



Patent Reform -- America Invents Act of 2011

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SWEEPING CHANGES IN PATENT LAW

- **America Invents Act (“AIA”) was signed into law on Sept. 16, 2011. Changes by AIA include:**
 - First to File
 - Prior Commercial Use Defense
 - Challenging Patent Applications and Issued Patents
 - Prioritized Examination of Patent Applications
 - Opinion of Counsel
 - Restricts False Patent Marking Claims
 - Tax Strategies are not patentable
 - Inventor Oath and Filing by Patent Assignee

- **Bayh-Dole Act does NOT grant Contractors Patent Ownership Rights**
 - U.S Supreme Court decision in *Board of Trustees of Leland Stanford Junior University v. Roche Molecular Systems, Inc.* (No. 09-1159, June 6, 2011)

FIRST TO FILE patent system

No patent IF:

- Patented, described in a publication, public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention [§102 (a)(1)].

- Effective Date: 18 months after enacted – March 16, 2013
- Exception [§102 (b)(1)]:
 - 1 year or less before the effective filing date [\[grace period\]](#)
 - Inventor disclosures
 - Disclosures by others that obtained the information directly or indirectly from the inventor
 - Public subject matter disclosures by the inventor or other that obtained the subject matter directly or indirectly

FIRST TO FILE patent system (con' t)

No patent IF:

- Described in a US Patent or a US published application that names another inventor and has an effective filing date before the effective filing date before the claimed invention [§102(a)(2) -- like old §102(e)].

- Effective Date: 18 months after enacted – March 16, 2013
- Exception [§102 (b)(2)]:
 - Disclosure appearing in applications or patents not prior art IF:
 - Subject matter disclosed was obtained directly or indirectly from the inventor
 - Subject matter was publicly disclosed by the inventor or another that obtained the information directly or indirectly from the inventor
 - Not later than the effective date of claimed invention, both subject matter disclosed and claimed invention owned by same person or subject to an obligation of assignment to the same person
 - Joint Research Agreement also qualifies for ownership exception IF:
 - » In effect on or before effective filing date of claimed invention
 - » Claimed invention result of activities within scope of JRA
 - » The application discloses the names of the parties of the JRA

FIRST TO FILE patent system (con' t)

■ Obviousness

- No patent 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 PHOSITA [§103].

- Effective Date: 18 months after enacted – March 16, 2013

Prior Commercial Use Defense

- Applicable 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
- Use must occur 1 year prior to either:
 - the effective filing date; or the public disclosure that qualifies for the exception from prior art under section 102(b)
- Person asserting defense must prove by “clear and convincing evidence”
- Effective Immediately – September 16, 2011

Challenging Patent Applications and Issued Patents

- Pre-issuance Submissions
- Derivation Proceedings
- Post Grant Review
- Inter Partes Review

■ Pre-issuance Submissions

- Any third party may challenge patentability of a pending claim in any patent application
- By submitting to the USPTO prior art patents or printed publications, along with “a concise description of the asserted relevance”

■ Effective Date: 12 months after enacted – Sept. 16, 2012

■ Derivation Proceedings (replaces Interferences)

- If two patent applications or patents claim “the same invention”, a derivation proceeding can be requested
- Before grant of patent [§135]
 - Petition must be filed with USPTO within 1 year of publication of the earlier-filed patent application
 - By an inventor who has the later-filed patent application
 - If the claimed subject matter in the earlier-filed patent application was derived from the inventor of the later-filed patent application
- After grant of patent [§291]
 - Lawsuit must be filed in U.S. District Court within 1 year of the newly-issued patent
 - By owner of a previously-issued patent
 - If the claimed subject matter in the newly-issued patent was derived from the inventor named in the previously-issued patent.

■ Effective Date: 18 months after enacted – March 16, 2013

■ Post Grant Review (“PGR”) [§321]

- Applies only during the first 9-month period after grant of patent for anyone to oppose the grant
- Two threshold issues:
 - (1) is it more likely than not that at least one claim challenged is unpatentable? AND
 - (2) does the petition raise a novel or unsettled legal question that is important to other patents or patent applications?
- Broader than IPR -- can be initiated based on any patent invalidity defense (§§102, 103, 112, and 251)

- Effective Date: generally 18 months after enacted – March 16, 2013 (except PGR available to challenge covered business method patents as of Sept. 16, 2012).

■ Inter Partes Review (“IPR”) [§311]

- Applies after the 9-month period after grant of patent or after PGR is concluded (whichever is later)
- Single Threshold issue:
 - is there a reasonable likelihood that the third party will prevail with respect to at least one challenged claim?
- IPR replaces the current Inter Partes Reexamination proceeding
- IPR is available during life of any patent (including filed before 11/29/99)
- Does not replace existing Ex Parte Reexamination, which will continue
- Scope of IPR narrower than PGR – limited to patents and printed publications (§§102 and 103)

■ Effective Date: 12 months after enacted – Sept.16, 2012

■ Prioritized Examination

- Cost = \$4,800
- All filing fees must be paid at the time of filing
- Limited to 4 independent and 30 total claims
- Only 10,000 requests a year will be accepted
- Effective Date: 10 days after enacted – Sept.26, 2011

■ Priority

- USPTO can prioritize examination of applications for products, processes, or technologies that are important to the national economy or national competitiveness without recovering the aggregate extra cost
- Effective Date: 12 months after enacted – Sept.16, 2012

Opinion of Counsel

- Prevents failure to obtain advice of counsel or failure to present such advice to court or jury from being used to prove willful infringement or intent to induce infringement
- Basically codifies current case law (*In Re Seagate* decision from the Federal Circuit)
- Effective Date: 12 months after enacted – Sept. 16, 2012

AIA Restricts False Patent Marking Claims

- Current patent statute prohibits patent owners from marking their products with inaccurate patent coverage information with the purpose of deceiving the public.
- Current statute permits “Qui tam” lawsuits by any individual to recover damages even if he/she is not personally harmed and collect \$500 per offense (shared equally with USG).
- 2009 Federal Circuit court decision held law applies to each item that was falsely marked (not each decision re: a product line). This led to over 500 false marking lawsuits in 2010 alone.
- AIA changes this by:
 - allowing only US government or person who suffers competitive injury as a result of the false marking to bring a qui tam false marking claim
 - damages are limited to “adequate compensation” for alleged injury
 - marking with expired patent is not a false marking violation.
- AIA allows marking of products “virtually” by marking it with “patent” followed by a reference to a freely accessible internet web site address.
- Effective Date: Immediately after enacted – Sept.16, 2011

Tax Strategies are not patentable

- AIA makes it statutory that “any strategy for reducing, avoiding, or deferring tax liability” is neither novel nor non-obvious; therefore, not patentable.
- Excludes inventions used solely for preparing or transmitting tax filing documents [TurboTax Exclusion] or inventions 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
- Effective Date: Immediately after enacted – Sept. 16, 2011

Inventor Oath and Filing by Patent Assignee

■ Assignment

- Current law requires inventor to submit statement (oath or declaration) that patent application was made or authorized by inventor and the individual believes he/she is original inventor
- AIA simplifies this requirement by providing that it can be made in the Assignment document
- Any errors can be corrected and will not lead to an invalid patent

■ Assignee (usually Company) can file patent application

- Only need to show sufficient proprietary interest
- Previously, only if inventor refused or could not be found

■ Effective Date: 12 months after enactment – Sept. 16, 2012

Bayh-Dole Act does NOT grant Contractors Patent Ownership Rights

- **The Bayh-Dole Act does NOT automatically vest title to federally funded inventions with the federal contractor**
 - U.S Supreme Court decision in *Board of Trustees of Leland Stanford Junior University v. Roche Molecular Systems, Inc.* (No. 09-1159, June 6, 2011).
 - Bayh-Dole Act permits contractors only to retain title to subject inventions or patents that they already possess through other means
 - *E.g.*, intellectual property (“IP”) assignment provisions in employment contracts between the inventor and the contractor.
 - Supreme Court confirmed long-standing patent rule – rights in an invention belong to the individual inventor and the inventor must expressly grant his/her rights in an invention to the employer if the employer is to obtain those rights.

Bayh-Dole Act does NOT grant Contractors Patent Ownership Rights (con't)

■ Impact of *Stanford v. Roche* decision

- Contractors cannot rely on Bayh-Dole Act to acquire title to inventions
- Contractors must ensure they have agreements with their employees that are sufficient to automatically convey title in inventions to the contractor
 - Choice of language in the agreement matters – “hereby assigns” is much better than “agrees to assign” or “shall assign”
- Lack of sufficient controls, processes, policies, procedures and/or business systems on the part of federal contractor may give rise to claim by USG against contractor for failure to protect subject inventions
- Any pre-existing agreement between employee and a third-party may potentially trump the IP assignment agreement between the employee and the employer (as it did in *Stanford v. Roche* case)
- Parties seeking to commercialize such inventions must perform proper due diligence, including review of all relevant agreements involving inventor to determine respective rights to the invention

Questions?