

UNDERSTANDING INTELLECTUAL PROPERTY

SECOND EDITION

SUPPLEMENT

**Incorporating changes in the
Leahy-Smith America Invents Act,
enacted September 16, 2011**

Drafted October 1, 2011

Prepared by Shubha Ghosh

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Editorial Offices

121 Chanlon Road, New Providence, NJ 07974

201 Mission St., San Francisco, CA 94105-1831 (415) 908-3200

www.lexisnexus.com

(Pub 871)

Add new § 2B[7] as follows:**[7] Leahy-Smith America Invents Act of 2011**

On September 16, 2011, President Obama signed into law the Leahy-Smith America Invents Act (hereinafter, “AIA”). This Act represents a substantial shift in United States patent law. Moving the U.S. patent system to a first-to-file system, the Act also introduces post-grant review proceedings for challenging a patent, prior commercial user rights, and new definitions of prior art for novelty and nonobviousness purposes. There were two broad purposes for these revisions. The first is harmonization with the patent laws of other countries, which have always had first-to-file systems and procedures for opposing patents post-grant. The second is streamlining the process of patent prosecution to ensure that applications are reviewed more efficiently and thoroughly in order to improve patent quality. This second purpose is met through post-grant opposition proceedings and a broader definition of prior art.

Specific provisions of the AIA are discussed in the appropriate sections of this volume. This section provides a general overview of the new provisions, organized around their effective dates. There are three effective dates that apply to different provisions. Some provisions apply immediately, meaning as of September 16, 2011, the date the act was enacted into law. Other provisions are effective one year after the signing, or September 16, 2012. Finally, some provisions are effective eighteen months after signing, or March 16, 2013. The provisions of the act are described briefly according to their effective date

Provisions effective September 16, 2011:

- **Inter Partes Reexamination:** The AIA imposes a higher standard for bringing a reexamination, effective immediately. Under the new standard, the petitioner has to show “a reasonable likelihood that the petitioner would prevail with respect to at least one of the claims challenged.” Inter partes reexamination will be replaced by inter partes review, described below.
- **Tax Strategies:** “Any strategy for reducing, avoiding, or deferring tax liability, whether known or unknown” at the time of invention or application is deemed to be part of the prior art. This provision does not apply to tax preparation or financial management methods.
- **Best Mode:** Failure to comply with the best mode requirement of Section 112 cannot be a basis for invalidating a patent or any claim in suit. The best mode requirement of Section 112 remains unchanged.
- **Subject Matter Limitation:** “no patent may issue on a claim directed to or encompassing a human organism.”
- **Virtual and False Marking:** The AIA allows a patent owner to meet the marking requirements with virtual marking and limits actions for false marking to actions brought by the U.S. government and for competitive injury suffered by a private party. This provision applies to pending and future litigation.

- Venue and Jurisdiction provisions: Actions against the USPTO are to be filed in the Eastern District of Virginia, rather than the District Court for the District of Columbia. Exclusive federal jurisdiction is expanded to include any claim for relief arising under the patent statute even if the original cause of action does not arise under the patent statute.
- Joinder: A district court can join defendants or consolidate cases for trial only if there are common issues of fact and the cases arise out of the same transaction or occurrence which must relate to infringement of the same accused product or process. Infringement of the same patent is not sufficient for joinder or consolidation.

Provisions effective September 16, 2012:

- Inventor's Oath or Declaration: An applicant can file without obtaining the oath from the inventors under some circumstances.
- Third Party Submission of Prior Art: Allows submission by a third party of a patent, a published patent application, or a printed publication that is relevant to the examination before the earlier of the date of the notice of allowance or the later of six months after the application is published or the date of the first rejection.
- Supplemental Examination: Allows a patent owner to request the USPTO to consider, reconsider, or correct information believed to be relevant to the patent. The effect of such correction or consideration is to prevent a patent from being held unenforceable on the basis of the incorrect information. This procedure limits the inequitable conduct defense.
- Inter Partes Review: Replaces inter partes reexamination. The review is available after the nine-month window for post-grant review (see below) and allows a petitioner to introduce prior art in the form of a patent or printed publication.
- Post-Grant Review: Allows a petitioner to raise any grounds for invalidity within nine months of the grant of a patent. The standard for instituting the review is "more likely than not that at least one of the claims is unpatentable."

Provisions effective March 16, 2013:

- First-Inventor to File: This is a change from the current first-inventor system for awarding patents. The change implements two critical dates, the date of the application and one year before the date of the application, for novelty and nonobviousness purposes. The date of invention will be irrelevant. The AIA also expands what constitutes prior art for the purposes of both novelty and nonobviousness purposes.
- Derivation Proceedings: Replaces interference proceedings. A derivation proceeding determines whether a first filer of an application derived the claimed invention from a second filer. The proceeding is relevant in determining whether certain pieces of prior art fall into the one-year safe harbor under the new version of Section 102(b).
- Statutory Invention Registration: is repealed consistent with the AIA's emphasis on first inventor to file rather than first to invent as a basis for determining patentability.

Add the following paragraphs to the end of § 2C[1][b]:

The AIA introduces an express statutory exemption for patentable subject matter under Section 33, which excludes from patentability “a claim directed to or encompassing a human organism.” On its face, the exemption precludes a claim on a human organism itself. But it is not clear what “directed to or encompassing a human organism” means. Arguably, it could include diagnostic techniques, human stem cells, human clones and cloning techniques, and other inventions in the biomedical and biotechnology fields.

The AIA implicitly removes tax strategies for reducing, avoiding, or deferring tax liability from patentable subject matter. Section 14 states that any such strategy, whether known or unknown at the time of invention or application, “shall be deemed insufficient to differentiate a claimed invention from the prior art.” The section expressly does not apply to inventions relating to tax preparation or financial management. The intent is to make it impossible to patent inventions related to tax strategies. Instead of expressly excluding such inventions from patentable subject matter, Congress defined the prior art in such a way to block grants of such patents. This approach indicates the general disagreement of whether questionable patents should be handled under the patentable subject matter requirement or the novelty and nonobviousness requirements. Congress’ choice represents a compromise between these two contrasting views.

Add the following sentence to the end of § 2C[1][e]:

In 2011, the United States Supreme Court granted a certiorari petition in *Prometheus Labs v. Mayo Collaborative Services*.^{119A} Applying *Bilski*, the Federal Circuit upheld the patentability of process claims for correlating metabolite levels with efficacy of a drug and calibrating the proper dosage of a drug for treatment of auto-immune diseases. The Supreme Court’s decision may clarify the application of *Bilski* outside the context of business methods.

Replace the heading “§ 2C[5] Prior Art” with “§ 2C[5] Prior Art Before the AIA” and add the following paragraph to the beginning of § 2C[5]:

This discussion of existing law applies (and will continue to apply) to any patents granted on applications filed before March 16, 2013. In addition, the AIA retains many of the terms and phrases used in existing law, so cases construing those terms and phrases will continue to be relevant for patents issued on applications filed on or after March 16, 2013. Prior art under the AIA is discussed in § 2[C][6].

^{119A} 628 F.3d 1347 (Fed. Cir. 2010).

Add new § 2C[6] :**§ 2C[6] Prior Art Under the AIA**

The AIA expands the definition of prior art and the relevant critical dates for novelty and nonobviousness purposes. For applications filed on or after March 16, 2013, there will now be only two relevant critical dates, the date of the application and one year before the date of the application.

Under the new version of Section 102(a), the following constitute prior art if they occur before the date of the application:

1. A patent or printed publication by anyone anywhere in the world.
2. Anything in public use or on sale, or otherwise available to the public, by anyone anywhere in the world.
3. Anything described in a patent issued or in a patent application published anywhere and naming another inventor.

The first two categories of prior art track the law under the 1952 Patent Act, but they expand the existing definition of prior art geographically and to include anticipations both by the applicant and by others. The phrase “otherwise available to the public” substitutes for “known or used,” and the current law is presumably applicable to the new provision. The last of these six, described in the new section 102(a)(2), is what embodies the new first inventor to file system.

The AIA also substitutes a safe harbor for the existing statutory bars. While the current section 102(b) considers only prior art if dated “more than one year prior to the date of the application,” the new version of section 102(b) states that certain disclosures are not prior art if made one year or less before the date of the application. These disclosures include:

1. Disclosures made by the inventor or someone who obtained the subject matter from the inventor.
2. Subject matter publicly disclosed by the inventor or someone who obtained the subject matter from the inventor.

Although there is some disagreement about what Congress meant by “disclosures” under section 102(b), the general view is that “disclosures” includes the items of prior art under section 102(a) listed above.

The AIA also excludes disclosures made in a patent or a patent application under section 102(a)(2) from the prior art if (A) the subject matter was obtained directly or indirectly from the

inventor; (B) the subject matter had previously been publicly disclosed by the inventor or someone who had obtained the subject matter from the inventor; or (C) 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 application. For the purposes of determining joint ownership under the third exception, a joint research agreement is relevant to determining the scope of an invention and the identities of the applicants.

A simple example will illustrate how the new rules implement a first-inventor-to-file system. Suppose Alex files a patent application on January 1, 2015. What prior art would allow rejection of the application for lack of novelty? Let us first consider what prior art would be excluded. If Alex discloses the invention in a patent or printed publication or through a public use or a sale on or after January 1, 2014, then such disclosures will not constitute prior art in the United States. Furthermore, if a third party discloses the invention on or after January 1, 2014, then this disclosure will not be prior art if the third party obtained the subject matter from Alex. If the third party did not obtain the invention from Alex, then the third party's disclosure is not prior art if made after Alex's disclosure. The grace period under new section 102(b) gives the inventor latitude in exploiting the invention for one year before filing the application and also narrows the scope of third party disclosures that become invalidating prior art.

Outside of the one year period, prior art includes the traditional categories of prior art under the old section 102(a), but the AIA expands all of them to include prior art within and outside the United States and created by the inventor and third parties. Thus, under new section 102(a)(2), if Alex files a patent application on January 1, 2015, but the patent examiner discovers a previously-filed patent or patent application that anticipates the invention and that names another inventor, this patent or application will defeat the novelty of Alex's invention. But Alex can defeat this prior art under new section 102(b)(2) by showing either that the prior art patent or application was obtained from Alex's work or that Alex or a third party who had obtained the invention from Alex had made a public disclosure before the date of patent or the application. Again, how all this works out in actual practice will not be known until after March 16, 2013, the effective date of these provisions.

Finally, the prior art described here all applies to the nonobviousness analysis. The main difference is that nonobviousness is determined as of the date of filing of the application rather than as of the date of invention under old section 103.

Add the following sentence to the beginning of § 2C[5][b][vi]:

Consistent with the first-inventor-to-file system, the AIA does not retain abandonment of an invention before filing an application as a basis for invalidating a patent. However, old section 102(c) is presented here because it is relevant for patents that issue on applications filed before March 16, 2012. There also may be some relevance to the new prior commercial use

defense, discussed in section 2G[7] below. This defense does not permit commercial uses by the defendant before abandonment of the use as a basis for the defense. The case law on what constitutes an abandonment may be relevant in this new context.

Add the following sentence to the beginning of § 2C[5][c][ii]:

The *Hilmer* doctrine described below will no longer be relevant to patents issued under the AIA, because the foreign filing date is the effective filing date for all patents or patent applications under the new section 102(a)(2).

Add the following sentences to the beginning of § 2C[5][d][i]:

Note that the AIA replaces interferences with the new derivation proceedings. Therefore, section 102(g) will be irrelevant once the full provisions of the AIA are in effect. However, since the first-inventor-to-file rules are not retroactive, the material below will still be relevant for applications filed before March, 16, 2013.

Add the following paragraph to the beginning of § 2C[5][d][ii]:

Note that under the AIA, derivation is important in determining when third-party prior art may serve to defeat novelty. The AIA creates a derivation proceeding to replace interference proceedings. As with section 102(g) materials, the material below will still be relevant for applications filed before March 16, 2013.

Add the following paragraph to the end of § 2D[1][a]:

The AIA replaces the Board of Patent Appeals and Interferences (BPAI) with the Patent Trial and Appeals Board (PTAB). The PTAB consists of the Director and Deputy Director of the USPTO, the Commissioner for Patents, the Commissioner for Trademarks, and administrative patent judges. Through three-judge panels, the PTAB is responsible for (i) reviewing appeals of adverse rulings of patent examiners, (ii) reviewing appeals of reexaminations, and (iii) conducting derivation proceedings, inter partes reviews, and post-grant reviews. Decisions of the PTAB may be appealed directly to the United States Court of Appeals for the Federal Circuit. The provisions creating the PTAB are effective September 16, 2012, and its duties will arise as the relevant provisions creating the new derivation proceedings, inter partes reviews, and post-grant reviews become effective.

Add the following paragraph to the beginning of § 2D[2][c][i]:

Effective September 16, 2011, failure to comply with the best mode requirement cannot be a basis for invalidating a patent or any claim under the AIA. However, the AIA does retain the requirement of disclosing the best mode under section 112. The purpose for removing best mode as a basis for invalidation was to harmonize US patent law with that of the other countries, which do not have a best mode requirement. The practical implications of retaining the best mode requirement while not including any means of policing the requirement are yet to be worked out. We retain much of the material on best mode because it may still be relevant under section 112.

Remove § 2D[2][c][v]; the discussion of cure is irrelevant now that failure to comply with best mode is not a basis for invalidity.

Add the following paragraph after the first full paragraph in § 2D[2][d]:

The AIA permits the applicant to submit a substitute statement if (i) the individual inventor is deceased, under legal incapacity, or cannot be reached or found after diligent effort; or (ii) the individual inventor is under an obligation to assign the invention but has refused to make the oath or declaration. Because the failure to include the inventor's oath or declaration may be cured under the AIA, incorrectly identifying the inventors will no longer be a basis for invalidating a patent.

Replace the heading “§ 2D[5] Interferences” with “§2D[5] Interferences and Derivation Proceedings”.

Add the new following new section as § 2D[5][g]:

§ 2D[5][g] Derivation Proceedings

The AIA replaces interferences, designed to determine the first inventor, with derivation proceedings, which allow a second filer to show that the first filer of an application derived the invention from the second filer. A derivation proceeding can be instituted within a one-year period beginning with the first publication of the second filer's claim that is the same or substantially similar to the earlier applicant's claim. The petitioner's claim of derivation must be

stated with specificity, must be made under oath, and must be supported by substantial evidence. The Director determines whether to institute a derivation proceeding based on the petition. The Director's decision to institute a derivation proceeding is final and nonappealable.

The Patent Trial and Appeal Board (PTAB) determines whether the first applicant derived the invention from the second. The AIA requires the Director to prescribe regulations setting forth standards for the conduct of derivation proceedings. The PTAB has the authority to defer the proceedings until the expiration of a three-month period after the issuance of a patent that contains the contested claim. The PTAB can also defer or stay the proceeding in there is an ongoing infringement action involving the patent of the first applicant.

The finding of the PTAB adverse to an applicant constitutes a final rejection of the claim at issue. A finding adverse to an applicant will also constitute a cancellation of the claim at issue. The decision of the PTAB is appealable to the Federal Circuit.

Replace the first paragraph of § 2D[6][a] with the following:

The AIA replaces the inter partes reexamination described in this section with the inter partes review, described in detail below. Various provisions relating to the inter partes review have different effective dates. Effective September 16, 2011, a higher standard is required to initiate an inter partes review. This higher standard applies to inter partes reexaminations initiated after September 16, 2011. Under this higher standard, the petitioner has to show “that there is reasonable likelihood that the petitioner would prevail with respect to one of the claims challenged.”

Add new § 2D[6][c] as follows:

§ 2D[6][c] Post-Grant Review

The AIA creates a new post-grant review proceeding which allows a person other than the owner of the patent to institute a review of the patent within nine months of the grant of the patent or of the issuance of a reissue patent. A petitioner can seek post-grant review on any grounds for invalidating a patent. The Director may decline to institute the review, based on the petition and a response from the patent owner, if the petitioner has not demonstrated that “it is more likely than not that 1 of the claims challenged is the petition is unpatentable.” The PTAB will conduct the review as an inter partes proceeding, subject to regulations created by the Director.

A petitioner cannot request a post-grant review if he has filed a declaratory judgment action challenging the validity of a claim of the patent before filing the post-grant review

petition. If the petitioner or another party files a declaratory judgment after the filing of the post-grant review petition, the civil action must be automatically stayed until (i) the patent owner moves the court to lift the stay; (ii) the patent owner files a civil action or counterclaim for patent infringement; or (iii) petitioner or other party moves to dismiss the civil action. The stay provisions do not apply to counterclaims challenging the validity of a claim. In an infringement action brought within 3 months of the grant of patent, the court cannot stay its consideration of a motion for preliminary injunction because of the filing of a post-grant review petition.

The party bringing a post-grant review is estopped from claiming invalidity in any other administrative proceeding on grounds that could have been raised in the post-grant review petition. A final written decision of the PTAB estops the petitioner from raising invalidity defenses in an infringement action on any grounds that could have raised in the petition. Estoppel does not apply if there is a settlement of the post-grant review proceeding.

The post-grant review provisions are effective September 16, 2012.

Add new § 2D[6][d] as follows:

§ 2D[6][d] Inter partes review

The AIA allows a person other than the owner of the patent to bring an inter partes review the later of either nine months after the grant of a patent or an issuance of a reissue or after the termination of an instituted post-grant review. Challenges in an inter partes review can be based only on grounds of novelty or nonobviousness and only on the basis of prior art consisting of patents or printed publications. The Director can decline to institute an inter partes review if the petition and responses from the patent owner do not show a reasonable likelihood that the petitioner would prevail with respect to at least one of the claims challenged in the petition.

The rules pertaining to declaratory judgment actions, stays, and estoppel that apply to post-grant reviews (discussed in the previous section) apply to inter partes review. The standard for bringing an inter partes review applies to inter partes reexamination actions brought on or after September 16, 2011. The remaining provisions are effective as of September 16, 2012.

Add the following paragraph to the end of § 2E[3]:

As part of the new defense of prior commercial use under the AIA, the sale or “other disposition of a useful end result” by a person entitled to raise the prior commercial user defense exhausts the rights of the patent owner to the extent that such sale or disposition would exhaust rights if done by the patent owner.

Add new § 2F[4] as follows:

§ 2F[4] Jurisdiction and Joinder Provisions

Title 28 of the U.S. Code specifies that federal subject-matter jurisdiction over all patent and copyright claims is exclusive, and that appellate jurisdiction over all patent claims is exclusive in the Federal Circuit.^{961A} While the appellate jurisdiction of the Federal Circuit was previously limited to claims “arising under” the patent laws, and therefore did not include actions in which the patent claim only arose as a counterclaim,^{961B} the AIA expands the exclusive federal jurisdiction of the Federal Circuit to include compulsory counterclaims alleging patent infringement.

New section 299 of the Patent Act makes it more difficult to join defendants. Under this new provision, multiple defendants can be joined in one action only if the claim involves the same transaction or occurrence and there are common questions of fact to all defendants or counterclaim defendants. The same transaction or occurrence must relate to infringement of the same accused product or process. An allegation that each defendant has infringed the same patent or patents cannot be the sole basis for joining defendants. The provision allows an accused infringer to waive these limitations.

Add the following paragraph to the end of § 2G[2]:

Changes under the AIA potentially diminish the impact of inequitable conduct. Effective September 11, 2012, the AIA introduces a supplemental examination proceeding under a new section 257. The patent owner can initiate this proceeding in order to have the USPTO consider, reconsider, or correct information pertaining to patentability of a granted patent. The Director, pursuant to its regulations, reviews the patent owner’s petition to see if it raises a substantial new question of patentability. If the petition meets this standard, the Director orders a reexamination. The effect of the supplemental examination proceeding is to preclude holding a patent unenforceable on the basis of the information that had not been considered or had been inadequately considered by the PTO.

Add the following paragraph to the end of § 2G[6]:

^{961A} [28 U.S.C. § 1338](#) (a); [28 U.S.C. § 1295](#) (a)(1).

^{961B} *Holmes Group, Inc. v. Vornado Air Circulation Sys.*, 535 U.S. 826 (2002).

As part of the new defense of prior commercial use under the AIA, the sale or “other disposition of a useful end result” by a person entitled to raise the prior commercial user defense exhausts the rights of the patent owner to the extent that such sale or disposition would exhaust rights if done by the patent owner.

Add new § 2G[7] as follows:

§ 2G[7] Prior Commercial Use

In new section 273, the AIA introduces the defense of prior commercial use, expanding the current defense of prior user rights available only for business method patents. This expanded defense applies to all patents issued on or after September 16, 2011.

This defense applies to subject matter consisting of any process or a machine, manufacture, or composition of matter used in a manufacturing or other commercial process. The defense can be raised if the alleged infringer used the subject matter in good faith within the United States either in connection with an internal commercial use or an arm’s length sale or transfer of a useful end result of the process. The prior commercial use must occur at least one year before the earlier or the effective filing date of the claimed invention or the date on which claimed invention was disclosed to the public in a way that qualifies as an exception from prior art under the new section 102(b). The statute states that (i) a premarketing regulatory review for safety and efficacy and (ii) nonprofit laboratory use are commercial uses for the purposes of this defense.

The defense cannot be raised if the patent owner is an institution of higher education or a technology transfer office unless the invention was not made with federal funds. The defense can be used only by a party that actually made the commercial use. If the use has been abandoned for some time but subsequently restarted, uses before the time of abandonment cannot support the defense. Furthermore, if the defendant derived the subject matter from the patent owner or those in privity with the patent owner, then the subject matter cannot be a basis for a defense. The new provision states expressly that the defense is not a general license and cannot be used as a basis for invalidity on novelty or nonobviousness grounds. Finally, if the defense is not successful and there was no reasonable basis for raising the defense, the unreasonableness can be a basis for making the case an exceptional one for the award of attorney’s fees.

Add the following paragraph to the end of § 2H[2][b]:

The AIA adds section 298, entitled “Advice of Counsel.” This new provision states that failure of an infringer to obtain advice of counsel with respect to the allegedly infringed patent or the failure to present advice of counsel 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.” This provision is intended to end some of the confusion in the case law on willful infringement and inducement.

Add the following paragraph at the end of § 2H[2][c]:

The AIA responded to these developments in Federal Circuit jurisprudence on patent marking by statutorily changing the cause of action for false marking. Under the new provision, only the United States government can sue for the \$ 500 statutory penalty. A private action can be brought only to recover actual damages that arise from “competitive injury.” In addition, the AIA allows a patent owner to comply with the marking requirements through virtual marking, that is, by placing the information on a website to which someone can be directed through information on the product. In addition, marking a product with expired patents is no longer a violation of the marking requirements. These new provisions are effective as of September 16, 2011, and apply to pending cases.