claimed invention pertains. Patentability shall not be negated by the manner in which the invention was made.!"

## ANALYSIS

The new version of 35 USC 103 is analogous to the prior version of 103(a), but with the following important differences. The prior version of 103 used the terms "invention" and "subject matter sought to be patented"; it did not use the term "claimed invention", and it did not use the term "effective filing date of the claimed invention". The prior version of 103 left to interpretation whether the "invention" or the claims was what was "sought to be patented". That ambiguity is gone from the new 35 USC 103. This is because the new 35 USC 100 defines both "the `effective filing date' for a claimed invention" and the new 35 USC 103 recites "claimed invention" instead of "invention". This is a sea change because it clarifies that the test for patentability is (1) defined by the claims and (2) the relevant date for that test is the effective filing date of the claimed invention. However, as noted above, this also means that in an original application, any original claim has by definition the "effective filing date" of that application, thereby conflating the issues of written description, enablement, and effective date. Cf. *Enzo Biochem, Inc. V. Gen-probe Incorporated*, Docket No. 01-1230; slip opinion at 19 (Fed. Cir. July 15, 2002)(on rehearing)("Even if a claim is supported by the specification, the language of the specification, to the extent possible, must describe the claimed invention so that one skilled in the art can recognize what is claimed. The appearance of mere indistinct words in a specification or a claim, even an original claim, does not necessarily satisfy that requirement".).

Lacking from the new 35 USC 103 is the right under the prior law section 103(b) to elect non-obviousness of a biotechnology process if the corresponding biotechnology product was found to be novel and nonobvious. (The right to such an election under prior law is explained in my article "35 USC 103(b) and Biotechnology Process Inventions" available at <http://www.neifeld.com/advidx.html>.)

## SEC. 3(d) - REPEAL OF 35 USC 104, REQUIREMENTS FOR INVENTIONS MADE ABROAD

"(d) Repeal of Requirements for Inventions Made Abroad- Section 104 of title 35, United States Code, and the item relating to that section in the table of sections for chapter 10 of title 35, United States Code, are repealed."

## ANALYSIS

Prior section 35 USC 104 enabled proof of date of invention prior to the filing date of a patent application, for inventions made in most other countries. Its repeal comports with the concept of first to file, because its repeal removes the ability of anyone who is not the first to file from proving invention prior to the date of the first inventor to file for the invention.



## SEC. 3(e) - REPEAL OF STATUTORY INVENTION REGISTRATIONS

"(e) Repeal of Statutory Invention Registration-

(1) IN GENERAL- Section 157 of title 35, United States Code, and the item relating to that section in the table of sections for chapter 14 of title 35, United States Code, are repealed.

(2) REMOVAL OF CROSS REFERENCES- Section 111(b)(8) of title 35, United States Code, is amended by striking `sections 115, 131, 135, and 157' and inserting `sections 131 and 135'.

(3) EFFECTIVE DATE- 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."

## ANALYSIS

Statutory invention registrations (SIRs) allow an "inventor" to have the USPTO publish a SIR so long as the SIR contains claims that find support in the disclosure of the SIR. One reason SIRs survived past the 1999 revisions to the patent laws is because a SIR also provides for the right to continue a priority contest in an interference proceeding, that otherwise would be moot due to limitations on patent term of a patent application or patent. Cf. *Rexam Industries Corp. v. Eastman Kodak Co.*, 182 F. 3d 1366, 69 (Fed. Cir. 1999). Now that priority contests, per se, have been abolished, this outstanding policy reason to continue the existence of SIRs has disappeared. The effective date provision retains SIRs for 18 months after the date the act is signed by the president.

## SEC. 3(f)-(g) - REVISION TO 35 USC 120

"(f) Earlier Filing Date for Inventor and Joint Inventor- Section 120 of title 35, United States Code, is amended by striking `which is filed by an inventor or inventors named' and inserting `which names an inventor or joint inventor'.

(g) Conforming Amendments-

(1) RIGHT OF PRIORITY- Section 172 of title 35, United States Code, is amended by striking `and the time specified in section 102(d)'.

(2) LIMITATION ON REMEDIES- Section 287(c)(4) of title 35, United States Code, is amended by striking `the earliest effective filing date of which is prior to' and inserting `which has an effective filing date before'.

(3) INTERNATIONAL APPLICATION DESIGNATING THE UNITED STATES: EFFECT- Section 363 of title 35, United States Code, is amended by striking `except as otherwise provided in section 102(e) of this title'.

(4) PUBLICATION OF INTERNATIONAL APPLICATION: EFFECT- Section 374 of title 35, United States Code, is amended by striking `sections 102(e) and 154(d)' and inserting `section 154(d)'.

(5) PATENT ISSUED ON INTERNATIONAL APPLICATION: EFFECT- The second

sentence of section 375(a) of title 35, United States Code, is amended by striking 'Subject to section 102(e) of this title, such' and inserting 'Such'.

(6) LIMIT ON RIGHT OF PRIORITY- Section 119(a) of title 35, United States Code, is amended by striking '; but no patent shall be granted' and all that follows through 'one year prior to such filing'.

(7) INVENTIONS MADE WITH FEDERAL ASSISTANCE- Section 202(c) of title 35, United States Code, is amended--

(A) in paragraph (2)--

(i) by striking 'publication, on sale, or public use,' and all that follows through 'obtained in the United States' and inserting 'the 1-year period referred to in section 102(b) would end before the end of that 2-year period'; and

(ii) by striking 'prior to the end of the statutory' and inserting 'before the end of that 1-year'; and

(B) in paragraph (3), by striking 'any statutory bar date that may occur under this title due to publication, on sale, or public use' and inserting 'the expiration of the 1-year period referred to in section 102(b)'.

## ANALYSIS

There are no substantive changes to the domestic priority rights provided by 35 USC 120. However, it is worth noting that the conforming amendments to the PCT provisions implemented in US law, retained the incorporation in 35 USC 374, which provides for a publication of a PCT international application designating the United States to be deemed a publication under 35 USC 122(b), and the new 35 USC 102(a)(2) deems a publication under 122(b) to be prior art as of its filing date. Accordingly, PCT publications are legal prior art from their international filing date.

## SEC. 3(h) - AMENDMENT TO 35 USC 291, DERIVED PATENTS

"(h) Derived Patents-

(1) IN GENERAL- Section 291 of title 35, United States Code, is amended to read as follows:

- 'Sec. 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.'

(2) CONFORMING AMENDMENT- The item relating to section 291 in the table of sections for chapter 29 of title 35, United States Code, is amended to read as follows:

'291. Derived patents.'

## ANALYSIS

The prior version of 35 USC 291 provided a district court jurisdiction for resolving "interfering patents" issues, and more specifically provided subject matter jurisdiction for suits (stating "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 validity of any of the interfering patents, in whole or in part."). The new section 291 seems to limit the subject matter jurisdiction to patents that "claim[] ... the same invention". This is certainly a narrowing of the scope of review because it is much less likely that two patents with claims of identical scope will issue compared to two claims that define the same patentable invention, that is, differing only by limitations obvious in view of each other. Of course, the scope of some claims is subject to different interpretations, which might result in this provision being tested. However, claims under the prior version of 35 USC 291 were exceedingly rare, and they will likely be even rarer under the new 35 USC 291.

### SEC. 3(i) - REVISION TO 35 USC 135, DERIVATION PROCEEDINGS INSTEAD OF INTERFERENCE PROCEEDINGS

"(i) Derivation Proceedings- Section 135 of title 35, United States Code, is amended to read as follows:

- `Sec. 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 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."

## ANALYSIS

The prior version of 35 USC 135 provided jurisdiction for interference proceedings which, at their heart, were priority contests to determine who invented the same patentable invention first. While priority contests, per se, are no longer relevant, derivation proceedings are. These were always a subset of interference proceeds, specifically the messy interferences where there were allegations that one or both sides stole the invention from the other side(s). The new 35 USC 135 respects the fact that non inventors should not be entitled to rights to inventions made by another. Accordingly, derivation proceedings are the residual interference cases where theft of invention is an issue.

New 135(a) provides the PTO jurisdiction over such proceedings so long as: the petitioner has a pending application; that the target application is "an earlier application"; that the earlier application's inventor(s) were not authorized by the petitioner to file their application; that the petition is filed within 1 year of the date of first publication of a claim that is "the same or substantially the same as the earlier application's claim to the invention"; that the petition shall be under oath; and that the petition shall be supported by substantial evidence.

These requirements resonate with the prior law of 135(b) (same or substantially the same subject matter) and if treated in the same manner would require that the claims filed within the 1 year bar date not be amended after the 1 year bar date, for example in response to office action rejections. This provision provides the same trap for the unwary practitioner as the old 135(b), and it is likely that these proceedings will incorporate the requirements of the law of 135(b) on this point. Since the law of 135(b) remains unsettled, practitioners should exercise extreme

caution when counseling clients relating to the claim requirement. Cf. *Ryan v. Young*, <http://www.uspto.gov/ip/boards/bpai/decisions/inform/105504-116.pdf> at 39, (BPAI)(non precedential informative opinion)(panel consisting of McKelvey, Torczon, and Lane); *Ding v. Singer*, Interference 105436, paper 56, pages 11-12 (BPAI 8/24/2007)(non precedential, panel consisting of APJs Lee, Medley, and Moore); *Regents of the Univ. of Cal. v. Univ. of Iowa Research Found.*, 455 F.3d 1371; 2006 U.S. App. LEXIS 17927, 79 U.S.P.Q.2D (BNA) 1687 (Fed. Cir. 2006); *In re Berger*, 61 USPQ2d 1523, \_\_\_ 279 F.3d 975, \_\_\_, 2002 U.S. App. LEXIS 1186. (Fed. Cir. 2002); *Corbett v. Chisholm*, 568 F.2d 759, 765-66, 196 USPQ 337, 343 (CCPA 1977); *In re McGrew*, \_\_\_ F.3d \_\_\_, 43 USPQ2D 1632 (Fed. Cir. 1997); *Thompson v. Hamilton*, 152 F.2d 994, 68 USPQ 161 (CCPA 1946); *Cryns v. Musher*, 34 CCPA 963, 161 F.2d 217, 73 USPQ 290 (1947); *Tezuka v. Wilson*, 224 USPQ 1030 (PTOBPAI 1984); *Ex parte Fine*, 217 USPQ 76, 78 (PTOBPAI 1981).

These requirements also resonate with the prior Board of Patent Appeals and Interferences precedential case law respecting requirements for showings ex parte, in order to participate in an inter partes dispute. The BPAI opinion in *Basmadjian v. Landry*, <http://www.uspto.gov/ip/boards/bpai/decisions/prec/fd103694.pdf>, espouses the USPTO policy in that context. It is binding precedent on the old Board, and presumably will be adopted as binding precedent by the redesignation of the Board under the new law. In *Basmadjian*, the Board made precedential its long standing rule based policy of requiring showings, ex parte, sufficient to show entitlement to the requested inter partes relief. What *Basmadjian* stands for, is that, if a patent applicant ex parte makes showing that are insufficient to prima facie show entitlement to inter partes relief (in that case, judgement based upon priority, over another party having interfering claims), then (1) the party requesting the relief (*Basmadjian*) cannot present new evidence, absent a showing of good cause, and (2) will be faced with an order to show cause why judgement should not be entered against them upon initiation of the inter partes proceeding. Accordingly, practitioners should exercise caution in analyzing and determining whether to recommend to a client filing a petition for a derivation proceeding.

New 135(e) corresponds to the prior section 135(c) in that the new 135(e) it requires the filing of any settlement agreement. However, unlike the draconian punishment for failure to comply with former 135(c), patents do not become, as a matter of statutory law, permanently unenforceable, if parties fail to timely comply with 135(e).

There are on the order of 100 patent interferences declared annually. Some small fraction of them involve allegations of derivation. I expect there to be on the order of a few tens of derivation proceedings, annually, under the new law.

## SEC. 3(j) - ELIMINATION OF REFERENCES TO INTERFERENCES, CHANGE IN NAME OF THE "BOARD"

"(j) Elimination of References to Interferences-

(1) Sections 134, 145, 146, 154, and 305 of title 35, United States Code, are each amended by striking 'Board of Patent Appeals and Interferences' each place it appears and inserting 'Patent Trial and Appeal Board'.

(2)(A) Section 146 of title 35, United States Code, is amended--

- (i) by striking 'an interference' and inserting 'a derivation proceeding'; and
  - (ii) by striking 'the interference' and inserting 'the derivation proceeding'.
- (B) The subparagraph heading for section 154(b)(1)(C) of title 35, United States Code, is amended to read as follows:

'(C) GUARANTEE OF ADJUSTMENTS FOR DELAYS DUE TO DERIVATION PROCEEDINGS, SECRECY ORDERS, AND APPEALS- '.

(3) The section heading for section 134 of title 35, United States Code, is amended to read as follows:

- 'Sec. 134. Appeal to the Patent Trial and Appeal Board'.

(4) The section heading for section 146 of title 35, United States Code, is amended to read as follows:

- 'Sec. 146. Civil action in case of derivation proceeding'.

(5) The items relating to sections 134 and 135 in the table of sections for chapter 12 of title 35, United States Code, are amended to read as follows:

'134. Appeal to the Patent Trial and Appeal Board.

'135. Derivation proceedings.'.

(6) The item relating to section 146 in the table of sections for chapter 13 of title 35, United States Code, is amended to read as follows:

'146. Civil action in case of derivation proceeding.'."

## ANALYSIS

The new law renames the "Board of Patent Appeals and Interferences" as the "Patent Trial and Appeal Board" herein after "Board". The pre-existing version of 35 USC 146 provides for a right to a civil action to a party dissatisfied with a decision by the Board. The new version of 35 USC 146 preserves that right for derivation proceedings. The pre-existing version of 35 USC 154(b)(1)(C) provides for adjustment to patent term due to delays in issuance of patent resulting from secrecy orders, appeals, and interferences. The new law preserves that adjustment to patent term for secrecy orders, appeals, and derivation proceedings. The remaining revisions merely are clerical in nature, renaming the Board.

## SEC. 3(k) - STATUTE OF LIMITATIONS ON MISCONDUCT, EFFECTIVE DATE

"(k) Statute of Limitations-

(1) IN GENERAL- Section 32 of title 35, United States Code, is amended by inserting between the third and fourth sentences the following: '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).'.

(2) REPORT TO CONGRESS- The Director shall provide on a biennial basis to the Judiciary Committees of the Senate and House of Representatives a report providing a short description of incidents made known to an officer or employee of the Office as prescribed in the

regulations established under section 2(b)(2)(D) of title 35, United States Code, that reflect substantial evidence of misconduct before the Office but for which the Office was barred from commencing a proceeding under section 32 of title 35, United States Code, by the time limitation established by the fourth sentence of that section.

(3) EFFECTIVE DATE- The amendment made by paragraph (1) shall apply in any case in which the time period for instituting a proceeding under section 32 of title 35, United States Code, had not lapsed before the date of the enactment of this Act."

## ANALYSIS

Section K(1) deals with attorney misconduct. The background to this provision is that there is a general statute of limitations that limited the ability of the USPTO to sanction registered practitioners for prosecution misconduct. Such misconduct is often discovered during litigation of a patent. However, patent litigation often occurs years after the patent issued, and at a time past when the general statute of limitation on USPTO sanctions had run. Section K(1) provides a the USPTO jurisdiction to pursue misconduct of registered practitioners, avoiding the pre-existing statute of limitations.

## SEC. 3(l)-(m) - CONGRESSIONAL OVERSIGHT STUDIES AND REPORTS

### ANALYSIS

These provisions do not affect private rights.

## SEC. 3(n) - EFFECTIVE DATE PROVISIONS

"(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."

## ANALYSIS

This section is critical.

Sections (n)((1)(A) and (B) make the new law effective to any application claiming an invention having an "effective filing date" as defined in section 100(i) more than 18 months after the date of enactment. In other words, the existing law respecting first to invent is preserved for applications filed prior to 18 months after enactment of the new law, and for applications having all claims supported by an application filed prior to 18 months after enactment of the new law. If any claims is not supported by an application filed prior to 18 months after enactment of the new law, then the new law applies to that application and any patent resulting from that application. Since this provision applies to a claim "contained at any time" that was not supported by a disclosure filed prior to 18 months after enactment of the act, even a claim filed in an application prior to the 18 month period that is happens to not be supported by the application, may result in the application and any resulting patent being deemed to fall under the first to file (new) law instead of the first to invent (old) law. Accordingly, improper claim drafting may have the effect of stripping applicants and patentees of the right to antedate invalidating prior art. Accordingly, practitioners should exercise caution to ensure that claims are supported by the disclosure, and should definitely traverse lack of support (112, first paragraph) rejections, were the rejections are improper, after 18 months from the date of enactment. Any amendments in response to 112 rejections imposed prior to that date, should be resolved via a claim amendment prior to that date.

Section (n)(2) relates to first to invent priority contests, that is interference proceedings under the pre-existing 35 USC 135 and 291, and prior art under the pre-existing 35 USC 102(g). Section (n)(2) maintains pre-existing 102(g), 135, and 291, as effective for an application or patent, under certain circumstances. Specifically, (n)(2) maintains the pre-existing priority law under two circumstances.

First, (n)(2)(A) preserves the pre-existing priority law for an application or patent that ever contained a claim to an invention having an effective filing date as defined in section 100(i), prior to 18 months after enactment of the new law.

Second, (n)(2)(B) preserves the pre-existing priority law for an application or patent that ever contained a priority claim under 120, 121, or 365(c), to any patent or application that ever contained a claim to an invention having an effective filing date as defined in section 100(i), prior to 18 months after enactment of the new law.

Section 100(i) defines "effective filing date" for a claimed invention to mean "earliest application for which the patent or application is entitled, as to such invention, to a right of priority." Thus, (n)(2) preserves pre-existing priority law sections 102(g), 135, and 291, for applications either which ever contained a claim or a priority claim to any application which ever contained a claim supported by a pre AIA filed application. Because 100(i) defines the effective filing date to refer to all earlier priority claims, US and foreign, this section appears to include claims finding support in US provisional and foreign applications having a filing date prior to the



date 18 months from enactment of the AIA. Accordingly, practitioners should consider whether any claim finding support in a PCT, US provisional, or foreign priority application filed prior to the 18 months after enactment of the AIA, when considering interference and priority law issues.<sup>1</sup>

According to Joe Matal, Senator Kyle indicated that section (n)(2) was intended to subject a first to file patent that ever contained a first to invent claim, to the first to invent priority rules and law, so that others could seek to invalidate the patent based upon first to invent law.<sup>2</sup>

## SEC. 4(a)-(e) - INVENTOR'S OATH OR DECLARATION REQUIREMENTS

### "SEC. 4. INVENTOR'S OATH OR DECLARATION.

#### (a) Inventor's Oath or Declaration-

(1) IN GENERAL- Section 115 of title 35, United States Code, is amended to read as follows:

- Sec. 115. Inventor's oath or declaration

`(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.

`(b) Required Statements- An oath or declaration under subsection (a) shall contain statements that--

`(1) the application was made or was authorized to be made by the affiant or declarant; and

`(2) such individual believes himself or herself to be the original inventor or an original joint inventor of a claimed invention in the application.

`(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).

`(d) Substitute Statement-

`(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.

`(2) PERMITTED CIRCUMSTANCES- A substitute statement under paragraph (1) is permitted with respect to any individual who--

`(A) is unable to file the oath or declaration under subsection (a) because the individual--

`(i) is deceased;

`(ii) is under legal incapacity; or

`(iii) cannot be found or reached after diligent effort; or

`(B) is under an obligation to assign the invention but has refused to make the oath or declaration required under subsection (a).

`(3) CONTENTS- A substitute statement under this subsection shall--

`(A) identify the individual with respect to whom the statement applies;

`(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

`(C) contain any additional information, including any showing, required by the Director.

`(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.

`(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).

`(g) Earlier-Filed Application Containing Required Statements or Substitute Statement-

`(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--

`(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;

`(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

`(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.

`(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.

`(h) Supplemental and Corrected Statements; Filing Additional Statements-

`(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.

`(2) SUPPLEMENTAL STATEMENTS NOT REQUIRED- If an individual has executed an 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.

`(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).

`(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.'

(2) RELATIONSHIP TO DIVISIONAL APPLICATIONS- Section 121 of title 35, United States Code, is amended by striking 'If a divisional application' and all that follows through 'inventor.'

(3) REQUIREMENTS FOR NONPROVISIONAL APPLICATIONS- Section 111(a) of title 35, United States Code, is amended--

(A) in paragraph (2)(C), by striking 'by the applicant' and inserting 'or declaration';

(B) in the heading for paragraph (3), by inserting 'OR DECLARATION' after 'AND OATH'; and

(C) by inserting 'or declaration' after 'and oath' each place it appears.

(4) CONFORMING AMENDMENT- The item relating to section 115 in the table of sections for chapter 11 of title 35, United States Code, is amended to read as follows:

'115. Inventor's oath or declaration.'

(b) Filing by Other Than Inventor-

(1) IN GENERAL- Section 118 of title 35, United States Code, is amended to read as follows:

- 'Sec. 118. Filing by other than inventor

'A person to whom the inventor has assigned or is under an obligation to assign the invention may make an application for patent. A person who otherwise shows sufficient proprietary interest in the matter may make an application for patent on behalf of and as agent for the inventor on proof of the pertinent facts and a showing that such action is appropriate to preserve the rights of the parties. If the Director grants a patent on an application filed under this section by a person other than the inventor, the patent shall be granted to the real party in interest and upon such notice to the inventor as the Director considers to be sufficient.'

(2) CONFORMING AMENDMENT- Section 251 of title 35, United States Code, is amended in the third undesignated paragraph by inserting 'or the application for the original patent was filed by the assignee of the entire interest' after 'claims of the original patent'.

(c) Specification- Section 112 of title 35, United States Code, is amended--

(1) in the first undesignated paragraph--

(A) by striking 'The specification' and inserting '(a) In General- The specification'; and

(B) by striking 'of carrying out his invention' and inserting 'or joint inventor of carrying out the invention';

(2) in the second undesignated paragraph--

(A) by striking 'The specification' and inserting '(b) Conclusion- The specification'; and

(B) by striking 'applicant regards as his invention' and inserting 'inventor or a joint inventor regards as the invention';

(3) in the third undesignated paragraph, by striking 'A claim' and inserting '(c) Form- A claim';

(4) in the fourth undesignated paragraph, by striking 'Subject to the following paragraph,' and inserting '(d) Reference in Dependent Forms- Subject to subsection (e).';

(5) in the fifth undesignated paragraph, by striking 'A claim' and inserting '(e) Reference in Multiple Dependent Form- A claim'; and

(6) in the last undesignated paragraph, by striking 'An element' and inserting '(f) Element in Claim for a Combination- An element'.

(d) Conforming Amendments-

(1) Sections 111(b)(1)(A) of title 35, United States Code, is amended by striking 'the first paragraph of section 112 of this title' and inserting 'section 112(a)'.

(2) Section 111(b)(2) of title 35, United States Code, is amended by striking 'the second through fifth paragraphs of section 112,' and inserting 'subsections (b) through (e) of section 112,'.

(e) Effective Date- 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."

## ANALYSIS

The changes to 35 USC 115 and conforming amendments in other sections of 35 USC relax the requirements for the inventor oath or declaration, continuing a decades long trend. The only significant change compared to the pre-existing law is that there is no longer a requirement to file an inventor oath or declaration in continuing applications. Pursuant to section (e), the new section 115 applies to any application filed more than one year after enactment of the Act.

## SEC. 5 - MODIFIED DEFENSE TO INFRINGEMENT LIABILITY BASED UPON PRIOR USE

"SEC. 5. DEFENSE TO INFRINGEMENT BASED ON PRIOR COMMERCIAL USE.

(a) In General- Section 273 of title 35, United States Code, is amended to read as follows:  
- Sec. 273. Defense to infringement based on prior commercial use

(a) In General- A person shall be entitled to a defense under section 282(b) with respect to subject matter consisting of a process, or consisting of a machine, manufacture, or composition of matter used in a manufacturing or other commercial process, that would otherwise infringe a claimed invention being asserted against the person if--

(1) such person, acting in good faith, commercially used the subject matter in the United States, either in connection with an internal commercial use or an actual arm's length sale or other arm's length commercial transfer of a useful end result of such commercial use; and

(2) such commercial use occurred at least 1 year before the earlier of either--

(A) the effective filing date of the claimed invention; or

(B) 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).

(b) Burden of Proof- A person asserting a defense under this section shall have the burden of establishing the defense by clear and convincing evidence.

(c) Additional Commercial Uses-

(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.

(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.

`(d) Exhaustion of Rights- Notwithstanding subsection (e)(1), the sale or other disposition of a useful end result by a person entitled to assert a defense under this section in connection with a patent with respect to that useful end result shall exhaust the patent owner's rights under the patent to the extent that such rights would have been exhausted had such sale or other disposition been made by the patent owner.

`(e) Limitations and Exceptions-

`(1) PERSONAL DEFENSE-

`(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.

`(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.

`(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.

`(2) DERIVATION- A person may not assert a defense under this section if the subject matter on which the defense is based was derived from the patentee or persons in privity with the patentee.

`(3) NOT A GENERAL LICENSE- The defense asserted by a person under this section is not a general license under all claims of the patent at issue, but extends only to the specific subject matter for which it has been established that a commercial use that qualifies under this section occurred, except that the defense shall also extend to variations in the quantity or volume of use of the claimed subject matter, and to improvements in the claimed subject matter that do not infringe additional specifically claimed subject matter of the patent.

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

`(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.

(f) Unreasonable Assertion of Defense- If the defense under this section is pleaded by a person who is found to infringe the patent and who subsequently fails to demonstrate a reasonable basis for asserting the defense, the court shall find the case exceptional for the purpose of awarding attorney fees under section 285.

(g) Invalidity- 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.'

(b) Conforming Amendment- The item relating to section 273 in the table of sections for chapter 28 of title 35, United States Code, is amended to read as follows:

'273. Defense to infringement based on prior commercial use.'

(c) Effective Date- The amendments made by this section shall apply to any patent issued on or after the date of the enactment of this Act."

## ANALYSIS

This provision modifies the existing prior user defense in the pre-existing 35 USC 273. It refers to defenses under new 35 USC 282(b). New 282(b) is merely a renaming of the pre-existing second paragraph of 282 providing enumerated defenses of noninfringement, invalidity under 112, 251, grounds specified in part II of 35 USC (which consists of 35 USC 100 to 105), or any other fact or act made a defense in 35 USC. Note that the "any other fact or act made a defense" recited in the new 282(b) was severely limited by the decision in *Aristocrat Tech. Australia Pty. Ltd v. International Game Technology*, 543 F.3d. 657, 661 (Fed. Cir. 2008).

New section 273(a) provides that an early enough secret prior use of an invention is a defense to infringement, subject to several limitations. Basically, this is an equitable personal defense due to a good faith use, not involving derivation from the patentee. This section provides the additional curious exclusion that the defense does not apply to patents resulting from university research; see (e)(5). Why a good faith use of a technology subsequently patented by a university should not be entitled to the same respect as a good faith use of technology patented by a non university has no apparent public policy basis.

Importantly, the prior user defense in the new 273, if proven, does not result in the patent claim being held invalid. See new 273(g). This preserves the patent rights of the first inventor to file, regardless of who in fact first invented.

The new section 35 USC 273 is effective immediately upon enactment of the new law, for any patent issued on or after the date of enactment. See the Act, Sec. 5(c).

## SEC. 6 - INTER PARTES REVIEW OF ISSUED PATENTS

Sec. 6 contains a new version of Chapter 31 of 35 USC, providing an "Inter Partes Review" procedure replacing the pre-existing Chapter 31's "Optional Inter Partes Reexamination Procedures". Sec. 6 also contains a new Chapter 32, titled "Post Grant Review", providing a "post grant review" procedure. The new law does not abolish Chapter 30 of 35 USC, which is

the chapter providing for ex parte reexamination proceedings. The Act sections 6(a)-(c) generally deal with the Chapter 31 inter partes review proceeding. The Act sections 6(d)-(h) generally deal with the Chapter 32 post grant review proceeding.

In summary, the new post grant review can only be requested within 9 months after a patent issues and provides a broader scope of review than the new inter partes review; the new inter partes review can only be requested more than 9 months after a patent issues and is limited in scope of review to prior art issues; and ex parte reexamination proceedings are generally not affected by the Act, except for threshold showings.

I break up sec. 6 of the Act into component codified statutory sections and miscellaneous non-codified sections, herein below.

## "SEC. 6. POST-GRANT REVIEW PROCEEDINGS.

(a) Inter Partes Review- Chapter 31 of title 35, United States Code, is amended to read as follows:

### `CHAPTER 31--INTER PARTES REVIEW

#### `Sec.

- `311. Inter partes review.
- `312. Petitions.
- `313. Preliminary response to petition.
- `314. Institution of inter partes review.
- `315. Relation to other proceedings or actions.
- `316. Conduct of inter partes review.
- `317. Settlement.
- `318. Decision of the Board.
- `319. Appeal."

## ANALYSIS

This section provides the outline of the statutory sections of Chapter 31.

## NEW 35 USC 311

### "-`Sec. 311. Inter partes review

`(a) In General- Subject to the provisions of this chapter, a person who is not the owner of a patent may file with the Office a petition to institute an inter partes review of the patent. The Director shall establish, by regulation, fees to be paid by the person requesting the review, in such amounts as the Director determines to be reasonable, considering the aggregate costs of the review.

`(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.

`(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."

## ANALYSIS

Like the pre-existing reexamination law, the new 35 USC 311 limits inter partes challenges to patent claims, to be based only upon prior art issues (102 and 103). Thus, issues of sufficiency of disclosure and definiteness of claims, per se, are not issues upon which a petition to for an inter partes review may be based. However, the meaning of a claim, and the date to which it is accorded priority, are intimately related to what constitutes prior art timewise and with respect to disclosure. The PTO recognized these issues during reexamination proceedings, and presumably will continue to recognize them in the new inter partes reviews. Cf. MPEP 2217, Revision 8 of the Eighth Edition ("The statement applying the prior art may, where appropriate, point out that claims in the patent for which reexamination is requested are entitled only to the filing date of the patent and are not supported by an earlier foreign or United States patent application whose filing date is claimed."); and 2258 ("During reexamination, claims are given the broadest reasonable interpretation consistent with the specification and limitations in the specification are not read into the claims (In re Yamamoto, 740 F.2d 1569, 222 USPQ 934 (Fed. Cir. 1984)). ... "). Moreover, in the pre-existing reexamination proceedings, the USPTO allowed for submissions of declaratory evidence for certain purposes, and there is no reason to believe that will change under the new law. Cf. MPEP 2216, Revision 8 of the Eighth Edition ("Affidavits or declarations or other written evidence which explain the contents or pertinent dates of prior art patents or printed publications in more detail may be considered in reexamination. ")

The inter partes review has a time deadline. It can be filed only more than 9 months after the patent issued or a post grant review is terminated.

## NEW 35 USC 312

"-`Sec. 312. Petitions

`(a) Requirements of Petition- A petition filed under section 311 may be considered only if--

`(1) the petition is accompanied by payment of the fee established by the Director under section 311;

`(2) the petition identifies all real parties in interest;

`(3) the petition identifies, in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim, including--

`(A) copies of patents and printed publications that the petitioner relies upon in support of the petition; and

`(B) affidavits or declarations of supporting evidence and opinions, if the petitioner relies on expert opinions;

`(4) the petition provides such other information as the Director may require by regulation; and

`(5) the petitioner provides copies of any of the documents required under paragraphs (2), (3),



and (4) to the patent owner or, if applicable, the designated representative of the patent owner.  
` (b) Public Availability- As soon as practicable after the receipt of a petition under section 311, the Director shall make the petition available to the public."

## ANALYSIS

New 35 USC 312 provides the formal requirements for petition for review of claims of a patent.

## NEW 35 USC 313

"-` Sec. 313. Preliminary response to petition

` If an inter partes review petition is filed under section 311, the patent owner shall have the right to file a preliminary response to the petition, within a time period set by the Director, that sets forth reasons why no inter partes review should be instituted based upon the failure of the petition to meet any requirement of this chapter."

## ANALYSIS

Unlike an ex parte reexamination proceeding, the inter partes petitioner has no statutory right to respond to a patentee's preliminary response.

## NEW 35 USC 314

"-` Sec. 314. Institution of inter partes review

` (a) Threshold- The Director may not authorize an inter partes review to be instituted unless the Director determines that 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.

` (b) Timing- The Director shall determine whether to institute an inter partes review under this chapter pursuant to a petition filed under section 311 within 3 months after--

` (1) receiving a preliminary response to the petition under section 313; or

` (2) if no such preliminary response is filed, the last date on which such response may be filed.

` (c) Notice- The Director shall notify the petitioner and patent owner, in writing, of the Director's determination under subsection (a), and shall make such notice available to the public as soon as is practicable. Such notice shall include the date on which the review shall commence.

` (d) No Appeal- The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable."

## ANALYSIS

New section 311(a) sets a "reasonable likelihood" of invalidity of any claim over prior art as the threshold burden of proof. Supreme Court case law in criminal cases defines a "reasonable

likelihood" standard to mean "more than a mere possibility" and less than "more likely than not". *Boyd v. California*, 494 U.S. 370, 380 (1990); and *Brown v. Payton*, 544 U.S. 133, 151 (2005).

New 314(d) makes the decision final, which means that it is a final agency action.

## NEW 35 USC 315

"-`Sec. 315. Relation to other proceedings or actions

`(a) Infringer's Civil Action-

`(1) INTER PARTES REVIEW BARRED BY CIVIL ACTION- An inter partes review may not be instituted if, before the date on which the petition for such a review is filed, the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent.

`(2) STAY OF CIVIL ACTION- If the petitioner or real party in interest files a civil action challenging the validity of a claim of the patent on or after the date on which the petitioner files a petition for inter partes review of the patent, that civil action shall be automatically stayed until either--

`(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.

`(3) TREATMENT OF COUNTERCLAIM- 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.

`(b) Patent Owner's Action- 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).

`(c) Joinder- 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.

`(d) Multiple Proceedings- 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.

`(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 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."

## ANALYSIS

New 315(a) bars an inter partes proceeding requested by the same party that instituted a declaratory judgement action in a court. A party that wants to challenge validity of a patent not asserted against it has to elect either an inter partes proceeding in the USPTO, or a declaratory judgement action in a court. 315(a)(2)(A) however allows the patentee at its option, to allow the court to lift the stay, but automatically removes the stay if the patentee counterclaims for patent infringement.

New 315(a)(3) provides that, if the patentee sues the defendant before the defendant has filed an inter partes request, then if the defendant files an inter partes request, both the civil action and the inter partes proceeding may proceed.

There are now several post grant proceedings in which a patent may be involved in the USPTO. The old interference proceeding (135(a)); an ex parte reexamination; a reissue; a public use proceeding; and either a Chapter 31 inter partes or a Chapter 32 Post Grant proceeding. New 315(d) wisely provides the Director discretion how to conduct instances where multiple proceedings affect the same patent(s).

New section 315(e)(1) provides for estoppel. The 315(e)(1) estoppel is relative to USPTO proceedings ("before the Office"). The scope of the estoppel is the ground that was raised and the grounds that "reasonably could have [been] raised" during the inter partes proceeding. Inter partes proceedings are limited to prior art issues, but must necessarily deal with effective filing date and the PTO standard for claim construction issues. However, 315(e)(2) goes further, statutorily imposing estoppel on any ground raised or that "reasonably could have [been] raised" during that inter partes review, in a civil action under 28 USC 1338 (that is any civil action arising under an Act of Congress relating to patents. Cf. *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 809 (1988)) and in a 337 action before the ITC (for exclusion of infringing goods). Accordingly, a practitioner recommending an inter partes review petition should note in writing to the client the estoppel consequences of losing the inter partes review.

## NEW 35 USC 316

-`Sec. 316. Conduct of inter partes review

`(a) Regulations- The Director shall prescribe regulations--

`(1) providing that the file of any proceeding under this chapter shall be made available to the public, except that any petition or document filed with the intent that it be sealed shall, if accompanied by a motion to seal, be treated as sealed pending the outcome of the ruling on the

motion;

`(2) setting forth the standards for the showing of sufficient grounds to institute a review under section 314(a);

`(3) establishing procedures for the submission of supplemental information after the petition is filed;

`(4) establishing and governing inter partes review under this chapter and the relationship of such review to other proceedings under this title;

`(5) setting forth standards and procedures for discovery of relevant evidence, including that such discovery shall be limited to--

`(A) the deposition of witnesses submitting affidavits or declarations; and

`(B) what is otherwise necessary in the interest of justice;

`(6) prescribing sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or an unnecessary increase in the cost of the proceeding;

`(7) providing for protective orders governing the exchange and submission of confidential information;

`(8) providing for the filing by the patent owner of a response to the petition under section 313 after an inter partes review has been instituted, and requiring that the patent owner file with such response, through affidavits or declarations, any additional factual evidence and expert opinions on which the patent owner relies in support of the response;

`(9) setting forth standards and procedures for allowing the patent owner to move to amend the patent under subsection (d) to cancel a challenged claim or propose a reasonable number of substitute claims, and ensuring that any information submitted by the patent owner in support of any amendment entered under subsection (d) is made available to the public as part of the prosecution history of the patent;

`(10) providing either party with the right to an oral hearing as part of the proceeding;

`(11) requiring that the final determination in an inter partes review be issued not later than 1 year after the date on which the Director notices the institution of a review under this chapter, except that the Director may, for good cause shown, extend the 1-year period by not more than 6 months, and may adjust the time periods in this paragraph in the case of joinder under section 315(c);

`(12) setting a time period for requesting joinder under section 315(c); and

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

`(b) Considerations- In prescribing regulations under this section, the Director shall consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter.

`(c) Patent Trial and Appeal Board- The Patent Trial and Appeal Board shall, in accordance with section 6, conduct each inter partes review instituted under this chapter.

`(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.
- `(e) Evidentiary Standards- In an inter partes review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence."

## ANALYSIS

This section primarily imposes conditions on the USPTO to move inter partes proceedings along promptly and efficiently. Given the number of conditions imposed on the Director, it is clear that Congress indicated its dissatisfaction with the pre-existing inter partes reexamination proceedings by including the laundry lists in 316(a) and (b). The most salient points of 316 are that the Board, not the examining corps, will conduct these proceedings (316(c)); and the limit on the number of changes to the claims (316(d)). Finally, 316(e) specifies the burden of proof, and that the burden is on the petitioner, not the patentee. 316(d) follows judicial precedent for the burden of proof in inter partes proceedings in the USPTO. See *Brown v. Barbacid*, 276 F.3d 1327, 1333, 61 USPQ2d 1236, \_\_\_ (Fed. Cir. 2002)(as to priority) and *Bruning v. Hirose*, 161 F.3d 681, \_\_\_, 48 USPQ2d 1934, 1938 (Fed. Cir. 1998)(as to validity).

Finally, the 316(a)(11) one year time limit to conclude an inter partes proceeding corresponds to the time duration in an interference from declaration to decision on substantive motions. That, in turn, is based upon the highly successful "Standing Order" (SO), in its 3rd revision as of March 2011. Presumably, the Board will impose either a similar type of order or the USPTO will promulgate regulations modeled after the SO now universal to interference proceedings. As the former Chief judge of the Board noted, use of an SO instead of rule promulgation allows for relatively rapid changes, relative to the glacial rate of promulgation of CFR regulations.

## NEW 35 USC 317

### "-`Sec. 317. 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 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."

## ANALYSIS

This section allows parties to reach a settlement and terminate the proceeding. Like former 135(c), however, it also requires that any agreement "made in connection with, or in contemplation of, the termination of an inter partes review" be filed with the USPTO. The reason that requirement exists in 135(c) is so that the Justice Department can review the agreements for antitrust considerations. Thankfully, the draconian consequences specified in 135(c) for failure to comply with the requirement to file the collateral agreement (loss of patent rights), are absent from the new 317. Of course, practitioners are still subject to ethical duties to comply with the rules, which should be a sufficient incentive to effect the intended filings.

## NEW 35 USC 318

"-`Sec. 318. 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 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."

## ANALYSIS

The only section in 318 relevant to private parties is 318(c), which provides for the same intervening rights as those provided under 35 USC 252, which are intervening rights respecting reissued patents. There is a well developed body of case law interpreting 252 as to intervening rights in various situations. Cf. BIC Leisure products, Inc. v. Windsurfing International, Inc. 1 F.3d 1214, 27 USPQ2d 1671 (Fed. Cir. 1993)(royalty free license if actions did not infringe original patent); Slimfold Mfg. Co. v. Kinkead Industries, Inc., 810 F.2d 1113, 1 USPQ2d 1563, 1567 (Fed. Cir. 1987)(on actual reliance, and scope of claims); Seattle Box co. v. Industrial Crating & Packaging, Inc., 731 F.2d 818, 221 USPQ 568 (Fed. Cir. 1984)(court discretion in remedy).

## NEW 35 USC 319

"`Sec. 319. Appeal

`A party dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) may appeal the decision pursuant to sections 141 through 144. Any party to the inter partes review shall have the right to be a party to the appeal.'"

New 319 provides a right of appeal to the Court of Appeals for the Federal Circuit. It provides no right for review by a District Court.

## SEC. 6(b)-(c) MISCELLANEOUS NON CODIFIED SECTIONS RELATING TO INTER PARTES REVIEW PROCEEDINGS

"(b) Conforming Amendment- The table of chapters for part III of title 35, United States Code, is amended by striking the item relating to chapter 31 and inserting the following: 311'.

(c) Regulations and Effective Date-

(1) REGULATIONS- The Director shall, not later than the date that is 1 year after the date of the enactment of this Act, issue regulations to carry out chapter 31 of title 35, United States Code, as amended by subsection (a) of this section.

(2) APPLICABILITY-

(A) IN GENERAL- 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.

(B) GRADUATED IMPLEMENTATION- 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).

(3) TRANSITION-

(A) IN GENERAL- Chapter 31 of title 35, United States Code, is amended--

(i) in section 312--

(I) in subsection (a)--

(aa) in the first sentence, by striking `a substantial new question of patentability affecting any claim of the patent concerned is raised by the request,' and inserting `the information presented in the request shows that there is a reasonable likelihood that the requester would prevail with respect to at least 1 of the claims challenged in the request,'; and

(bb) in the second sentence, by striking `The existence of a substantial new question of patentability' and inserting `A showing that there is a reasonable likelihood that the requester would prevail with respect to at least 1 of the claims challenged in the request'; and

(II) in subsection (c), in the second sentence, by striking `no substantial new question of patentability has been raised,' and inserting `the showing required by subsection (a) has not been made,'; and

(ii) in section 313, by striking `a substantial new question of patentability affecting a claim of the patent is raised' and inserting `it has been shown that there is a reasonable likelihood that the requester would prevail with respect to at least 1 of the claims challenged in the request'.

(B) APPLICATION- The amendments made by this paragraph--

(i) shall take effect on the date of the enactment of this Act; and

(ii) shall apply to requests for inter partes reexamination that are filed on or after such date of enactment, but before the effective date set forth in paragraph (2)(A) of this subsection.

(C) CONTINUED APPLICABILITY OF PRIOR PROVISIONS- The provisions of chapter 31 of title 35, United States Code, as amended by this paragraph, shall continue to apply to requests for inter partes reexamination that are filed before the effective date set forth in paragraph (2)(A) as if subsection (a) had not been enacted."

## ANALYSIS

Sec. 6(c)(2)(A) provides that inter partes review proceedings go into effect 1 year after enactment. Whether that means the date a petition for an inter partes can be filed, or the date an inter partes proceeding can first be declared, is unstated. Sec. 6(c)(2)(B) allows the USPTO to slowly turn on the spigot of inter partes reviews. The underlying reason for this provision is due to the limited number of qualified members of the current Board. There are only a handful of Administrative Patent Judges, about 10, that have experience handling inter partes proceedings. Those are the members of the Trial Division that regularly handle 135(a) interference proceedings. All of the other APJs currently handle only ex parte appeals. Accordingly, the Board must train up APJs to handle the anticipated new flood of inter partes work.

6(c)(3)(A)(i)(aa) changes the threshold question in the pre-existing 35 USC 312, which provides the "substantial new question" threshold for declaring an inter partes reexamination, to the higher "reasonable likelihood" threshold, and 6(c)(3)(B) makes that change in threshold effective in requests for inter partes reexaminations immediately upon enactment of the new law, until the inter partes reexamination provisions are superceded by the new law provisions one year after enactment. Finally, Sec. 6(c)(3)(C) provides that inter partes reexamination proceedings will be governed by the pre-existing laws and may still be declared until 1 year after the date of



enactment of the new law, the only change being the higher "reasonable likelihood" threshold.

In summary, inter partes reexaminations will continue to exist for many years, since they often take many years to resolve. However, the last inter partes reexam requests will be filed just prior to one year after date of enactment of the new law, after which inter partes review proceedings (and post grant review proceedings discussed below) will ramp up, eventually overtake, and eventually completely replace, the inter partes reexamination proceedings.

## NEW CHAPTER 32, THE NEW POST GRANT REVIEW LAW - SEC. 6(d)-(h)

Chapter 32 provides for the "first window" review, set to be the 9 month period after issuance of a patent. During this period, a granted petition for a post grant review, if granted, will result in a review of an expanded, relative to the Chapter 31, inter partes review, set of patentability issues. I break up Chapter 32 into sections, quoting and analyzing each section. Several sections are analogous, that is substantively identical, as corresponding sections in Chapter 31 for the more limited inter partes review. In those sections, I merely cite back to my analysis of the corresponding section of the inter partes review law.

## SEC. 6(d) - THE CODIFIED PORTIONS OF THE NEW POST GRANT REVIEW LAW

"(d) Post-Grant Review- Part III of title 35, United States Code, is amended by adding at the end the following:

`CHAPTER 32--POST-GRANT REVIEW

`Sec.

`321. Post-grant review.

`322. Petitions.

`323. Preliminary response to petition.

`324. Institution of post-grant review.

`325. Relation to other proceedings or actions.

`326. Conduct of post-grant review.

`327. Settlement.

`328. Decision of the Board.

`329. Appeal."

## ANALYSIS

The foregoing outlines the codified sections of Chapter 32.

## NEW 35 USC 321

"-`Sec. 321. Post-grant review

`(a) In General- Subject to the provisions of this chapter, a person who is not the owner of a patent may file with the Office a petition to institute a post-grant review of the patent. The Director shall establish, by regulation, fees to be paid by the person requesting the review, in

such amounts as the Director determines to be reasonable, considering the aggregate costs of the post-grant review.

`(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).

`(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)."

## ANALYSIS

321(b) provides for review patentability based upon the grounds specified in 282(b). The new 282(b) provides those grounds of invalidity on any ground specified in part II of title 35; failure to comply with section 112 or 251; and "any other fact or act made a defense by this title". Part II of title 35 includes sections 100-105, which includes 101 (statutory subject matter); 102 and 103 (prior art); and 105(inventions made in outer space). Aristocrat, supra, limited the "any other fact or act made a defense by this title" that could result in unpatentability of a claim.

## NEW 35 USC 322 AND 323

### "-`Sec. 322. Petitions

`(a) Requirements of Petition- A petition filed under section 321 may be considered only if--

`(1) the petition is accompanied by payment of the fee established by the Director under section 321;

`(2) the petition identifies all real parties in interest;

`(3) the petition identifies, in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim, including--

`(A) copies of patents and printed publications that the petitioner relies upon in support of the petition; and

`(B) affidavits or declarations of supporting evidence and opinions, if the petitioner relies on other factual evidence or on expert opinions;

`(4) the petition provides such other information as the Director may require by regulation; and

`(5) the petitioner provides copies of any of the documents required under paragraphs (2), (3), and (4) to the patent owner or, if applicable, the designated representative of the patent owner.

`(b) Public Availability- As soon as practicable after the receipt of a petition under section 321, the Director shall make the petition available to the public.

### -`Sec. 323. Preliminary response to petition

`If a post-grant review petition is filed under section 321, the patent owner shall have the right to file a preliminary response to the petition, within a time period set by the Director, that sets forth reasons why no post-grant review should be instituted based upon the failure of the petition to meet any requirement of this chapter."

## ANALYSIS

322 and 323 provides formalities for requesting a post grant review, in parallel with those for an inter partes review.

## NEW 35 USC 324

"`Sec. 324. Institution of post-grant review

`(a) Threshold- The Director may not authorize a post-grant review to be instituted unless the Director determines that 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.

`(b) Additional Grounds- The determination required under subsection (a) may also be satisfied by a showing that the petition raises a novel or unsettled legal question that is important to other patents or patent applications.

`(c) Timing- The Director shall determine whether to institute a post-grant review under this chapter pursuant to a petition filed under section 321 within 3 months after--

`(1) receiving a preliminary response to the petition under section 323; or

`(2) if no such preliminary response is filed, the last date on which such response may be filed.

`(d) Notice- The Director shall notify the petitioner and patent owner, in writing, of the Director's determination under subsection (a) or (b), and shall make such notice available to the public as soon as is practicable. Such notice shall include the date on which the review shall commence.

`(e) No Appeal- The determination by the Director whether to institute a post-grant review under this section shall be final and nonappealable."

## ANALYSIS

324(a) provides an even higher threshold than that for inter partes review; a "more likely than not" threshold. However, if the petition raises "novel or unsettled legal question that" that may affect other cases, that alone is sufficient to meet the threshold. 324(b).

Like Inter Partes reviews, timing is short. Under 324(c), the USPTO must have a decision on the petition ready to go in case the patentee files no preliminary response by the preliminary response due date. Of course, the PTO has discretion under 323 to set the date such a response is due. Given the public policy goal of providing a swift proceeding, it is likely that the patentee will normally have only a few months to file a preliminary response.

## NEW 35 USC 325

"`Sec. 325. Relation to other proceedings or actions

`(a) Infringer's Civil Action-

`(1) POST-GRANT REVIEW BARRED BY CIVIL ACTION- A post-grant review may not be instituted under this chapter if, before the date on which the petition for such a review is filed, the petitioner or real party in interest filed a civil action challenging the validity of a claim of the

patent.

`(2) STAY OF CIVIL ACTION- If the petitioner or real party in interest files a civil action challenging the validity of a claim of the patent on or after the date on which the petitioner files a petition for post-grant review of the patent, that civil action shall be automatically stayed until either--

`(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.

`(3) TREATMENT OF COUNTERCLAIM- 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.

`(b) Preliminary Injunctions- 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.

`(c) Joinder- 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.

`(d) Multiple Proceedings- Notwithstanding sections 135(a), 251, and 252, and chapter 30, during the pendency of any post-grant review under this chapter, if another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the post-grant review or other proceeding or matter may proceed, including providing for the stay, transfer, consolidation, or termination of any such matter or proceeding. In determining whether to institute or order a proceeding under this chapter, chapter 30, or chapter 31, the Director may take 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.

`(e) Estoppel-

`(1) PROCEEDINGS BEFORE THE OFFICE- The petitioner in a post-grant review of a claim in a patent under this chapter that results in a final written decision under section 328(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 post-grant review.

`(2) CIVIL ACTIONS AND OTHER PROCEEDINGS- The petitioner in a post-grant review of a claim in a patent under this chapter that results in a final written decision under section 328(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 post-grant review.

`(f) Reissue Patents- 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."

## ANALYSIS

325(a) is identical to the corresponding inter partes review provision, 315(a). See the discussion of 315(a), *supra*.

However, 325(b) differs from the inter partes review sections, reflecting an apparent belief that commercial interests in prompt enforcement of newly issued patents outweigh enforcement of patents later after their issuance. 325(b) forbids a court in which the patentee has sued for infringement within 3 months of the issuance of a patent based upon the existence of a post grant review proceeding for that patent from staying consideration of a motion for a preliminary injunction. Prompt suit for infringement coupled with a motion for a preliminary injunction defeats a possible stay, at least of consideration of the motion.

325(e) provides the same estoppel consequences discussed for the inter partes review proceeding in 315(e), *supra*. See 315(e), *supra*. Accordingly, a practitioner recommending a post grant review petition should note in writing to the client the estoppel consequences of losing the post grant review.

## NEW 35 USC 326

"-`Sec. 326. Conduct of post-grant review

`(a) Regulations- The Director shall prescribe regulations--

`(1) providing that the file of any proceeding under this chapter shall be made available to the public, except that any petition or document filed with the intent that it be sealed shall, if accompanied by a motion to seal, be treated as sealed pending the outcome of the ruling on the motion;

`(2) setting forth the standards for the showing of sufficient grounds to institute a review under subsections (a) and (b) of section 324;

`(3) establishing procedures for the submission of supplemental information after the petition is filed;

`(4) establishing and governing a post-grant review under this chapter and the relationship of such review to other proceedings under this title;

`(5) setting forth standards and procedures for discovery of relevant evidence, including that such discovery shall be limited to evidence directly related to factual assertions advanced by either party in the proceeding;

`(6) prescribing sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or an unnecessary increase in the cost of the proceeding;

`(7) providing for protective orders governing the exchange and submission of confidential information;

`(8) providing for the filing by the patent owner of a response to the petition under section 323 after a post-grant review has been instituted, and requiring that the patent owner file with such

response, through affidavits or declarations, any additional factual evidence and expert opinions on which the patent owner relies in support of the response;

`(9) setting forth standards and procedures for allowing the patent owner to move to amend the patent under subsection (d) to cancel a challenged claim or propose a reasonable number of substitute claims, and ensuring that any information submitted by the patent owner in support of any amendment entered under subsection (d) is made available to the public as part of the prosecution history of the patent;

`(10) providing either party with the right to an oral hearing as part of the proceeding;

`(11) requiring that the final determination in any post-grant review be issued not later than 1 year after the date on which the Director notices the institution of a proceeding under this chapter, except that the Director may, for good cause shown, extend the 1-year period by not more than 6 months, and may adjust the time periods in this paragraph in the case of joinder under section 325(c); and

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

`(b) Considerations- In prescribing regulations under this section, the Director shall consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter.

`(c) Patent Trial and Appeal Board- The Patent Trial and Appeal Board shall, in accordance with section 6, conduct each post-grant review instituted under this chapter.

`(d) Amendment of the Patent-

`(1) IN GENERAL- During a post-grant 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 327, or upon the request of the patent owner for good cause shown.

`(3) SCOPE OF CLAIMS- An amendment under this subsection may not enlarge the scope of the claims of the patent or introduce new matter.

`(e) Evidentiary Standards- In a post-grant review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence."

## ANALYSIS

Section 326 tracts the corresponding inter partes review section 316. See section 316, *supra*.

"-`Sec. 327. Settlement

`(a) In General- A post-grant 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 post-grant review is terminated with respect to a petitioner under this section, no estoppel under section 325(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 post-grant review. If no petitioner remains in the post-grant review, the Office may terminate the post-grant review or proceed to a final written decision under section 328(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 a post-grant 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 post-grant review as between the parties. 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, and shall be made available only to Federal Government agencies on written request, or to any person on a showing of good cause."

## ANALYSIS

Section 327 tracts the corresponding inter partes review section 317. See section 317, supra.

"-`Sec. 328. Decision of the Board

`(a) Final Written Decision- If a post-grant 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 the petitioner and any new claim added under section 326(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 a post-grant review under this chapter shall have the same effect as that specified in section 252 of this title 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 post-grant review."

## ANALYSIS

Section 328 tracts the corresponding inter partes review section 318. See section 318, supra.

"-`Sec. 329. Appeal

`A party dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 328(a) may appeal the decision pursuant to sections 141 through 144. Any party to the post-grant review shall have the right to be a party to the appeal.'"

ANALYSIS

Section 329 tracts the corresponding inter partes review section 318. See section 319, supra

SEC. 6(e)-(h) - MISCELLANEOUS NON CODIFIED SECTIONS RELATING TO POST GRANT REVIEW PROCEEDINGS

(e) Conforming Amendment- The table of chapters for part III of title 35, United States Code, is amended by adding at the end the following:  
321'.

(f) Regulations and Effective Date-

(1) REGULATIONS- The Director shall, not later than the date that is 1 year after the date of the enactment of this Act, issue regulations to carry out chapter 32 of title 35, United States Code, as added by subsection (d) of this section.

(2) APPLICABILITY-

(A) IN GENERAL- 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).

(B) LIMITATION- 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.

(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.

(g) Citation of Prior Art and Written Statements-

(1) IN GENERAL- Section 301 of title 35, United States Code, is amended to read as follows:

- `Sec. 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 (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.'

(2) CONFORMING AMENDMENT- The item relating to section 301 in the table of sections for chapter 30 of title 35, United States Code, is amended to read as follows:

`301. Citation of prior art and written statements.'

(3) EFFECTIVE DATE- The amendments made by this subsection 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.

(h) Reexamination-

(1) DETERMINATION BY DIRECTOR-

(A) IN GENERAL- Section 303(a) of title 35, United States Code, is amended by striking `section 301 of this title' and inserting `section 301 or 302'.

(B) EFFECTIVE DATE- The amendment made by this paragraph 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.

(2) APPEAL-

(A) IN GENERAL- Section 306 of title 35, United States Code, is amended by striking `145' and inserting `144'.

(B) EFFECTIVE DATE- 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."

ANALYSIS

Sec. 6(f) provides the post grant proceeding to be in effect one year after enactment, but only for patents specified in sec. 3(n)(1) of the Act. As noted above, sec. 3(n)(1) generally makes the Act effective for any application claiming an invention first disclosed (more specifically, having an "effective filing date" as defined in section 100(i)) more than 18 months after the date of enactment. What this means is that no significant number of post grant proceedings will exist until substantial numbers of patents filed more than 18 months after enactment of the act have issued. Accordingly, we can expect post grant proceedings to begin to be declared 2-3 years after enactment, and reach a steady rate of newly declared post grant proceedings not less than 5 years after enactment of the Act.

Sec. 6(f)(3) provides the USPTO discretion to "dismiss without prejudice" existing interferences. The scope of this authorization is unclear because most interferences involve an underlying priority contest and the authority provided in Sec. 6(f)(3) does not expressly prohibit the USPTO from dismissing interferences where priority is an essential issue, thereby extinguishing the right of the first inventor to invent. Hopefully, the USPTO will construe "without prejudice" to limit its authority so that it does not extinguish priority rights by procedural fiat.

Sec. 6(g) changes the scope of material that a person can submit into the file of an issued patent. Specifically, it amends 35 USC 301 to allow entry into the file of the issued patent of "(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." The effective date for this change to 35 USC 301 is one year after enactment of the Act.

SEC 7(a)-(f) - REDEFINITION OF THE BOARD AND ITS DUTIES

"SEC. 7. PATENT TRIAL AND APPEAL BOARD.

(a) Composition and Duties-

(1) IN GENERAL- Section 6 of title 35, United States Code, is amended to read as follows:

- `Sec. 6. Patent Trial and Appeal Board

`(a) In General- There shall be in the Office a Patent Trial and Appeal Board. The Director, the Deputy Director, the Commissioner for Patents, the Commissioner for Trademarks, and the administrative patent judges shall constitute the Patent Trial and Appeal Board. The administrative patent judges shall be persons of competent legal knowledge and scientific ability

who are appointed by the Secretary, in consultation with the Director. Any reference in any Federal law, Executive order, rule, regulation, or delegation of authority, or any document of or pertaining to the Board of Patent Appeals and Interferences is deemed to refer to the Patent Trial and Appeal Board.

`(b) Duties- The Patent Trial and Appeal Board shall--

`(1) on written appeal of an applicant, review adverse decisions of examiners upon applications for patents pursuant to section 134(a);

`(2) review appeals of reexaminations pursuant to section 134(b);

`(3) conduct derivation proceedings pursuant to section 135; and

`(4) conduct inter partes reviews and post-grant reviews pursuant to chapters 31 and 32.

`(c) 3-Member Panels- Each appeal, derivation proceeding, post-grant review, and inter partes review shall be heard by at least 3 members of the Patent Trial and Appeal Board, who shall be designated by the Director. Only the Patent Trial and Appeal Board may grant rehearings.

`(d) Treatment of Prior Appointments- The Secretary of Commerce may, in the Secretary's discretion, deem the appointment of an administrative patent judge who, before the date of the enactment of this subsection, held office pursuant to an appointment by the Director to take effect on the date on which the Director initially appointed the administrative patent judge. It shall be a defense to a challenge to the appointment of an administrative patent judge on the basis of the judge's having been originally appointed by the Director that the administrative patent judge so appointed was acting as a de facto officer.'

(2) CONFORMING AMENDMENT- The item relating to section 6 in the table of sections for chapter 1 of title 35, United States Code, is amended to read as follows:

`6. Patent Trial and Appeal Board.'

(b) Administrative Appeals- Section 134 of title 35, United States Code, is amended--  
(1) in subsection (b), by striking `any reexamination proceeding' and inserting `a reexamination';  
and

(2) by striking subsection (c).

(c) Circuit Appeals-

(1) IN GENERAL- Section 141 of title 35, United States Code, is amended to read as follows:

- `Sec. 141. Appeal to Court of Appeals for the Federal Circuit

`(a) Examinations- An applicant who is dissatisfied with the final decision in an appeal to the Patent Trial and Appeal Board under section 134(a) may appeal the Board's decision to the United States Court of Appeals for the Federal Circuit. By filing such an appeal, the applicant waives his or her right to proceed under section 145.

`(b) Reexaminations- A patent owner who is dissatisfied with the final decision in an appeal of a reexamination to the Patent Trial and Appeal Board under section 134(b) may appeal the Board's decision only to the United States Court of Appeals for the Federal Circuit.

`(c) Post-Grant and Inter Partes Reviews- A party to an inter partes review or a post-grant review who is dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) or 328(a) (as the case may be) may appeal the Board's decision only to the United States Court of Appeals for the Federal Circuit.

`(d) Derivation Proceedings- A party to a derivation proceeding who is dissatisfied with the final

decision of the Patent Trial and Appeal Board in the proceeding may appeal the decision to the United States Court of Appeals for the Federal Circuit, but such appeal shall be dismissed if any adverse party to such derivation proceeding, within 20 days after the appellant has filed notice of appeal in accordance with section 142, files notice with the Director that the party elects to have all further proceedings conducted as provided in section 146. If the appellant does not, within 30 days after the filing of such notice by the adverse party, file a civil action under section 146, the Board's decision shall govern the further proceedings in the case.'

(2) JURISDICTION- Section 1295(a)(4)(A) of title 28, United States Code, is amended to read as follows:

`(A) the Patent Trial and Appeal Board of the United States Patent and Trademark Office with respect to a patent application, derivation proceeding, reexamination, post-grant review, or inter partes review under title 35, at the instance of a party who exercised that party's right to participate in the applicable proceeding before or appeal to the Board, except that an applicant or a party to a derivation proceeding may also have remedy by civil action pursuant to section 145 or 146 of title 35; an appeal under this subparagraph of a decision of the Board with respect to an application or derivation proceeding shall waive the right of such applicant or party to proceed under section 145 or 146 of title 35;'

(3) PROCEEDINGS ON APPEAL- Section 143 of title 35, United States Code, is amended--

(A) by striking the third sentence and inserting the following: `In an ex parte case, the Director shall submit to the court in writing the grounds for the decision of the Patent and Trademark Office, addressing all of the issues raised in the appeal. The Director shall have the right to intervene in an appeal from a decision entered by the Patent Trial and Appeal Board in a derivation proceeding under section 135 or in an inter partes or post-grant review under chapter 31 or 32.'; and

(B) by striking the last sentence.

(d) Conforming Amendments-

(1) ATOMIC ENERGY ACT OF 1954- Section 152 of the Atomic Energy Act of 1954 (42 U.S.C. 2182) is amended in the third undesignated paragraph--

(A) by striking `Board of Patent Appeals and Interferences' each place it appears and inserting `Patent Trial and Appeal Board'; and

(B) by inserting `and derivation' after `established for interference'.

(2) TITLE 51- Section 20135 of title 51, United States Code, is amended--

(A) in subsections (e) and (f), by striking `Board of Patent Appeals and Interferences' each place it appears and inserting `Patent Trial and Appeal Board'; and

(B) in subsection (e), by inserting `and derivation' after `established for interference'.

(e) Effective Date- 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 proceedings commenced on or after that effective date, except that--

(1) the extension of jurisdiction to the United States Court of Appeals for the Federal Circuit to entertain appeals of decisions of the Patent Trial and Appeal Board in reexaminations under the amendment made by subsection (c)(2) shall be deemed to take effect on the date of the enactment of this Act and shall extend to any decision of the Board of Patent Appeals and Interferences with

respect to a reexamination that is entered before, on, or after the date of the enactment of this Act;

(2) the provisions of sections 6, 134, and 141 of title 35, United States Code, as in effect on the day before the effective date of the amendments made by this section shall continue to apply to inter partes reexaminations that are requested under section 311 of such title before such effective date;

(3) the Patent Trial and Appeal Board may be deemed to be the Board of Patent Appeals and Interferences for purposes of appeals of inter partes reexaminations that are requested under section 311 of title 35, United States Code, before the effective date of the amendments made by this section; and

(4) the Director's right under the fourth sentence of section 143 of title 35, United States Code, as amended by subsection (c)(3) of this section, to intervene in an appeal from a decision entered by the Patent Trial and Appeal Board shall be deemed to extend to inter partes reexaminations that are requested under section 311 of such title before the effective date of the amendments made by this section."

## ANALYSIS

The Board of Patent Appeals and Interferences is redesignated as the "Patent Trial and Appeal Board" herein after the "Board".

The duties and responsibilities of the Board are expanded to include conducting all inter partes and post grant review proceedings. The rights of review for all Board proceedings other than derivations proceedings is via appeal to the Court of Appeals for the Federal Circuit. For derivation proceedings, the option remains for review via civil action or appeal, and the adverse party retains the right to elect whether to remove such an appeal to a district court. The conforming amendments retain the right to a "determination" relating to atomic energy inventions, even though I have been informed by Board personnel that no such "determination" proceeding has been declared in many years.

## SEC. 8(a)-(b) - SUBMISSION OF MATERIAL INFORMATION DURING THE PENDENCY OF AN APPLICATION

### "SEC. 8. PREISSUANCE SUBMISSIONS BY THIRD PARTIES.

(a) In General- Section 122 of title 35, United States Code, is amended by adding at the end the following:

`(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.'

(b) Effective Date- 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."

## ANALYSIS

New 122(e) broadens the scope and timing of submissions that third parties can submit for consideration during examination of another's patent application. Under new 122(e), anyone can submit "any printed publication of potential relevance" to the examination of the application within 6 months of publication of the application, and after that 6 month expires, before either a "first rejection under 132 of any claim" or date of the giving of a notice of allowance. A problem with this section is that examiners often first issue office actions containing requirements for withdrawal of claims before issuing a first rejection. Accordingly, a third party might game the system by delaying a 122(e) submission until after a first action containing only such a requirement, thereby arguably delaying examination of the claims by belatedly affecting the examiner's search strategy or claim analysis.

New 122(e) also provides for the submission of a concise description of relevance. This right may greatly aid examiner's, at least that is the hope. However, it requires third parties to effectively monitor patent publications of their competitors in order to provide relevant input to the examiners. The extent to which this will occur remains to be seen. Moreover, no express limits exist in the statute on the length of the concise statement, and clearly that leaves room for examiner's to ignore statements deemed not concise and for third parties to bulk up the file with less than useful noise. Hopefully, the USPTO can promulgate interpretive rules to make this provision more efficient than provided for by the bare statute.

Practitioners should advise their clients of this right, and of course consider efficient mechanisms and internal procedures to monitor and act under 122(e) on relevant patent publications of others.

Since the effective date provides for applicability to all applications pending 1 year from enactment of the Act, practitioners should advise clients to begin their monitoring now, and prepare submissions for filing 1 year and 1 day from the date of enactment of the Act, in order to avoid being precluded from doing so by issuance in a target application, of an office action after expiration of the 6 month period.

"SEC. 9. VENUE.

(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'.

(b) Effective Date- The amendments made by this section shall take effect on the date of the enactment of this Act and shall apply to any civil action commenced on or after that date."

## ANALYSIS

The pre-existing 35 USC sections 32, 145, 146, 154(b)(4)(A), and 293 deal with the PTO's authority to discipline registered practitioners (32); civil actions against the USPTO to obtain a patent (145); civil actions in an interference (146); civil actions challenging the USPTO's determination of patent term adjustment (154(b)(4)(A)); and default service of non resident aliens (293). Thus, Sec. 9 changes the exclusive venue (32; 145; 154(b)(4)(A); and 293) or the exclusive diversity venue (146) to the Court having the location nearest to where the USPTO is now headquartered, which is in Alexandria, Virginia. The effective date of this provision is upon enactment of the Act.

## SECS. 10 and 11 - FEE SETTING AUTHORITY AND FEES

### ANALYSIS

I do not quote sec. 10 or 11 because they are long and generally non substantive. Instead, I merely summarize relevant provisions and changes.

The USPTO charges for fees must generally be set to recover costs for USPTO activity; but the USPTO does not require authorization from Congress to set fees.

Sec. 10 newly provides for a 75 percent fee reduction for newly defined micro entities. New 35 USC 123 defines a micro entity to be a small entity applicant not named on more than 4 patent applications that were not assigned to a prior employer of the application, and having a limited income. Alternatively, a micro entity is an applicant that works for or has an obligation to assign rights to the invention to an institution of higher education (as defined by 20 USC 1001(a)). In other words, university owned inventions qualify for micro entity status, and therefore for the 75 percent fee reduction.

Sec. 10 requires a surcharge of \$400 for applications not filed electronically, effective 60 days after enactment of the Act. Accordingly, practitioners filing applications for universities (that is organizations defined by 20 USC 1001(a)) should start filing micro entity fees immediately after enactment.

All other fee provisions are effective upon the date of enactment of the Act. Accordingly, practitioners should look to the fees in the Act or hopefully an updated USPTO fee sheet posted at <http://www.uspto.gov/main/howtofees.htm> to determine applicable fees after enactment of the Act.

## SEC. 12 - THE NEW SUPPLEMENTAL EXAMINATION OPTION

### "SEC. 12. SUPPLEMENTAL EXAMINATION.

(a) In General- Chapter 25 of title 35, United States Code, is amended by adding at the end the following:

- `Sec. 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.'

(b) Conforming Amendment- The table of sections for chapter 25 of title 35, United States Code, is amended by adding at the end the following new item:

`257. Supplemental examinations to consider, reconsider, or correct information.'

(c) Effective Date- 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 issued before, on, or after that effective date."

## ANALYSIS

The new supplemental examination provides a mechanism for patentees to immunize a patent from certain defenses in litigation, specifically "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 word "unenforceable" is used in patent law in the context inequitable conduct, as opposed to invalidity of claims. Apparently, 257(c) immunizes a patentee that produces in a supplemental examination information that might have formed the basis for unenforceability due to inequitable conduct. I assume that the reason this provision refers to enforceability instead of or in addition to invalidity, is that the supplemental examination proceeding is supposed to correct the patent via reexamination by canceling any invalid claims. This is because the new 257(b) requires the

USPTO to reexamine the patent if the supplemental examination identifies a "substantial new question" of patentability. Unfortunately, 257(e) provides a chilling effect upon the use of this provision, because it requires the USPTO to "refer the matter to the Attorney General for such further action as the Attorney General may deem appropriate" if the USPTO "becomes aware... that a material fraud on the Office may have been committed." Of course, any belated submission of material information forming the basis of a 257 request would logically make the USPTO "become[] aware... that a material fraud on the Office may have been committed." unless the patentee has some way to prove the negative, that the patentee was not timely aware of the information forming the basis of the 257 request. Accordingly, in any case where the patentee is considering a supplemental request under 257 that relies upon information available to the patentee during prosecution of the application that matured into the patent, the patentee (or counsel that prosecuted the application) may simply choose to avoid enforcing the patent to avoid the much more serious risk of personal criminal sanctions. Hopefully, upon review, Congress will revise the "become[] aware that ... may have" standard to one requiring a higher likelihood of fraudulent activity by the patentee before requiring the USPTO to refer the matter to the Attorney General. In the short term, however, the best the USPTO can do is promulgate regulation liberally interpreting "becomes aware...may have been committed" in a manner reducing the likelihood of a referral to the Attorney General.

In any case, in situations where material information that might form the basis for invalidity of patented claims comes into the possession of the patentee after the patent issues, and the patent is in play, then a supplemental examination would be an effective mechanism to either immunize the patent from the new information or correct the claims so that they are, as corrected, immunized, before asserting the patent.

The 257 supplemental examination becomes effective after 1 year from date of enactment of the Act, for all patents.

## SEC. 13 - REALLOCATION OF ROYALTIES FOR INVENTIONS MADE WITH FEDERAL ASSISTANCE

### "SEC. 13. FUNDING AGREEMENTS.

(a) In General- Section 202(c)(7)(E)(i) of title 35, United States Code, is amended--  
(1) by striking `75 percent' and inserting `15 percent';  
(2) by striking `25 percent' and inserting `85 percent'; and  
(3) by striking `as described above in this clause (D);' and inserting `described above in this clause;'.  
(b) Effective Date- The amendments made by this section shall take effect on the date of the enactment of this Act and shall apply to any patent issued before, on, or after that date."

## ANALYSIS

This provision re-allocates from the government back to non profit organizations, more of any substantial royalties received by the non profit for the purposes of sharing them with the inventors, scientific research, and education.

## SEC. 14 - TAX STRATEGIES NOT LEGALLY NOVEL OR NON OBVIOUS

### "SEC. 14. 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 after that date."

## ANALYSIS

Sec. 14 is an uncodified section of the Act. It carves out an exception to patentability for claims such that any claim whose novelty or non-obviousness relies solely upon "any strategy for reducing, avoiding, or deferring tax liability" is not novel and not non-obvious and therefore not patentable.

Note: The only explanation for this carve out provision is that it was a cave-in to special interests, because there is no public policy reason; it does not improve the patent system.

## SEC. 15(a)-(c) - RELAXATION OF BEST MODE REQUIREMENT

### "SEC. 15. BEST MODE REQUIREMENT.

(a) In General- Section 282 of title 35, United States Code, is amended in the second undesignated paragraph by striking paragraph (3) and inserting the following:

(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.'

(b) Conforming Amendment- Sections 119(e)(1) and 120 of title 35, United States Code,

are each amended by striking `the first paragraph of section 112 of this title' and inserting `section 112(a) (other than the requirement to disclose the best mode)'.

(c) Effective Date- 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."

## ANALYSIS

The pre-existing section being replaced stated that "(3)Invalidity of the patent or any claim in suit for failure to comply with any requirement of sections 112 or 251 of this title, ". The replacement in the Act reads "(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." 35 USC 282 is titled "Presumption of validity; defenses". What this means is that the new 282(b)(3) precludes a finding of invalidity in a patent infringement suit on the basis that the best mode was not disclosed. The conforming amendments exists only in the sections of the statute providing a right of priority. What this means is that entitlement to priority cannot be challenged in a patent infringement suit on the basis of failure to disclose the best mode in some priority application. However, the conforming amendments exist in sections 119 and 120, which are also applicable and binding on examination of applications by the USPTO. Accordingly, in the rare circumstance where the USPTO would have found a claim unpatentable due to failure of a priority application from disclosing the best mode, it can no longer do so.

This provision is effective upon enactment of the act for all proceedings commenced thereon or thereafter. Presumably, "proceeding" also applies to applications, as well as reexaminations, and inter partes and post grant reviews, and interferences. Accordingly, this provision, although not eviscerating the best mode requirement, appears to eviscerate best mode issues for proceedings in the USPTO in which the best mode disclosure is lacking in a priority application.

## SEC. 16 - OVERDUE UPDATES TO THE LAW OF MARKING

"SEC. 16. MARKING.

(a) Virtual Marking-

(1) IN GENERAL- Section 287(a) of title 35, United States Code, is amended by striking `or when,' and inserting `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,'

(2) EFFECTIVE DATE- The amendment made by this subsection shall apply to any case that is pending on, or commenced on or after, the date of the enactment of this Act.

(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.

(b) False Marking-

(1) CIVIL PENALTY- Section 292(a) of title 35, United States Code, is amended by adding at the end the following: `Only the United States may sue for the penalty authorized by this subsection.'

(2) CIVIL ACTION FOR DAMAGES- Subsection (b) of section 292 of title 35, United States Code, is amended to read as follows:

`(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.'

(3) EXPIRED PATENTS- Section 292 of title 35, United States Code, is amended by adding at the end the following:

`(c) 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.'

(4) EFFECTIVE DATE- The amendments made by this subsection shall apply to all cases, without exception, that are pending on, or commenced on or after, the date of the enactment of this Act."

## ANALYSIS

Marking a patented article provides notice that it is patented, and also provides the patentee the right to collect damages, prior to when the patentee specifically notified the infringer of damages. 35 USC 287, second sentence. The Act revises the first sentence or 287(a) to read "(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 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 cannot be done, by fixing to it, or to the package wherein one or more of them is contained, a label containing a like notice." This provision allows for marking by providing a link to a URL where the patents covering the product may be listed. That change is effective upon enactment to pending cases and future cases.

35 USC 292 provides remedies for false marking, which is marking of an article not covered by the marked patent, or an article marked with a patent that has expired. The pre-existing 292 allowed anyone to sue for false marking, and provided damages of up to \$500 per falsely marked item. The incentive to sue for false marking caused a huge number of false

marking law suits because anyone could sue and recover a huge monetary amount. Revised 292 limits to the United States the right to sue to recover the \$500 per item penalty; and provides an exception so that someone suffering actual harm from the false marking can sue the false marker and also recover damages, but such damages are limited to the injury caused. Finally, the revised 292 makes marking with expired patents not actionable. This last issue provides substantial relief to companies, because there is a substantial cost in determining which patents are in force and tracking when to stop marking as patent rights terminate.

## SEC. 17 - FAILURE TO OBTAIN ADVICE OF COUNSEL IS NOT PROBATIVE OF WILLFUL INFRINGEMENT

### "SEC. 17. ADVICE OF COUNSEL.

(a) In General- Chapter 29 of title 35, United States Code, is amended by adding at the end the following:

- `Sec. 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.'.

(b) Conforming Amendment- The table of sections for chapter 29 of title 35, United States Code, is amended by adding at the end the following:

`298. Advice of counsel.'."

## ANALYSIS

A finding of willful infringement may result in up to treble damages resulting from patent infringement. If a defendant in patent infringement suit produces an opinion of counsel showing that it relied upon a reasonable opinion that its actions would not infringe the patent, then that act waives at least some of its attorney client privilege. See *In Re Echostar Communications* 448 F.3d 1294, 2006 U.S. App. LEXIS 11162, 78 USPQ2d 1676, (Fed. Cir. 2006). However, in the past, failing to produce an opinion of counsel, may have been probative of the defendant's bad intent. The new statutory law adopts the opinion in *Knorr-bremse Systeme Fuer Nutzfahrzeuge GMBH v. Dana Corporation*, (Fed. Cir. 2004)(en banc), that no adverse inference can be drawn regarding willful infringement when a defendant fails to obtain or produce an exculpatory opinion of counsel.

## SEC. 18 - TRANSITIONAL PROCEEDING TO WEED OUT INVALID BUSINESS METHOD PATENTS

### "SEC. 18. TRANSITIONAL PROGRAM FOR COVERED BUSINESS METHOD PATENTS.

(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.

(2) EFFECTIVE DATE- 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, United States Code.

(3) SUNSET-

(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.

(b) Request for Stay-

(1) IN GENERAL- If a party seeks a stay of a civil action alleging infringement of a patent under section 281 of title 35, United States Code, relating to a transitional proceeding for that patent, the court shall decide whether to enter a stay based on--

(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.

(2) REVIEW- 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.

(c) ATM Exemption for Venue Purposes- 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.

(d) Definition-

(1) IN GENERAL- 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.

(2) REGULATIONS- To assist in implementing the transitional proceeding authorized by this subsection, the Director shall issue regulations for determining whether a patent is for a technological invention.

(e) Rule of Construction- 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."

## ANALYSIS

This provision is not codified. It temporarily (for about 8 years) provides a procedure one can use to request that the USPTO to review the validity of covered business method patents, and it provides for reduced estoppel impact on the requestor. Apparently, Congress believed that there was a period when the USPTO was too lax in issuing business method patents, and this provision allows the USPTO to correct errors during that period.

Sec. 18 relates to "covered business method" patents. Sec. 18(d) defines a "covered business method" patent to mean "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."

321(c) is the 9 month window for filing a post grant review petition. Sec. 18(a)(1)(A) voids that time limit for requesting a post grant review of a covered business method patent. 325(b) is the preclusion of a Court ordering a stay of a motion for a preliminary injunction in a patent suit filed within 3 months of date of the patent's issuance. Sec. 18(a)(1)(A) voids that limitation such that a Court can impose a stay in such a situation if a post grant review of the patent exists. Similarly, sec. 18(a)(1)(A) also voids the estoppel provision and time limits for post grant review of reissued patents, if they are covered business method patents. The basis for a validity challenge in petition under this provision is limited to prior art under the pre-existing sections of 102(a) (publications) and prior art that disclosed the invention more than one year before the patent's U.S. filing date. Sec. 18(A)(1)(D) provide estoppel in subsequent court or ITC actions, but the estoppel is limited to "ground that the petitioner raised during that transitional proceeding".

The transitional program comes into effect after 1 year after enactment of the Act, but it applies at that time to all patents. However, for a patent under the first to invent law (that is, having a claim only entitled to a filing date later than 18 months from the date of enactment of the Act), the transitional program proceeding is not available during the first 9 months after the issuance of the patent. Moreover, the transitional program terminates "upon the expiration of the 8-year period beginning on the date that the regulations issued under to paragraph (1) take effect" (whenever that happens to occur).

## SEC. 19(a)-(e) - CONSOLIDATING DISTRICT COURT JURISDICTION AND PREVENTING UNRELATED DEFENDANTS IN PATENT SUITS

### "SEC. 19. JURISDICTION AND PROCEDURAL MATTERS.

(a) State Court Jurisdiction- Section 1338(a) of title 28, United States Code, is amended by striking the second sentence and inserting the following: '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.'

(b) Court of Appeals for the Federal Circuit- Section 1295(a)(1) of title 28, United States Code, is amended to read as follows:

'(1) of an appeal from a final decision of a district court of the United States, the District Court of Guam, the District Court of the Virgin Islands, or the District Court of the Northern Mariana Islands, in any civil action arising under, or in any civil action in which a party has asserted a compulsory counterclaim arising under, any Act of Congress relating to patents or plant variety protection;'

(c) Removal-

(1) IN GENERAL- Chapter 89 of title 28, United States Code, is amended by adding at the end the following new section:

- 'Sec. 1454. Patent, plant variety protection, and copyright cases

`(a) In General- A civil action in which any party asserts a claim for relief arising under any Act of Congress relating to patents, plant variety protection, or copyrights may be removed to the district court of the United States for the district and division embracing the place where the action is pending.

`(b) Special Rules- The removal of an action under this section shall be made in accordance with section 1446, except that if the removal is based solely on this section--

`(1) the action may be removed by any party; and

`(2) the time limitations contained in section 1446(b) may be extended at any time for cause shown.

`(c) Clarification of Jurisdiction in Certain Cases- The court to which a civil action is removed under this section is not precluded from hearing and determining any claim in the civil action because the State court from which the civil action is removed did not have jurisdiction over that claim.

`(d) Remand- If a civil action is removed solely under this section, the district court--

`(1) shall remand all claims that are neither a basis for removal under subsection (a) nor within the original or supplemental jurisdiction of the district court under any Act of Congress; and

`(2) may, under the circumstances specified in section 1367(c), remand any claims within the supplemental jurisdiction of the district court under section 1367.!

(2) CONFORMING AMENDMENT- The table of sections for chapter 89 of title 28, United States Code, is amended by adding at the end the following new item:

`1454. Patent, plant variety protection, and copyright cases.!

(d) Procedural Matters in Patent Cases-

(1) JOINDER OF PARTIES AND STAY OF ACTIONS- Chapter 29 of title 35, United States Code, as amended by this Act, is further amended by adding at the end the following new section:

- `Sec. 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 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.!

(2) CONFORMING AMENDMENT- The table of sections for chapter 29 of title 35, United States Code, as amended by this Act, is further amended by adding at the end the following new item:

`299. Joinder of parties.!

(e) Effective Date- The amendments made by this section shall apply to any civil action commenced on or after the date of the enactment of this Act."

#### ANALYSIS

Sec. 19(a) and (b) are revised to clarify that district courts have exclusive jurisdiction over patents, plant variety protection, or copyrights cases in both U.S. states and U.S. territories. Sec. 19(c) adds new 28 USC 1454 enlarges the basis upon which a patents, plant variety protection, or copyrights cases may be removed from state court and also requires the district court to remand to the state court that are outside the scope of the district court's original and supplemental jurisdiction, that is, purely state claims also lacking diversity jurisdiction.

Sec. 19(d) adds new section 35 USC 299 which makes it more burdensome for a non practicing patent entity to sue plural defendants for patent infringement. This section generally precludes a single action naming plural defendants unless the plural defendants are related to one another such that their infringements arises out of "the same transaction, occurrence, or series of transactions or occurrences" and questions of fact or counterclaims common to all defendants will arise. This provision becomes effective upon enactment of the Act and applies to pre-existing patent suits. Accordingly, it is likely that pro patent jurisdictions, such as those in Texas will see a large number of misjoinder motions in the coming days and weeks.

#### SEC. 20 - PRIMARILY TECHNICAL AMENDMENTS

#### ANALYSIS

Section 20 contains primarily clarifying language amendments having no intended substantive impact. However, Sec. 20(k) states "(k) Additional Technical Amendments- Sections 155 and 155A of title 35, United States Code, and the items relating to those sections in the table of sections for chapter 14 of such title, are repealed.". The repealed sections consist of transitional and private laws that extended patent for medical inventions in the 1980's; private laws benefitting the pre Hatch-Waxman pharmaceutical companies, for patents no longer in force.

"SEC. 21. TRAVEL EXPENSES AND PAYMENT OF ADMINISTRATIVE JUDGES"

"SEC. 22. PATENT AND TRADEMARK OFFICE FUNDING"

"SEC. 23. SATELLITE OFFICES"

"SEC. 24. DESIGNATION OF DETROIT SATELLITE OFFICE"

#### ANALYSIS

The provisions in these sections do not affect private rights.

## SEC. 25 - STATUTORY AUTHORITY TO PRIORITIZE EXAMINATION IN TECHNOLOGIES DEEMED IMPORTANT

"SEC. 25. PRIORITY EXAMINATION FOR IMPORTANT TECHNOLOGIES.

Section 2(b)(2) of title 35, United States Code, is amended--

(1) in subparagraph (E), by striking `and' after the semicolon;

(2) in subparagraph (F), by inserting `and' after the semicolon; and

(3) by adding at the end the following:

`(G) may, subject to any conditions prescribed by the Director and at the request of the patent applicant, provide for prioritization of examination of applications for products, processes, or technologies that are important to the national economy or national competitiveness without recovering the aggregate extra cost of providing such prioritization, notwithstanding section 41 or any other provision of law;'. "

### ANALYSIS

This section gives the USPTO discretion to determine which technologies are significant enough in order to expedite prosecution of corresponding applications.

"SEC. 26. STUDY ON IMPLEMENTATION"

"SEC. 27. STUDY ON GENETIC TESTING"

"SEC. 28. PATENT OMBUDSMAN PROGRAM FOR SMALL BUSINESS CONCERNS"

"SEC. 29. ESTABLISHMENT OF METHODS FOR STUDYING THE DIVERSITY OF APPLICANTS"

"SEC. 30. SENSE OF CONGRESS"

"SEC. 31. USPTO STUDY ON INTERNATIONAL PATENT PROTECTIONS FOR SMALL BUSINESSES"

"SEC. 32. PRO BONO PROGRAM"

### ANALYSIS

The provisions in these sections do not affect private rights.

## SEC. 33 - PROHIBITION OF PATENTS ON HUMAN BEINGS

"SEC. 33. LIMITATION ON ISSUANCE OF PATENTS.

(a) Limitation- Notwithstanding any other provision of law, no patent may issue on a claim directed to or encompassing a human organism.

(b) Effective Date-

(1) IN GENERAL- Subsection (a) shall apply to any application for patent that is pending on, or filed on or after, the date of the enactment of this Act.

(2) PRIOR APPLICATIONS- Subsection (a) shall not affect the validity of any patent issued on an application to which paragraph (1) does not apply."

#### ANALYSIS

This provision precludes patents from issuing that have a claim "directed to or encompassing a human organism." This provision may have unintended consequences in years to come as modification of human beings using technology becomes more common, and this provision results in funding for easily copyable innovations in that area is unavailable. It may also form the basis for novel defenses to infringement, where the question whether an asserted claim is "directed to or encompass[es]... a human organism." Since this section of the statute came into existence after the defense limiting decision in *Aristocrat*, supra, whether this section provides for a defense is an open legal question.

#### SEC. 34. STUDY OF PATENT LITIGATION

##### ANALYSIS

The provisions in this section does not affect private rights.

#### "SEC. 35. EFFECTIVE DATE.

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."

##### ANALYSIS

This is the default effective date provision for situations not otherwise specified. It provides for effect from the day 1 year from the date of enactment and applies to any patent issued on or after that date.

#### "SEC. 36. BUDGETARY EFFECTS"

##### ANALYSIS

The provisions in this section does not affect private rights.

#### SEC. 37 - PRIVATE LAW RETROACTIVELY CLARIFYING THE 60 DAY PERIOD FOR A PTE APPLICATION

#### "SEC. 37. CALCULATION OF 60-DAY PERIOD FOR APPLICATION OF PATENT TERM EXTENSION"

(a) In General- Section 156(d)(1) of title 35, United States Code, is amended by adding at

the end the following flush sentence:

`For purposes of determining the date on which a product receives permission under the second sentence of this paragraph, if such permission is transmitted after 4:30 P.M., Eastern Time, on a business day, or is transmitted on a day that is not a business day, the product shall be deemed to receive such permission on the next business day. For purposes of the preceding sentence, the term `business day' means any Monday, Tuesday, Wednesday, Thursday, or Friday, excluding any legal holiday under section 6103 of title 5.'.

(b) Applicability- The amendment made by subsection (a) shall apply to any application for extension of a patent term under section 156 of title 35, United States Code, that is pending on, that is filed after, or as to which a decision regarding the application is subject to judicial review on, the date of the enactment of this Act."

This provision is the legislative reaction to the decision in the civil action 01:10-cv-286, "The Medicine Company v. Kappos". In that case, the district court concluded that the Medicine Company's PTE application was not untimely, but it is clear that the law was subject to different interpretations. While amendment to 35 USC 156(d)(1) moots the issue raised in that specific case, it apparently leaves open to interpretation that actual number of days for the applicant to file in the USPTO a PTE application. Accordingly, practitioners should continue to advise their clients to not delay filing of a PTE application to near the 60 (or 59) day deadline.

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Date/time code: October 17, 2012 (12:24pm)

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1. I thank Bob Armitage for helpful input in amending this section of the paper.
2. Matal, A Guide to the Legislative History of the America Invents Act: Part I of II," 21 Fed. Cir. B.J. 435, 501 (2012).