

DEVELOPMENTS IN INTELLECTUAL PROPERTY LAW

CHRISTOPHER A. BROWN*

INTRODUCTION

Over the survey period, Congress enacted and President Obama signed into law significant changes in the Patent Act.¹ These changes, both substantive and procedural, usher in a new set of issues and considerations involved in obtaining and defending patent rights. While these statutory changes (and the regulatory changes to be expected from the United States Patent and Trademark Office (PTO)) constitute the most tangible example, several cases of practical value to Indiana legal practitioners and those concerned with technology development have also come down. The summary and analytical review provided in this Article will assist lawyers, inventors, technology managers and others concerned with protection of intellectual property.

I. THE AMERICA INVENTS ACT: NEW ISSUES IN PATENT PROTECTION

On September 16, 2011, President Obama signed into law the Leahy-Smith America Invents Act (AIA).² The AIA makes a number of substantive changes to the patent law. Of particular interest are the revisions regarding what information is to be considered during the examination of a patent application being of particular interest. New proceedings are created for contesting and reviewing applications and issued patents. Procedures within the PTO are also changed, as are a number of litigation-related practices.

Beyond the substance of these statutory changes, there is a range of effective dates that surround the provisions.³ The general effective date provided in the AIA is one year from the date of enactment, or September 16, 2012.⁴ However, a small number of provisions were made effective immediately on enactment,⁵ and perhaps the most important revisions—those involving the scope of prior art—are generally not effective until March 16, 2013.⁶ As this Article reviews particular aspects of the new law, effective dates and such known practicalities will be discussed in addition to substance.

* Partner, Woodard, Emhardt, Moriarty, McNett & Henry LLP, Indianapolis; Adjunct Professor, Indiana University Robert H. McKinney School of Law; J.D., *summa cum laude*, 1996, Indiana University Robert H. McKinney School of Law.

1. 35 U.S.C. §§ 1-376 (2006 & Supp. 2010).

2. Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (to be codified in scattered sections of 35 U.S.C.).

3. See generally *America Invents Act: Effective Dates*, U.S. PAT. & TRADEMARK OFF. (Oct. 5, 2011), http://www.uspto.gov/aia_implementation_aia-effective-dates.pdf [hereinafter *AIA Effective Dates*].

4. *Id.* at 1; see also America Invents Act § 35.

5. *AIA Effective Dates*, *supra* note 3, at 1-2.

6. *Id.* at 6.

II. INFORMATION TREATED AS PRIOR ART

Under existing law, the United States patent system is commonly called a “first-to-invent” system because an inventor’s right to a patent depends at least in part on the date the invention is conceived.⁷ For example, current law provides that an inventor cannot obtain a patent if his or her invention was known to others in this country before the date the inventor invented it.⁸ Section 3 of the AIA moves the law toward a system that relies principally on the date a patent application is filed in determining what information is considered against it in examination.⁹ While not a true “first-to-file” system, insofar as some references prior to a patent application’s actual filing date are excepted from use in examining the application, the new system places a premium on early filing and early publication.

A. *Effective Date*

The changes are not effective until March 16, 2013, and will thereafter be applicable only to patents or applications having a claim with an effective filing date on or after March 16, 2013.¹⁰ Accordingly, patents or applications with a filing date before March 16, 2013, and patents or applications in which all of the claims are entitled to a filing date prior to March 16, 2013,¹¹ will be considered under the statutes in effect prior to the AIA’s enactment.¹² As an example, suppose Application A is filed on January 1, 2012, and Application B is a continuation of Application A filed on July 1, 2013; both applications will be treated under the current statute, *without* applying the changes enacted in the AIA.

On the other hand, patents or applications filed on or after March 16, 2013, which do not or cannot claim priority to an application filed before March 16, 2013, and patents and applications having at least one claim not entitled to a filing date prior to March 16, 2013, will be treated under the AIA’s prior art provisions.¹³ Thus, assume Application C is filed on January 1, 2012, and Application D is a continuation-in-part of C filed on July 1, 2013. Application D will be treated under the AIA’s prior art provisions if any claim in it includes subject matter added in Application D. If all claims of Application D include only subject matter supported by Application C, *and are never amended to include matter added in Application D*, then Application D will be treated under the law prior to the AIA.

7. See 35 U.S.C. §§ 102(a), (g)(1) (2006).

8. *Id.* § 102(a).

9. America Invents Act § 3.

10. *AIA Effective Dates*, *supra* note 3, at 6.

11. See, e.g., 35 U.S.C. §§ 119(a)-(d) (benefit of prior foreign application), 119(e) (benefit of prior domestic provisional application), 120 (benefit of prior domestic non-provisional application), 365 (benefit of international application) (2006).

12. See America Invents Act § 3.

13. See *id.*

B. Substance of the “First-to-File” Prior Art Provisions

The AIA replaces the seven subsections in current Section 102,¹⁴ which define novelty and address “prior art,” with a single subsection divided into two paragraphs.¹⁵ The revisions under the AIA maintain that one is entitled to a patent unless the claimed subject matter is “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;”¹⁶ or, if the claimed subject matter “was described in a patent issued under [S]ection 151,” or a patent application “published or deemed published under [S]ection 122(b) . . . [that] names another inventor and was effectively filed before the effective filing date of the claimed invention.”¹⁷ Presumably, following existing common law, the “claimed invention” is whatever the subject matter is that is being claimed at the time of the analysis.¹⁸ Accordingly, prior art usable to disprove novelty of an invention consists of patents, publications, public uses, on-sale matter, and information “otherwise available to the public” that is earlier than the earliest filing date to which a claim is entitled. The second portion of the new Section 102(a) is comparable to the old Section 102(e), providing that published applications and patents are effective as prior art on their effective filing dates, not on their publication date.¹⁹

Having broadened the category of prior art to include public information prior to an application’s effective filing date, the AIA then provides exceptions. The new Section 102(b) defines those exceptions in terms of “disclosures”—specifically, the timing and maker(s) of such disclosures.²⁰ A disclosure that otherwise qualifies under Section 102(a)(1)—patents, publications, on-sale, public use, and otherwise-known art—will *not* be considered prior art if it meets a timing condition and a source condition.²¹ The timing condition requires the disclosure be made less than one year prior to the effective filing date.²² The source condition requires one of two options: (1) the disclosure was made by an inventor or by one who obtained the information from an inventor (directly or indirectly), or (2) the disclosure’s subject matter was previously publicly disclosed by an inventor or one who obtained it from an inventor.²³

14. 35 U.S.C. §§ 102 (a)-(g) (2006).

15. *See* America Invents Act § 3 (to be codified at 35 U.S.C. § 102).

16. *Id.* (to be codified at 35 U.S.C. § 102(a)(1)).

17. *Id.* (to be codified at 35 U.S.C. § 102(a)(2)).

18. *See, e.g.,* Ralston Purina Co. v. Far-Mar-Co, Inc., 772 F.2d 1570, 1575-77 (Fed. Cir. 1985).

19. *Compare* 35 U.S.C. § 102(e), *with* America Invents Act § 3 (to be codified at 35 U.S.C. § 102(a)(2)).

20. *See* America Invents Act § 3 (to be codified at 35 U.S.C. § 102(b)).

21. *Id.* (to be codified at 35 U.S.C. § 102(b)(1)).

22. *Id.* (to be codified at 35 U.S.C. § 102(b)(1)).

23. *Id.* (to be codified at 35 U.S.C. § 102(b)(1)).

These exceptions appear to be aimed at preserving something of the one-year grace period provided in the old Section 102(b).²⁴ That is, an inventor's public disclosure does not operate as prior art to his own application if the application is filed within one year of the disclosure.²⁵ Considered another way, the inventor has one year from that public disclosure to file a patent application. Further, an inventor's own disclosure operates to bar use of other later disclosures of that same subject matter as prior art.²⁶ This last provision raises significant questions of scope: For example, if an inventor discloses a species, and someone else discloses a genus (after the inventor's disclosure but before his application), it is not clear from the statutory language whether the genus is eliminated as prior art to the inventor's application. Guidance from the PTO in the form of rulemaking or policy concerning these provisions has not yet been offered.

Exceptions are also provided relating specifically to art that otherwise qualifies under the new Section 102(a)(2)—U.S. patents and published applications with an earlier effective filing date. Such information will *not* be treated as prior art if it meets one of three source conditions similar to those noted above.²⁷ That is, a U.S. patent or published application is not prior art if its subject matter (1) was obtained from an inventor, (2) was disclosed by one who obtained it from the inventor before the reference's effective filing date, or (3) was owned by (or subject to obligation to assign to) the same person as the application.²⁸ These exceptions prevent information in a patent or application that was obtained from the inventor (legitimately or not) from being used as prior art. Further, the principle from existing law that commonly-owned subject matter should not be applicable against each other is also preserved.²⁹

Note that the term "disclosure" is not defined in the new Section 102(b). That is, while the statute defines exceptions to prior art in terms of disclosures by or through an inventor, it does not specify what conditions have to be met in order for information in question to be a "disclosure." The term could be interpreted as merely a shorthand way to refer to the entire list of references delineated in Section 102(a). In that sense, a "disclosure" as used in the new Section 102(b) is patents, printed publications, public uses or sales, or something "otherwise available to the public."³⁰ However, an alternative meaning for "disclosure" could be created by a court. While debate may continue as to what the scope of such a disclosure exception might be (e.g., what effect might the disclosure of a genus that fits the exception have on species), the language of the

24. See 35 U.S.C. § 102(b) (stating that an inventor is entitled to a patent unless "the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States").

25. America Invents Act §3 (to be codified at 35 U.S.C. § 102(b)(1)).

26. See *id.*

27. See *id.* (to be codified at 35 U.S.C. § 102(b)(2)).

28. *Id.* (to be codified at 35 U.S.C. §§ 102(b)(2)(A)-(C)).

29. See 35 U.S.C. § 103(c) (2006).

30. America Invents Act § 3 (to be codified at 35 U.S.C. § 102(a)(1)).

statute indicates that whatever the “disclosure” is, if it fits the timing and source requirements, it will not be considered prior art.

These exceptions present some potentially difficult questions for inventors, their companies, and patent practitioners. The rule of thumb in the past has been to be careful about publicly disclosing one’s inventions, as such disclosure starts a one-year period running within which a U.S. patent application must be filed,³¹ and it limits or eliminates the opportunity for patent protection in other countries. Those considerations remain under the AIA scheme. However, the AIA provides some potential benefits from public disclosure, namely the possibility of defeating the use of others’ information between the inventor’s disclosure and the inventor’s filing date.³²

The revised prior art section also includes subsections concerning joint research agreements and defining the effective filing date of an application.³³ New Section 102(c) provides that if subject matter was developed and a claimed invention was made by or on behalf of at least one party to a joint research agreement, within the scope of the agreement, and a patent application concerning the claimed invention discloses the names of the parties to the agreement, then the subject matter is deemed to fit within the common ownership exception of Section 102(b)(2)(C).³⁴ The agreement must be “in effect on or before the effective filing date” applicable to the claimed invention.³⁵ Accordingly, assume an agreement between Corporation A and Corporation B for research in Field F. An invention in F is made by A and claimed in a patent application that identifies A and B. That application will not be deemed prior art to an application for subject matter by B, under the exception for commonly-owned subject matter.

The explanation of the concept of “effective filing date” is given in the new Section 102(d). The effective filing date for U.S. patents and published applications (i.e., references under Section 102(a)(2)) is the filing date of the earliest priority application under Sections 119, 120, 121, or 365(a)-(c) to which the reference can claim benefit.³⁶ If there is no such earlier-benefit application, then the reference’s effective filing date is its actual filing date.³⁷ This represents a significant change in current law, as previously a U.S. patent or published application that claimed benefit back to a foreign application was treated as prior art to other applications as of its U.S. filing date.³⁸ Under the new law, such a U.S. patent or published application will be treated as having its foreign filing date when used as prior art against other applications.³⁹

Thus, for example, assume inventor C files a new patent application on July

31. See 35 U.S.C. § 102(b) (2006).

32. America Invents § 3 (to be codified at 35 U.S.C. § 102(b)(1)(B)).

33. See *id.* (to be codified at 35 U.S.C. §§ 102(c)-(d)).

34. *Id.* (to be codified at 35 U.S.C. §§ 102(c)(1)-(3)).

35. *Id.* (to be codified at 35 U.S.C. § 102(c)(1)).

36. *Id.* (to be codified at 35 U.S.C. § 102(d)(2)).

37. *Id.* (to be codified at 35 U.S.C. § 102(d)(1)).

38. See *In re Hilmer*, 359 F.2d 859, 878, 883 (C.C.P.A. 1966).

39. See America Invents Act § 3 (to be codified at 35 U.S.C. § 102(d)(2)).

1, 2013. Another inventor files a U.S. patent application R1 on August 15, 2013, claiming priority to a German application that was filed on June 1, 2013, and R1 is published by the PTO. The current law would ignore the German filing date, and R1 would *not* be prior to C's application. Under the AIA, however, R1 is effective as a reference as of the foreign filing date of June 1, 2013, and unless an exception from the new Section 102(b)(2) applies, is prior art to C's application. The example assumes that the prior foreign or other benefit application adequately discloses the subject matter relied on in the later patent or application. As before, where a provisional, parent or other benefit application does not disclose subject matter in a later application or patent, that later application or patent cannot use the benefit application's filing date as its reference date.⁴⁰

C. Changes to the Obviousness Provision

New Section 103 is essentially the same as old Section 103(a), with a change to refer to the effective filing date of the applicant's claimed invention, as opposed to "the time the invention was made," and other changes that are largely cosmetic.⁴¹ Existing Sections 103(b) and 103(c) are removed from the new Section 103.⁴² The new obviousness statute thus provides that a patent may not be granted if the differences between the claimed invention (the subject matter of the claim at issue) and prior art (the information identified in Section 102) are such that the claimed invention would have been obvious to one of ordinary skill in the art at a time before the effective filing date of the claimed invention.⁴³ The new obviousness analysis explicitly centers on the filing date for the claim, but otherwise appears no different from the existing analysis.

D. Uncodified AIA Section 14

This section does not amend or create a new section of Title 35. However, it affects what is and is not considered to be prior art in a narrow field. Specifically, "strateg[ies] for reducing, avoiding, or deferring tax liability . . . shall be deemed insufficient to differentiate a claimed invention from the prior art" in analyzing a claim under new Sections 102 and 103.⁴⁴ The term "tax liability" is defined to refer to such liabilities under federal, state, local or foreign jurisdictions.⁴⁵ In situations where such a strategy is the only difference between a claim and the prior art, the claim will be considered at least obvious, if not anticipated. Logically, if a claim recites such a strategy by itself, presumably that claim is also unpatentable as anticipated and/or obvious. Section 14 does not

40. See America Invents Act § 3 (to be codified at 35 U.S.C. § 102(b)(2)).

41. Compare 35 U.S.C. § 103(a) (2006), with America Invents Act § 3 (to be codified at 35 U.S.C. § 103).

42. See America Invents Act § 3 (to be codified at 35 U.S.C. § 103).

43. *Id.*

44. *Id.* § 14 (to be codified at 35 U.S.C. § 257).

45. *Id.* § 14(b).

apply to a “method, apparatus, technology, computer program product or system” used solely for preparing a tax return or other tax filing, including one that organizes or transfers data for such a filing.⁴⁶ The section also does not apply to the quoted items that are used solely for “financial management” to the extent it is severable from or does not limit use of any tax strategy.⁴⁷

Note that section 14 seems to imply that the strategies it names are in the prior art, at least insofar as they do not distinguish a claim from the prior art. Nevertheless, the section does not explicitly make them a part of Section 102 or otherwise call them prior art. It is an open question as to whether such strategies (general or specific) might be affirmatively used (along with inferences by the person of ordinary skill) to reject or invalidate claims, or whether this section can only be used negatively to say that a recitation of a strategy is not enough for patentability. It is also unclear exactly what the term “strategy” as used in section 14 contemplates.

E. Issues Going Forward

1. No New Types of Prior Art.—While the changes to Section 102 in the AIA alter the *dates* for determining what is prior art, they do not appear to create new *types* of prior art. As the table below indicates, the art categories under current law are similar or identical to art under the new law.

46. *Id.* § 14(c)(1).

47. *Id.* § 14(c)(2).

Current Law ⁴⁸	New Law ⁴⁹
102(a): Information publicly known or used by others in United States, in publications or patents anywhere, before invention date	102(a)(1): Information in patents, publications, otherwise available to public, before effective filing date 102(b)(1): But not if the disclosure is less than one year before effective filing date and either comes from inventor or is after public disclosure by or from inventor
102(b): Information in patents or publications anywhere, or in public use or on sale in United States, more than one year before filing date	102(a)(1): Information in public use, on sale, otherwise available to the public before effective filing date 102(b)(1): But not if the disclosure is less than one year before effective filing date and either comes from inventor or is after public disclosure by or from inventor
102(e): Information in another's patent or published application), filed before invention date	102(a)(2): Information in another's U.S. patent or U.S. application published (or deemed published), before effective filing date 102(b)(2): But not if disclosure comes from inventor, is after public disclosure by or from inventor, or is commonly owned
102(f): One cannot obtain a patent for subject matter he did not invent	No similar provision; derivation proceedings of new Section 135 and 291 may address this situation
102(g): One cannot obtain a patent if another invented the subject matter previously	No similar provision; others' inventions are prior art if publicly disclosed (new Section 102(a)(1)) or applied for (new Section 102(a)(2)) and not excepted (new Section 102(b))

Before March 16, 2013, patents, publications, sales and public knowledge were all deemed to be applicable to a patent application in determining whether its subject matter was new and unobvious, and the same types of information will be used after that date, with the caveat that the information will be applicable without regard to the inventor's date of invention.⁵⁰ Substantively at least, prior

48. 35 U.S.C. § 102 (2006).

49. America Invents Act § 3 (to be codified at 35 U.S.C. § 102).

50. *Id.*

art may remain very much the same as it ever was.

2. *Derivation Issues.*—Under existing Section 102(f), one could not obtain a patent for subject matter that he or she did not invent.⁵¹ Where a person obtains information about a device, process, or composition from someone else, and did not create new subject matter himself, that person cannot obtain a patent in his or her own name.⁵² While the AIA purports to maintain that principle, there appear to be holes in the statutory language that could result in a deriver obtaining a defensible patent. Ideally, the exceptions to prior art in the new Section 102 keep someone else's disclosure or patent application that was derived from an inventor from being used as a reference against the inventor.⁵³ That is, if someone obtains information from the inventor, whether directly (e.g., the inventor tells him) or indirectly (e.g. he takes information—legitimately or not—from the inventor), that person's disclosure is not prior art to the inventor as long as any timing condition is met.⁵⁴

As a practical matter, however, it is unclear how an inventor would establish before the PTO examiner that a reference in someone else's name was obtained from the inventor. The examiner has no way of knowing whether an article, patent application, or other reference has information obtained from the inventor, and so he or she naturally will cite the reference against the inventor's application in rejecting it. The inventor should have the opportunity to establish that the reference information was obtained from the inventor to remove that reference from consideration. In order to do that, the inventor would need provable evidence of derivation. Further, it is not clear whether a declaration-type presentation (akin to a Rule 131⁵⁵ declaration under current law) would be sufficient to allow the examiner to withdraw the reference, or whether a derivation proceeding as provided in the new statute⁵⁶ would be required to resolve the issue.

Similar issues naturally exist under the current law, but an avenue to defeat a deriver's patent or application exist (in old Sections 102(f) and (g),⁵⁷ and in interference practice). The new law seems to present the possibility that a deriver who files before a legitimate inventor could obtain a patent *and be able to defend it against the legitimate inventor*. Assume, for example, that a deriver D files a new application on July 1, 2013, and the inventor A files his application on August 1, 2013, having not previously publicly disclosed the claimed subject matter. A's application is not prior art to D's application, because it does not have an earlier effective filing date, and because evidence of prior invention is not relevant under the new Section 102. A may be able to remove D's application as prior art if he can establish that it fits an exception to prior art under new Section

51. 35 U.S.C. § 102(f) (2006).

52. *Id.*

53. America Invents Act § 3 (to be codified at 35 U.S.C. § 102(b)).

54. *Id.* § 3 (to be codified at 35 U.S.C. § 102(b)(1)).

55. Affidavit or Declaration of Prior Invention, 37 C.F.R. § 1.131 (2011).

56. America Invents Act § 3 (to be codified at 35 U.S.C. §§ 115(h)-(I)).

57. 35 U.S.C. §§ 102(f)-(g) (2006).

102(b). A may also be able to use the derivation proceedings contemplated by the new law to prove his entitlement to a patent. However, if A cannot provide evidence of the derivation, the first-filing deriver D will end up with the patent.

Accordingly, very careful control of an inventor's information, along with records of who does or may have access to it, should be maintained against the possibility of having to prove that someone else published or filed it with the PTO.

3. *Disclose ASAP, or File ASAP?*—One of the largest questions to consider, particularly with smaller or medium-size clients, is whether to disclose the invention as early as possible, or to wait on disclosure until an application is on file. Early disclosure, as it does under current law, starts the one-year clock running by which an application must be filed in order to keep that disclosure from becoming prior art.⁵⁸ It also presents the risk of derivation and/or earlier filing by another, and eliminates the possibility of protection in most foreign countries. Advantages of early disclosure under the new law are that it can remove prior art arising between the disclosure and the filing date, and that it may create prior art to a competitor's invention that has not been disclosed or filed upon.⁵⁹ In this sense, an early disclosure may be thought of as a “provisional-provisional” application, as it may defeat later-filed art and may trigger art effect against other applications.

Naturally, if foreign protection is desired, then a disclosure prior to filing an application should not be made, in light of most foreign jurisdictions' requirement of absolute novelty. The risk, of course, is that some sale, article, application or other reference may be created between the date of invention and the date of filing.

4. *File Now or Later?*—Generally speaking, where a choice exists it seems better to file before the March 16, 2013 effective date because treatment under the old law permits using one's invention date to “swear behind” and remove references in appropriate situations that might not be removable under the new law.⁶⁰ Applications in which all claims will have an effective filing date prior to March 16, 2013 (continuations, divisionals, CIPs claiming only parent-disclosed matter, applications claiming foreign or PCT benefit) can be filed either before or after that date and use the existing law. Several other considerations will go into the question of whether to file an application before or after March 16, 2013. These factors include:

1. Whether all claims in an application can and should claim the benefit of an “old-law” application (e.g., a consideration *not* to claim benefit to obtain more term);
2. Whether the state of development of an invention warrants filing before the effective date;
3. How long the time period is between a putative conception or actual reduction to practice and a filing;

58. See America Invents Act § 3 (to be codified at 35 U.S.C. § 102(b)).

59. See *id.* (to be codified at 35 U.S.C. § 102(a)).

60. *AIA Effective Dates*, *supra* note 3, at 6.

4. Known or suspected activities and disclosures of competitors;
 5. Whether an early disclosure (to raise the exceptions to prior art in Section 102(b) and/or to create prior art for others) is a better business or strategic path over a filing before the effective date; and
 6. Whether existing interference procedures might be desirable.
- Of course, facts and issues particular to the client or to the situation may answer some of these questions or raise others.

III. INVENTOR DECLARATIONS/STATEMENTS AND FEES

A. Declarations or Statements by Inventors

The AIA revises Sections 115 and 118⁶¹ and their provisions concerning the execution of a patent application by an inventor. The revisions do not change the basic requirement of identifying the inventors of claimed subject matter, nor that of having the inventor make a statement under oath or acknowledging penalties that he or she believes himself or herself to be an original inventor and that he or she authorized the application. However, under the new law, which is effective as of September 16, 2012, these requirements may be met not only by a declaration paper signed by the inventor, as is the current practice, but also in an executed assignment.⁶² In appropriate cases, the new provisions will permit the assignee (if any) of an invention or application to make the application to the PTO, and to have the patent issued in its name as well.⁶³

Current Section 115 is now one paragraph, specifying the oath that the applicant/inventor must make with his or her patent application.⁶⁴ New Section 115 is expanded to nine separate subparagraphs.⁶⁵ The first includes the requirements to name the inventor for any invention claimed in the application, and to have each inventor execute an oath or declaration except as otherwise provided.⁶⁶ The second and third subsections specify the statements required in an oath or declaration (see above) and that the PTO may require additional information.⁶⁷ The fourth subsection follows current practice to permit a “substitute statement” in lieu of a declaration where an inventor is dead, incapacitated, cannot be found or reached after diligent effort, or refuses to make a declaration while obliged to assign the invention.⁶⁸

The new Section 115(e) includes the notable change of permitting the required inventor statements to be included in an assignment, where an inventor

61. 35 U.S.C. §§ 115, 118 (2006).

62. America Invents Act § 4 (to be codified at 35 U.S.C. § 118).

63. *Id.*

64. 35 U.S.C. § 115 (2006).

65. *See* America Invents Act § 4 (to be codified at 35 U.S.C. § 115).

66. *Id.* (to be codified at 35 U.S.C. § 115(a)).

67. *Id.* (to be codified at 35 U.S.C. §§ 115(b)-(c)).

68. *Id.* (to be codified at 35 U.S.C. § 115(d)).

is obliged to assign the invention.⁶⁹ Thus, for an inventor A who has an obligation to assign inventions to corporation C, the statute permits the assignment document from A to C to include the statements that the application was authorized to be made by A and that A believes himself to be the original inventor of a claimed invention in the application. However, the statute does not say how such an assignment is to be filed.⁷⁰ Proposed rules have been published by the PTO to open the way for including the declaration statements in assignments.⁷¹ In particular, the PTO proposed to require a “conspicuous indication, such as by use of a check-box on the assignment cover sheet,” that would tell the PTO that an assignment is provided both as an assignment and as fulfillment of the inventor’s required statements.⁷² With the PTO’s current electronic processes, an assignment that has both such purposes will have to be separately recorded with the Assignment Recordation Branch.⁷³ The statute indicates that including the statements in an assignment obviates the need to file a separate declaration.⁷⁴

An oath, declaration, substitute statement or assignment as above is not needed for applications claiming benefit of an earlier-filed application, so long as that earlier-filed application had the necessary oath, declaration, substitute statement or assignment.⁷⁵ The PTO may require a copy of the document(s) in the earlier application to be included in the later application.⁷⁶ Naturally, it will be necessary to file a new document for a continuation-in-part application where new material is claimed. New section 115(h) also provides for supplementation or correction of the statements in an oath, declaration, substitute statement or assignment.⁷⁷ In particular, one making such a statement may at any time withdraw, replace or correct it.⁷⁸ Conversely, once an individual has made an oath, declaration or assignment as provided, the PTO may not require that individual to make any additional oath, declaration or other statement equivalent to those required by the statute.⁷⁹ This subsection further notes that a patent is not invalid or unenforceable for a failure under Section 115 if that failure is corrected.⁸⁰

The final subparagraph of revised Section 115 gives the language concerning acknowledgment of penalties that must be included in a declaration or

69. *Id.* (to be codified at 35 U.S.C. § 115(e)).

70. *See id.*

71. *See* 77 Fed. Reg. 982,991 (Jan. 6, 2012) (proposing amendments to 37 C.F.R. §§ 1.63(c)(1)(i)-(ii)).

72. *Id.*

73. *Id.*

74. *Id.*

75. America Invents Act § 4 (to be codified at 35 U.S.C. § 115(g)(1)).

76. *Id.* (to be codified at 35 U.S.C. § 115(g)(2)).

77. *Id.* (to be codified at 35 U.S.C. § 115(h)).

78. *Id.* (to be codified at 35 U.S.C. § 115(h)(1)).

79. *Id.* (to be codified at 35 U.S.C. § 115(h)(2)).

80. *Id.* (to be codified at 35 U.S.C. § 115(h)(3)).

statement.⁸¹ Thus, if the inventor's statements are to be included in an assignment, the assignment document should include that acknowledgment language.

B. Filing by Someone Other than the Inventor

The language of the old Section 118 is incorporated into the revisions to Section 115, noted above. The new Section 118 permits an assignee (or one holding an obligation from an inventor to assign) to "make an application for patent."⁸² Further, a person can make an application on behalf of and as agent for the inventor if the person shows a "sufficient proprietary interest" and that the filing "preserves rights of the parties."⁸³ Under this language, if inventor A is obliged to assign to corporation C, C can "make" the patent application, presumably in its own name. Likewise, person B can apparently apply on behalf of A to protect one or both of their rights in the invention. What might be a "sufficient" proprietary interest in this context is not clearly defined. Of course, the statements (e.g., via declaration or assignment) from A must still be filed.

When a patent is issued on an application filed by someone other than the inventor, it will be issued in the name of the real party in interest, with notice to the inventor.⁸⁴ In the above hypotheticals, the patents would be issued to corporation C or person B, with notice to A.

C. Fee Structure Changes

The majority of section 10 of the AIA is administrative in nature, providing the means and authority for the Director to set and change fees.⁸⁵ Naturally, these issues may be of little interest to practitioners beyond the assurance that year to year changes in fees will no doubt be advertised by the PTO as they occur.

However, one interesting addition in the AIA regarding fees is the creation of a third fee tier for "micro entities."⁸⁶ Currently, the PTO set fees for its services, and allows a fifty percent reduction for "small entities," notably individual inventors, non-profit organizations and universities, and small businesses (generally less than 500 employees).⁸⁷ AIA section 10 creates a new Section 123 of Title 35, which defines a "micro entity" and gives a seventy-five percent fee reduction from the regular or large entity level to such entities.⁸⁸ To qualify as a micro entity, an applicant must make a certification that (1) he is a small entity under PTO regulations; (2) he is not a named inventor on more than

81. *Id.* (to be codified at 35 U.S.C. § 115(i)).

82. *Id.* (to be codified at 35 U.S.C. § 118).

83. *Id.*

84. *See id.*

85. *Id.* § 10.

86. *See id.* § 10 (to be codified at 35 U.S.C. § 123).

87. *See United States Patent and Trademark Office Fee Schedule*, U.S. PAT. & TRADEMARK OFF. (June 13, 2012), <http://www.uspto.gov/web/offices/ac/qs/ope/fee092611.htm>.

88. America Invents Act § 10 (to be codified at 35 U.S.C. § 123).

four previously filed patent applications; (3) he did not have a gross income higher than three times the median household income (referring to Internal Revenue Code, Census Bureau statistics, and currency exchange rates); and (4) he has not (and is not obliged to) assigned or conveyed a license or ownership interest in the application to one who did not meet requirement (3) above.⁸⁹

Accordingly, individuals, not-for-profits and small business (the usual small entities) may qualify for the micro entity reduction with a showing of the three remaining factors. The statute provides that foreign applications, provisional applications, and PCT applications for which the U.S. basic national filing fee was not paid do not count toward the four applications set forth in the second requirement. Additionally, applications in which the applicant has assigned (or is under an obligation to assign) *all ownership rights* as a result of previous employment are not counted toward the second requirement.⁹⁰ One who had an obligation to assign, but leaves his or her position to open a new business, for example, is not restricted from micro entity status merely by virtue of his or her prior applications for the employer. The income requirement naturally is intended to have those who can pay the small entity fees do so.

From these requirements, it is evident that a “micro entity” is an independent inventor who is not a frequent applicant. It is theoretically possible that a small business or a not-for-profit might fit most of the definition, but the requirement that the applicant not be a named inventor on more than four applications seems to eliminate organizations, as they are not “inventors.”

In addition, the new Section 123 includes a particular provision for institutions of higher education.⁹¹ That is, a micro entity includes an applicant that certifies that (a) his employer (i.e., from whom applicant obtains the majority of his income) is an institute of higher education, or (b) he has (or is obliged to) assigned or conveyed a license or ownership interest to an institute of higher education.⁹² In other words, university professors or technicians, or others obliged to assign to a university, are deemed micro entities. This provision does not refer at all to the requirements noted above, and so it would appear that this is a separate avenue to micro entity status. Thus, the language appears to allow a professor who does not meet the gross income requirement above, or that has applied for numerous patents, to be considered a micro entity.

IV. NEW PROVISIONS RELATING TO LITIGATION

A number of changes relating to patent litigation were also included in the AIA, most of which were effective as of enactment on September 16, 2011.⁹³ They include a new defense for activities that previously would be considered patent infringement, clarification on use of advice of counsel relative to

89. *Id.*

90. *Id.*

91. *Id.* (to be codified at 35 U.S.C. § 123(d)).

92. *Id.*

93. *See AIA Effective Dates*, *supra* note 3, at 1-2.

willfulness determinations, and non-substantive measures for handling patent litigation.

A. Prior-User Defense

Currently, the Patent Act provides a narrow defense to patent infringement for users of patented business methods who can establish that they have been using the method prior to the filing date of the patent.⁹⁴ The AIA amends that provision to include a broader prior-user defense, for one using a manufacturing or other commercial process or subject matter used in such a process.⁹⁵

The provision permits a defense to infringement with respect to subject matter consisting of a process, or machine, manufacture, or composition used in a manufacturing or other commercial process, which would otherwise infringe.⁹⁶ The defense is available if the person, acting in good faith, commercially used the subject matter in the United States.⁹⁷ The use must be in connection with an internal commercial use or an actual arm's length sale or commercial transfer of a useful end result of such commercial use.⁹⁸ The use must have occurred at least one year before the earlier of (A) the effective filing date of the otherwise-infringed claim, or (B) the date the claimed invention was disclosed to the public so as to qualify for the exception under the "first-to-file" provision of new Section 102(b).⁹⁹

It is not evident from the statute what is meant by "good faith," and whether that term connotes legitimacy in development (e.g., not stolen from an inventor), legitimacy in use (e.g., needed for business or non-token use), or some other factor. Uses in premarket regulatory review or non-profit laboratory uses are defined to be "commercial uses" for purposes of this defense.¹⁰⁰ Moreover, items sold by one who is entitled to a prior-user defense exhaust patent rights.¹⁰¹ Thus, if one makes a product with a process for which the user can assert the prior-user defense, further sale or use of that product will not be an infringement.¹⁰²

The defense must be established by clear and convincing evidence.¹⁰³ This is unusual in the sense that factual defenses to infringement (e.g., that an accused device lacks an element in a patent claim, or the existence of a license to the patent) require proof by a preponderance of the evidence.¹⁰⁴ The clear and

94. See 35 U.S.C. § 273 (2006).

95. America Invents Act § 5 (to be codified at 35 U.S.C. § 273).

96. *Id.* (to be codified at 35 U.S.C. § 273(a)).

97. *Id.*

98. *Id.*

99. *Id.* (to be codified at 35 U.S.C. § 273(a)(2)).

100. *Id.* (to be codified at 35 U.S.C. § 273(c)).

101. *Id.* (to be codified at 35 U.S.C. § 273(d)).

102. *Id.*

103. *Id.* (to be codified at 35 U.S.C. § 273(b)).

104. See *Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238, 2240-41 (2011) (discussing the preponderance of evidence standard).

convincing evidentiary standard is reserved for challenges to a patent's validity, not for factual defenses.¹⁰⁵ The high evidentiary standard for invalidity defenses is based in the statutory presumption of validity and the examination procedure in the PTO.¹⁰⁶ Perhaps the requirement of clear and convincing evidence for the prior-user defense is an implication of a statutory presumption against the validity of such defenses.

As an example, suppose that A files a patent application concerning a process on January 1, 2012, and it issues on January 1, 2014. B has used the process continuously since December 1, 2010, and in good faith. C has used the process continuously since December 1, 2011. If A sues both B and C, B may assert the new prior-user defense because he has been using the process longer than one year before the effective filing date of A's claims. C cannot use the prior-user defense, because she has not been using the process for a sufficient length of time. The result may change based on public disclosure of the process. For example, if A publicly disclosed the process on July 1, 2011, then B cannot use the prior-user defense. His use began less than one year before A's public disclosure.

Numerous exceptions to the defense are also included in the statute.¹⁰⁷ The prior-user defense is personal to the one who performed or directed the performance of the protected commercial use, and those controlling, controlled by or under common control with that person.¹⁰⁸ The defense is not assignable except to the patent owner or with a transfer of at least the line of business to which the defense relates.¹⁰⁹ The defense is limited to sites at which the otherwise-infringing subject matter is in use before the infringed claim's filing date.¹¹⁰ The defense cannot be asserted by one who derived the subject matter from the patentee or those in privity with the patentee.¹¹¹ The defense is limited to the subject matter of the prior use, and does not provide a general license to the patent.¹¹² The infringer cannot use any activities before an abandonment of a commercial use to establish his entitlement to the defense.¹¹³ Thus, an infringer that is using subject matter, and then abandons that use and restarts, can only establish a prior-user defense based on activities after the restart.

Perhaps the most interesting exception is that the prior-user defense cannot be asserted as to a claimed invention that was owned or subject to assignment to an "institution of higher education" or a technology transfer organization for such institution(s), at the time the invention was made.¹¹⁴ Thus, the general rule is that

105. *Id.* at 2240.

106. *Id.* at 2241; *see also* 35 U.S.C. § 271 (2006 & Supp. 2010).

107. *See* America Invents Act § 5 (to be codified at 35 U.S.C. § 273(e)).

108. *Id.* (to be codified at 35 U.S.C. § 273(e)(1)(A)).

109. *Id.* (to be codified at 35 U.S.C. § 273(e)(1)(B)).

110. *Id.* (to be codified at 35 U.S.C. § 273(e)(1)(C)).

111. *Id.* (to be codified at 35 U.S.C. § 273(e)(2)).

112. *Id.* (to be codified at 35 U.S.C. § 273(e)(3)).

113. *Id.* (to be codified at 35 U.S.C. § 273(e)(4)).

114. *Id.* (to be codified at 35 U.S.C. § 273(e)(5)).

no prior-user defense is available as against patented inventions made at or by universities.¹¹⁵ That exception does 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 [f]ederal [g]overnment.”¹¹⁶

A successful assertion of the defense eliminates liability for infringement, and would logically seem to allow the prior user to continue using without liability. If one pleads the prior user defense but fails to demonstrate a reasonable basis for it, “the court shall find the case exceptional for the purpose of awarding attorney fees.”¹¹⁷ The term “reasonable basis” is not defined in the statute, but it should be considered to be in the realm of establishment of a *prima facie* case. It is understandable that an unsupportable prior user allegation would set theasserter up for an award of attorney fees against him, but a supported defense found by a jury not to be sufficient should not so expose the defendant. Nonetheless, not only does the statute make it more difficult to establish the defense by virtue of the heightened evidentiary standard, but it also places the shadow of attorney fees over the one who asserts the defense. Notably, even if it is established, the prior-user defense by itself does not invalidate the patent under Sections 102 or 103, which requires public disclosure.¹¹⁸

B. Venue Change for PTO Suits

Section 9 of the AIA makes technical amendments to Sections 32, 145, 146, 154, and 293 of Title 35, and Section 1071 of Title 15, to change the venue relating to the PTO to the Eastern District of Virginia from the District of Columbia.¹¹⁹ For example, venue for a district court action appealing from the PTO lies in the Eastern District of Virginia.¹²⁰ No substantive changes were made. Actions against the PTO, or original actions challenging acts of the PTO, must henceforward be brought in the Eastern District of Virginia.¹²¹

C. Elimination of Invalidity for Lack of Best Mode

Section 15 of the AIA changes Section 282 of the Patent Act¹²² (regarding defenses to infringement) to state that “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.”¹²³ It also changes Sections 119(e) and Section 120 to remove the best mode requirement, so that priority benefit may be obtained even

115. *Id.*

116. *Id.* (to be codified at 35 U.S.C. § 273(e)(5)(B)).

117. *Id.* (to be codified at 35 U.S.C. § 273(f)).

118. *Id.* § 3 (to be codified at 35 U.S.C. §§ 102-103).

119. *Id.* § 9.

120. *Id.* § 9(a).

121. *See id.*

122. 35 U.S.C. § 282 (2006).

123. America Invents Act § 15(a) (to be codified at 35 U.S.C. § 282(3)(A)).

though a best mode is not disclosed.¹²⁴ No change to Section 112 is made, so that a specification must still set forth the best mode contemplated by the inventor.¹²⁵ The result appears to be that if an inventor hides a better mode of carrying out his or her invention, there may be no effect on the validity of the patent. There may nevertheless be some consequence for an attorney—such as discipline by the PTO—if a best mode is known but not disclosed.

D. Advice of Counsel not Usable to Prove Willfulness or Intent to Induce

Section 17 of the AIA adds a new Section 298 that provides:

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.¹²⁶

This provision codifies the substance of prior opinions finding that the attorney-client privilege did not permit requirement of disclosure of advice of counsel in order to show non-willfulness regarding infringement, and did not permit an adverse inference to be drawn against defendants who did not produce such advice of counsel.¹²⁷ The fact of a lack of resort to counsel or that no advice was presented to a jury appears to be irrelevant to the issues of willfulness, or to whether the accused intended to induce another to infringe. It appears to leave open the possibility of introducing such evidence for other purposes.

Unlike other litigation-related portions of the AIA, this provision is not effective until September 16, 2012.¹²⁸ However, since the provision generally codifies existing common law, it is difficult to imagine a situation in which the letter and spirit of the provision would not be observed.

E. Limitations on Joinder in Patent Litigation

Section 19 of the AIA addresses a number of jurisdictional and procedural matters in litigation.¹²⁹ A change to 28 U.S.C. 1338 specifies that no state court shall have jurisdiction over claims for relief arising under an Act of Congress relating to patents.¹³⁰ Provisions relating to removal of cases and Federal Circuit jurisdiction are also included.¹³¹

This section also creates a new Section 299 of the Patent Act that

124. *Id.* § 15(a) (to be codified at 35 U.S.C. §§ 119(e)(1), 120).

125. *See id.*

126. *Id.* § 17 (to be codified at 35 U.S.C. § 298).

127. *See, e.g.,* Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp., 383 F.3d 1337 (Fed. Cir. 2004).

128. America Invents Act § 17 (to be codified at 35 U.S.C. § 298).

129. *See id.* § 19 (to be codified in various sections of 28 and 35 U.S.C.).

130. *Id.* § 19(a) (to be codified at 28 U.S.C. § 1338(a)).

131. *Id.* §§ 19(b)-(c) (to be codified at 28 U.S.C. § 1295(a)(1) and 28 U.S.C. § 1454).

significantly limits the ability to join accused infringers in one action or consolidate actions for trial.¹³² The language creates a presumption of non-joinder, stating that joinder or consolidation can occur only under several simultaneous conditions.¹³³ The right(s) to relief must be asserted against parties jointly, severally or in the alternative, and must arise out of the same series of transactions or occurrences. The transaction(s) or occurrence(s) must relate to the making, using, selling, offering for sale or importing of the same accused subject matter.¹³⁴ Further, questions of fact common to all defendants must be at issue. In addition, the new provision specifies that multiple defendants may not be joined or actions consolidated “based solely on allegations that they each have infringed” patent(s) in suit.¹³⁵

F. Summary Analysis of the Above Provisions

The litigation-oriented sections of the AIA generally appear intended to reduce the ability of patent owners to successfully litigate otherwise valid and enforceable patents against various classes of accused infringers. The prior-user defense allows a manufacturer to keep their processes as trade secrets without any concern that someone else might eventually get a patent on the process and make them liable for infringement.¹³⁶ It therefore encourages manufacturers not to file patents on their processes. Willful infringers are benefitted by the new advice of counsel provision that ensures that any legal advice received which would prove willful infringement never makes it into evidence.¹³⁷ The joinder of parties provision forces a patent owner facing industry wide infringement to go after each infringer in a separately filed case, thereby multiplying the costs to enforce their patents in court.¹³⁸ Lastly, the best mode defense provision seems to favor the unscrupulous patent owner that fails to disclose the best mode of the invention as they are no longer in danger of losing their patent rights.¹³⁹

V. DERIVATION PROCEEDINGS

With the advent of a general “first-to-file” policy in the AIA, determinations of when different inventors created their inventions no longer matter. However, the principle of awarding patents only for an inventor’s actual act of invention remains. One who receives information of an invention from another is not entitled to a patent absent an assignment from the inventor.¹⁴⁰ Consequently, methods for challenging another’s application or patent as having been taken

132. *Id.* § 19(d) (to be codified at 35 U.S.C. § 299).

133. *Id.* (to be codified at 35 U.S.C. § 299(a)).

134. *Id.*

135. *Id.* (to be codified at 35 U.S.C. § 299(b)).

136. *Id.* § 5 (to be codified at 35 U.S.C. § 273).

137. *Id.* § 17 (to be codified at 35 U.S.C. § 298).

138. *Id.* § 19 (to be codified in various sections of 28 and 35 U.S.C.).

139. *Id.* § 15 (to be codified at 35 U.S.C. §§ 119(e)(1), 120, 282).

140. See discussion *supra* Part II.B.

from another are also a part of the AIA, generally taking the place of the interference proceedings that determined which of two inventors invented subject matter first. These methods will come into effect on March 16, 2013.¹⁴¹

Although such cases are quite infrequent, occasionally two patents issue claiming the same subject matter. In such cases where one patent owner contends that the other patent's inventors derived the subject matter from the inventors of his patent, the AIA creates a new Section 291 providing for a civil action to establish such derivation.¹⁴² The section requires the patent owner to show that the patents claim the same subject matter, and that his patent has an earlier effective filing date than the other patent, as well as showing that the subject matter was obtained from his inventors.¹⁴³ A repose date is also specified: Such an action must be filed within one year beginning on the issue date of the allegedly-derived patent that names an inventor alleged to have derived the subject matter.¹⁴⁴

The repose date raises questions of what happens if an allegedly derived patent does not name someone alleged to have derived the subject matter. Is the date for filing a Section 291 action tolled, or is it still measured from the challenged patent's date of issue? Or is the condition that an alleged deriver be named in a challenged patent a prerequisite for suit? The latter interpretation makes some sense, because if no alleged deriver is named in the other patent, it logically follows that there is no ground (at least *prima facie*) for asserting derivation. However, if an unscrupulous one can take another's idea, hide the taker by naming different inventors, and still avoid a derivation fight, it would seem that Section 291 has a significant and problematic loophole—even if the number of conflicting issued patents is very small.

Section 3 of the AIA also creates an intra-PTO proceeding for handling issues of derivation when raised in examination of a patent application.¹⁴⁵ In a sense, these proceedings within the PTO will (eventually) replace interferences, which are used to determine who of multiple inventors is entitled to a patent when they claim the same subject matter.¹⁴⁶

Changes to Section 135 of the Patent Act will permit an applicant to file a petition with the PTO alleging that one or more inventors in an earlier-filed application derived subject matter from the inventor(s) of the applicant's application.¹⁴⁷ Specifically, the petition must set out a discussion of the derivation, establish that the deriving inventor obtained information without authorization of the "true" inventors, and that one or more of the petitioner's claim(s) are the same or substantially the same as one or more of the earlier

141. See *AIA Effective Dates*, *supra* note 3, at 6.

142. America Invents Act § 3 (to be codified at 35 U.S.C. § 291).

143. *Id.*

144. *Id.* (to be codified at 35 U.S.C. § 291(b)).

145. *Id.* (to be codified at 35 U.S.C. § 135).

146. See *Frequently Asked Questions: Derivation Proceedings*, U.S. PAT. TRADEMARK OFF., http://www.uspto.gov/aia_implementation/faq.jsp (last modified June 12, 2012).

147. America Invents Act § 3 (to be codified at 35 U.S.C. § 135).

application's claim(s).¹⁴⁸ The petition must be under oath and supported by "substantial evidence."¹⁴⁹ The deadline for filing is one year from the first publication by the PTO of a claim that is the same or substantially the same as a claim of the earlier application.¹⁵⁰

The deadline is curiously defined in terms of publication of a claim that is substantially the same as a claim in the earlier application. If the derivation proceeding is only open to a *later* applicant, since an earlier applicant naturally has the better claim under the coming first-to-file system, then the deadline must be the publication date of the petitioner's own application. Further, unless the petitioner is aware of the alleged deriver's application and drafts her claims to be substantially the same as those in the deriver's application, the claims that publish in the petitioner's application will not fit the "substantially the same" criterion. It follows that the deadline may as a matter of fact be essentially non-existent. If the offended inventor knows of the alleged deriver's claims, then she will copy one or more of them and will have an incentive to attack the alleged deriver as soon as she can. If she does not know of the other's claims, then unless she is (un)lucky enough to file and publish claims that are substantially the same as the other's claims, the clock does not start ticking.

Once the petition for a derivation proceeding is filed, the director (i.e., an office or individual(s) designated by the director of the PTO) will determine whether the petition meets the legal prerequisites. That determination is final and non-appealable.¹⁵¹ If the director decides that the petition is satisfactory, then the proceeding is instituted.¹⁵²

The proceeding will be handled by the Patent Trial and Appeal Board (PTAB), which is the re-named Board of Patent Appeals and Interferences (BPAI).¹⁵³ While rules for handling derivation proceedings have not been proposed for comment yet, they will likely be quite similar to existing standards and procedures used in interference proceedings. The current rules pertaining to the BPAI have general provisions as well as specific sections dedicated to appeals and contested cases.¹⁵⁴ A section dedicated to the specifics of derivation proceedings and post-grant patent reviews would fit perfectly within the existing framework.¹⁵⁵

Assuming that the rules for derivation proceedings will be similar to current interference practice, an opportunity for each party to file motions to redefine the contest may be allowed. Evidence will be submitted, in the form of invention

148. *Id.*

149. *Id.* (to be codified at 35 U.S.C. § 135(a)).

150. *Id.*

151. *Id.* (to be codified at 35 U.S.C. § 135(b)).

152. *Id.*

153. *Id.*; see also America Invents Act § 7 (to be codified at 35 U.S.C. § 6).

154. See Practice Before the Board of Patent Appeals and Interferences, 37 C.F.R. pt. 41 (2011).

155. See *id.*; see also Christopher A. Brown, *Recent Developments in Intellectual Property Law*, 38 IND. L. REV. 1181, 1183 (2005).

records, declarations of witnesses and the like, and perhaps along with a motion to name the party's inventors as entitled to a patent. With the evidence and arguments in hand, the PTAB may correct the naming of the inventor in any application or patent.¹⁵⁶ It may also defer action until after issuance of a patent to the claimed invention or until after re-examination or PTO review of a patent to the claimed invention.¹⁵⁷ An adverse decision by the PTAB operates as a final refusal of claims in an application, or (if no further appeal is taken) a cancellation of claims in a patent.¹⁵⁸ As in other jurisdictions, settlement is encouraged in the PTO, and so the statute provides that the parties may file a written agreement with the PTAB naming the proper inventors.¹⁵⁹ The PTAB will review the agreement, and unless it is inconsistent with the record in the proceeding, it will act consistent with the agreement.¹⁶⁰

Presumably the publication of proposed rules within the next few months will provide further guidance as to how and when to consider such derivation proceedings. As previously noted, in the author's view, there remain some questions as to whether these derivation proceedings can adequately protect against the possibility of non-inventing "inventors" applying for and obtaining patents. It would appear that situations can arise in which a legitimate inventor or others cannot attack a patent awarded improperly to one who did not invent the subject matter. It is hoped that the forthcoming rules will assist in filling such gaps.

VI. MARKING

The AIA provides a new way to mark products covered by an issued patent, and reduces liability when done incorrectly. Current law provides that one can mark the word "patent" or "pat." along with the number of a patent covering a "patented article" on the article itself.¹⁶¹ Marking is not required, but a failure to mark products results in the loss of the right to claim damages in infringement, except as against those having actual notice of the patent.¹⁶² While important, marking can also be somewhat onerous, particularly for products covered by several patents or when a new patent issues that covers part of a product. In such cases, patentees have had to change markings, which is at least a change of label or packaging, and can involve replacement of metal stamps or other tools used to place a number on a product.¹⁶³

156. America Invents Act § (to be codified at 35 U.S.C. § 135(b)).

157. *Id.* (to be codified at 35 U.S.C. § 135(c)).

158. *Id.* (to be codified at 35 U.S.C. § 135(d)).

159. *Id.* (to be codified at 35 U.S.C. § 135(e)).

160. *Id.*

161. 35 U.S.C. § 287(a) (2006).

162. *Id.*

163. *See, e.g.,* Pequignot v. Solo Cup Co., 608 F.3d 1356, 1361-62 (Fed. Cir. 2010), *reh'g en banc denied*.

The AIA provides an alternative that is currently in effect: virtual marking.¹⁶⁴ While the customary method of marking is still usable, if the patentee prefers he or she can simply mark the product with “Patent” or “Pat.” as usual, but instead of particular patent number(s) the marking can include an Internet address that is freely accessible.¹⁶⁵ The Internet address must associate the patent number with the article in question.¹⁶⁶ In this way, patent owners can quickly and easily make changes when necessary to the patent markings for their products.

In addition, the AIA limits the ability to sue for improper marking.¹⁶⁷ In response to a number of recent cases, the *qui tam* suits previously permitted are no more.¹⁶⁸ Now, only the United States can now sue for the up to \$500 penalty per offense for false marking.¹⁶⁹ Even so, the statute specifically provides that cases of actual competitive injury due to false marking may be brought for one’s provable damages.¹⁷⁰ The changes to the marking statute also defines as *not* a violation the situation in which the number of an expired patent, which covered the product at issue, remains marked with respect to the product.¹⁷¹ The rationale is that there is no competitive harm in the presence of the expired patent number, as it is now relatively easy to determine whether a patent is in force, and the interested party can accordingly determine his course of action.

VII. PATENT REVIEW PROCEEDINGS

The U.S. patent system, unlike that of the European Union and other jurisdictions, has never had broad administrative avenues to oppose or challenge patents as they issue from the PTO.¹⁷² Certainly, interference proceedings have been used to challenge issued patents, but only in cases where another inventor claimed the same subject matter. Ancillary issues including validity of the issued patent might be joined in an interference, but one could not get to an interference without directly conflicting claimed subject matter. Re-examination proceedings were once only *ex parte*, and have in the last decade been opened to *inter partes* handling, but are limited only to challenges based on other patents or printed publications. Challenges to validity of a patent, on practically any ground, can be asserted in patent litigation, assuming one can afford it.

The AIA has created, effective September 16, 2013, a proceeding akin to “opposition” in the European Patent Office (EPO).¹⁷³ These post-grant reviews

164. America Invents Act § 16(a) (to be codified at 35 U.S.C. § 287(a)).

165. *Id.*

166. *Id.*

167. *See id.* § 16(b) (to be codified at 35 U.S.C. § 292).

168. *See, e.g., Pequignot*, 608 F.3d 1356.

169. America Invents Act § 16(b)(1) (to be codified at 35 U.S.C. § 292(a)).

170. *Id.* § 16(b)(2) (to be codified at 35 U.S.C. § 292(b)).

171. *Id.* § 16(b)(3) (to be codified at 35 U.S.C. § 292)).

172. *See* Kali Murray & Esther van Zimmerman, *Dynamic Patent Governance in Europe and the United States: They Myriad Example*, 19 CARDOZO J. INT’L & COMP. L. 287, 326 (2011).

173. America Invents Act § 6(d) (to be codified at 35 U.S.C. §§ 321-329).

allow one to challenge a patent on numerous grounds without having to fit into interference or wait to be sued for infringement. At the same time, the AIA has revamped existing inter partes re-examination proceedings to parallel the new post-grant reviews.¹⁷⁴ Traditional ex parte re-examination remains available as well, on a limited bases and with limited participation by a third party as has been customary.¹⁷⁵

A. Post-Grant Review

A post-grant review permits a party to challenge a patent's claims based on any grounds in the statute.¹⁷⁶ Thus, if a third party believes the claims are not proper under Section 112, or if it is believed that a prior sale or public disclosure defeats the claims, he or she may petition for a post-grant review.¹⁷⁷ They are not limited only to presentations of prior publications or patents.

To begin the process, the party seeking review must prepare and file a petition identifying its grounds for review.¹⁷⁸ Statutory requirements for the petition include an identification of the real parties in interest, an identification "with particularity" of each claim challenged and the grounds and evidence (including relied-on patents, publications, and/or affidavits) supporting the challenge, and any other information required by rule.¹⁷⁹ The petitioner must also provide the petition documents to the patent owner. The deadline for filing a post-grant review petition is nine months from the patent's issue date.¹⁸⁰ However, a review may be denied or stay granted where the patent is in or becomes involved in litigation.¹⁸¹

The patent owner then will have an opportunity, if he wishes, to file a response arguing why post-grant review should be declined.¹⁸² With the petition and any response in hand, the director (or designee) considers whether the petition, if not rebutted, shows either "it is more likely than not that at least [one] of the claims challenged . . . is unpatentable," or that the petition "raises a novel or unsettled legal question . . . important to other patents or patent applications."¹⁸³ The director has three months to decide whether to institute the

174. *Id.* § 6(a) (to be codified at 35 U.S.C. § 311-319).

175. *See* 35 U.S.C. §§ 301-07 (2006); Request for Ex Parte Reexamination, 37 C.F.R. § 1.510 (2011).

176. America Invents Act § 6(d) (to be codified at 35 U.S.C. §§ 321(a)-(b)). The procedure will be usable with respect to certain patents in September 2012. *See id.* § 18 (to be codified at 35 U.S.C. § 321); *see also infra* note 200 and accompanying text. It is otherwise usable by third-parties to attack patents for which the first-to-file provisions apply. *See supra* note 13.

177. *See id.*

178. *Id.* § 6(d) (to be codified at 35 U.S.C. § 321(a)).

179. *Id.* (to be codified at 35 U.S.C. § 322).

180. *Id.* (to be codified at 35 U.S.C. § 321(c)).

181. *Id.* (to be codified at 35 U.S.C. § 325).

182. *Id.* (to be codified at 35 U.S.C. § 323).

183. *Id.* (to be codified at 35 U.S.C. §§ 324(a)-(b)).

review, and his decision is final and non-appealable.¹⁸⁴

The PTAB will conduct the post-grant review, using a “preponderance of the evidence” standard,¹⁸⁵ but rules concerning their handling have not yet been proposed. As with derivation proceedings, noted above, the body of existing rules and substantive law that the BPAI has used in interferences are likely to be used as a guide or pattern for post-grant review rules. Given the long-standing existence of oppositions in Europe, it will not be surprising if the PTO also patterns rules after established EPO practice. The goal is to have the proceeding finished within twelve months (eighteen if good cause is shown), which is again in line with current interference goals.¹⁸⁶

The statute further provides for estoppel against the parties as to any issue raised or that could have been raised based on a decision by the PTAB in the post-grant review.¹⁸⁷ Again, this is similar to the rules governing interference decisions. However, estoppel is not raised where the parties settle the proceeding, with the agreement in settlement filed with the PTAB.¹⁸⁸ It remains to be seen whether this substantial encouragement toward settlement will in fact have the desired effect.

B. Inter Partes Review

The inter partes review proceeding will replace the existing inter partes re-examination. Its applicability is more limited than the post-grant review in terms of substance, permits allegations of invalidity over patents or printed publications. Notably, a petition for inter partes review can only be filed after the date that is nine months from the patent’s issuance.¹⁸⁹ Thus, two discrete windows for review are provided: within nine months of issue for the post-grant process, and when that period expires the inter partes process becomes available.

The person desiring inter partes review must file a petition that generally has the same requirements as for the post-grant review petition.¹⁹⁰ In the same way, the patent owner has the chance to make a response, and the director then decides whether to institute the proceeding.¹⁹¹ The threshold for institution is subtly different from the post-grant threshold: if the un rebutted petition shows a “reasonable likelihood that petitioner would prevail with respect to at least [one] of the claims challenged.”¹⁹² The burden to prove that a claim is invalid under either proceeding is a “preponderance of the evidence.”¹⁹³

184. *Id.* (to be codified at 35 U.S.C. §§ 324(c), (e)).

185. *Id.* (to be codified at 35 U.S.C. § 326(e)).

186. *Id.* (to be codified at 35 U.S.C. § 326(a)(11)).

187. *Id.* (to be codified at 35 U.S.C. § 325(e)).

188. *Id.* (to be codified at 35 U.S.C. § 327).

189. *Id.* § 6(a) (to be codified at 35 U.S.C. § 311(c)(1)).

190. *See id.* (to be codified at 35 U.S.C. § 312).

191. *Id.* (to be codified at 35 U.S.C. § 314).

192. *Id.* (to be codified at 35 U.S.C. § 314(a)).

193. *See id.* §§ 6(a), (d) (to be codified at 35 U.S.C. §§ 316(e), 326(e)).

As with post-grant reviews, rules for inter partes reviews are not yet available, but it is reasonable to assume that the two sets of rules will be similar. Indeed, most of the inter partes review provisions in the statute (e.g., estoppel and settlement provisions, preponderance of the evidence standard, and overall duration goals) are essentially identical to those noted with respect to post-grant review. Perhaps with a nod to the origin of the inter partes review in the existing inter partes re-examination scheme, the statute permits the patent owner an opportunity to move to amend the patent to cancel claims or to provide a reasonable number of substitute claims.¹⁹⁴

The statute provides restrictions on the filing of both types of review. For example, a petitioner cannot request a post-grant review or an inter partes review if she had previously filed a civil action challenging validity.¹⁹⁵ An invalidity counterclaim does not raise that bar.¹⁹⁶ A petitioner also cannot request either type of review more than one year after she was served a complaint alleging infringement.¹⁹⁷ Provisions for staying a lawsuit after filing a petition for review are also in the statute.¹⁹⁸

C. Transitional Program for Business Method Patents

Section 18 of the AIA provides a transitional program for handling challenges to certain business method patents.¹⁹⁹ Like the post-grant and inter partes review proceedings, this transitional program becomes effective on September 16, 2012.²⁰⁰ Its program only extends to patents for methods or corresponding apparatus for performing “data processing or other operations used in the practice, administration, or management of a financial product or service.”²⁰¹

The transitional program will be very similar to the post-grant review proceeding, except (a) the nine month post-issue deadline does not apply; (b) the ability to stay court proceedings is slightly broader; (c) the transitional program can be used against reissue patents; and, (d) the program can only be used by those charged with or sued for infringement.²⁰² Recognizing the changes in prior art law, one who challenges a covered business method patent under the versions of Section 102 or 103 as in effect before March 16, 2013, may only rely upon Section 102 prior art and prior art that discloses the subject matter more than a year before the patent’s filing date.²⁰³ The transitional program is of limited

194. *Id.* § 6(a) (to be codified at 35 U.S.C. § 316).

195. *Id.* § 6(d) (to be codified at 35 U.S.C. § 325).

196. *Id.* (to be codified at 35 U.S.C. § 325(a)(3)).

197. *Id.* (to be codified at 35 U.S.C. § 325(a)(2)).

198. *Id.*

199. *Id.* § 18 (to be codified at 35 U.S.C. § 321).

200. *AIA Effective Dates*, *supra* note 3, at 5.

201. America Invents Act § 18(d)(1) (to be codified at 35 U.S.C. § 321).

202. *Id.* § 18(a) (to be codified at 35 U.S.C. § 321).

203. *Id.*

duration, sunseting on September 16, 2020.²⁰⁴

VIII. NEW PROVISIONS FOR SUBMISSION OF ART

The AIA provides new opportunities to submit art and patent-owner statements into an issued patent's file or during prosecution of a patent application. It also includes a provision for a patent owner to submit new information with a request for supplemental examination, without having to request re-examination of his own patent.²⁰⁵ Each of these provisions is effective one year from the enactment date, or September 16, 2012.²⁰⁶ Each applies to patents issued and patent applications filed before, on or after that date.²⁰⁷

Generally, these sections provide opportunities for citation of references to the PTO in pending applications or issued patents. One section permits citation of references and/or certain arguments made by a patent owner into the patent file, for use by the PTO or interested parties at a later date.²⁰⁸ Another section provides a window for submission of references by a third party, with a description of their relevance, early in the pendency of an application.²⁰⁹ The third section provides a mechanism for a patent owner to have references or other information considered or corrected, without taking the position that a substantial new question of patentability is created (as is needed for reexamination).²¹⁰ These sections may be used as vehicles to raise questions concerning patent applications or patents outside of litigation, or to eliminate potential inequitable conduct claims.

A. Citations to Issued Patent File

This new provision allows any person, at any time, to cite information to the PTO regarding an issued patent.²¹¹ The citer may remain confidential if he or she requests in writing.²¹² The information can be patents or printed publications that bear on patentability of one or more of the patent's claims, or the patent owner's statements concerning the scope of the claims filed in federal court or the PTO.²¹³ If the citer explains the pertinence or relevance of the information, the information and explanation will be included in the official file of the patent.²¹⁴ However, submissions of patent owner's statements under this section "shall include any other documents, pleadings, or evidence from the proceeding in

204. *Id.* § 18(a)(3) (to be codified at 35 U.S.C. § 321).

205. *Id.* §§ 6(g), 8, 12 (to be codified at scattered sections of 35 U.S.C.).

206. *AIA Effective Dates*, *supra* note 3, at 4-5.

207. *See* America Invents Act §§ 6(g), 8, 12 (to be codified in scattered sections of 35 U.S.C.).

208. *Id.* § 6(g) (to be codified at 35 U.S.C. § 301).

209. *Id.* § 8 (to be codified at 35 U.S.C. § 122).

210. *Id.* § 12 (to be codified at 35 U.S.C. § 257).

211. *Id.* § 6(g) (to be codified at 35 U.S.C. § 301).

212. *Id.* (to be codified at 35 U.S.C. § 301(e)).

213. *Id.* (to be codified at 35 U.S.C. § 301(a)).

214. *Id.* (to be codified at 35 U.S.C. § 301(b)).

which the statement was filed that addresses the written statement.”²¹⁵ Thus, if one files a statement by a patent owner about the scope of a claim, context must also be given. Redactions pursuant to an applicable protective order are to be made to the statement(s) and/or contextual documents.²¹⁶

The section limits the PTO’s consideration of such patent owner’s statements and any contextual information to use for determining proper meaning of a claim “in a proceeding . . . pursuant to section 304 [ex parte reexamination], 314 [inter partes review], or 324 [post-grant review].”²¹⁷ Others may presumably use such public-record information in litigation or for other uses.

B. Citations to Pending Applications

For pending applications, this amendment adds a provision for submission of art and discussion of its relevance to the application.²¹⁸ As background, there is a current mechanism of citation of art in a pending case within two months of publication,²¹⁹ but only references can be submitted. Any explanation of the references or other information is not entered into the file.

New Section 122(e) permits third parties to send in patents, published applications or other printed publications.²²⁰ The references must be accompanied by a concise description of their relevance and a statement by the submitter “affirming that the submission was made in compliance with this section.”²²¹ The submissions are considered and included in the application record.²²²

The timing window for such submissions is also broader than the current Rule 99 permits. There is no opening date, and the window closes on the earlier of (1) the date of a notice of allowance and (2) the later of six months after the publication date and the date of the first rejection of the application.²²³ Accordingly, in cases where competitors’ applications are monitored and documentary art that may be applicable is known, one has at least six months after the publication date to cite the art and provide the necessary explanation.²²⁴

Thus, as an example, assume that application A is published on January 1, 2013, and has a first office action rejecting claims on September 1, 2013. A

215. *Id.* (to be codified at 35 U.S.C. § 301(c)).

216. *Id.* (to be codified at 35 U.S.C. § 301(d)).

217. *Id.*

218. *Id.* § 8 (to be codified at 35 U.S.C. § 122).

219. Third-Party Submission in Published Application, 37 C.F.R. § 1.99 (2011); *see also* 35 U.S.C. § 301 (2006) (providing the statutory basis for “[a]ny person at any time [to] cite to the [PTO] in writing 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”).

220. America Invents Act § 8 (to be codified at 35 U.S.C. § 122(e)).

221. *Id.*

222. *Id.*

223. *Id.*

224. *Id.*

submission under new Section 122(e) to cite publications and explain their relevance is timely if filed before September 1, 2013. If application B is published on January 1, 2013, and has a first office action rejecting claims on March 1, 2013, then a submission under new Section 122(e) to cite publications and explain their relevance is timely if filed before July 1, 2013 (six months after the publication).

C. Supplemental Examination

A patent owner faced with a new reference not cited before the PTO, and which might cast a shadow on the patent, has the option of either living with the shadow or requesting re-examination under the current law. A request for re-examination puts the owner in the initial position of arguing against his patent in a sense, as the request needs a showing that the reference raises a substantial new question of patentability of at least one claim. If the request is granted, the patent owner is then in the opposite position, arguing during the procedure that the claim(s) are in fact patentable over the reference.

The AIA adds a new Section 257, which provides an intermediate step between doing nothing and requesting re-examination.²²⁵ The patent owner can request “supplemental examination . . . to consider, reconsider, or correct information believed to be relevant to the patent.”²²⁶ Specific rules will be adopted to handle the requests and the examination procedure, but the statute requires that the examination will be conducted within three months of the request.²²⁷

Following the supplemental examination, a certificate is issued indicating whether the submitted reference(s) raise a substantial new question of patentability.²²⁸ If not, presumably the issue is concluded. If so, a re-examination begins, under usual ex parte procedure, but without an initial statement by the patent owner.²²⁹ The reexamination will address every substantial new question of patentability raised by the supplemental examination.²³⁰ If a re-examination is ordered, the patent owner will be required to pay the statutory fee for it.²³¹

Of particular interest to patent owners and prosecutors, supplemental examination has the effect of curing potential unenforceability based on incorrect, non-considered, or inadequately considered information in the original prosecution. If the patent owner provides such information or corrections for supplemental examination, “conduct relating to [such] information” is not a basis for unenforceability.²³² This curing provision does not apply to particular

225. *Id.* § 12 (to be codified at 35 U.S.C. § 257).

226. *Id.* (to be codified at 35 U.S.C. § 257(a)).

227. *Id.*

228. *Id.*

229. *Id.* (to be codified at 35 U.S.C. § 257(b)).

230. *Id.*

231. *Id.* (to be codified at 35 U.S.C. § 257(d)(1)).

232. *Id.* (to be codified at 35 U.S.C. § 257(c)(1)).

allegations, made prior to the date of the supplemental examination request, in a civil action or in an abbreviated new drug application (ANDA).²³³ It also does not apply to defenses raised in infringement or ITC (Section 337) actions unless the supplemental examination (and any resulting re-examination) is finished before such action is instituted.²³⁴

Suppose that owner O requests supplemental examination of her patent P on November 1, 2012 to consider reference R. The examination concludes on February 1, 2013 with a certificate indicating no substantial new question of patentability. Unenforceability allegations regarding P made in court or in an ANDA prior to November 1, 2012 and based on conduct relating to reference R may go forward. Later such allegations cannot be the basis for unenforceability. As another example, assume the same facts, but the supplemental examination concludes on February 1, 2013 with a certificate indicating a substantial new question of patentability. Re-examination is therefore ordered, which is completed on February 1, 2014. If the patent owner brings suit or a Section 337 action on P before February 1, 2014, a defendant may raise unenforceability defense(s) based on conduct relating to R.

When available, supplemental examination can be used to cure potential inequitable conduct, which has not been the case up until now. Nonetheless, one should not begin playing fast and loose with the duty of disclosure. The PTO is required to notify the Attorney General if it becomes aware “that a material fraud on the [PTO] may have been committed in connection with the patent.”²³⁵ Such a referral is confidential, and is not included in the patent file or disclosed to the public unless the United States charges a person with a criminal offense in connection with it.²³⁶ Further, the section explicitly limits its curing effect, noting that it does not extend far enough to preclude sanctions under criminal or antitrust laws, or to limit investigations or sanctions for misconduct or regulations concerning misconduct by the PTO.²³⁷

D. AIA Summary

It is not too much to say that the America Invents Act is the broadest reconfiguration of U.S. patent law in a generation. The AIA will certainly change the language used by patent practitioners and litigators, but it remains to be seen what the full scope of the changes will be. In some respects, the system will be much the same as it always has been, while new proceedings in the PTO, and the necessary new rules that accompany them, will take some time for digestion.

233. *Id.* (to be codified at 35 U.S.C. § 257(c)(2)(A)); *see also* 21 U.S.C. § 355(j)(2)(B)(iv)(II) (2006) (proving information regarding ANDA actions).

234. America Invents Act § 12 (to be codified at 35 U.S.C. § 257(c)(2)(B)).

235. *Id.* (to be codified at 35 U.S.C. § 257(e)).

236. *Id.*

237. *Id.* (to be codified at 35 U.S.C. § 257(f)).

IX. *THERASENSE, INC. V. BECTON, DICKINSON & CO.*²³⁸

The topic of inequitable conduct before the PTO has received significant attention from the courts over the last several years, and the last year was no exception. Decisions like *McKesson Information Solutions, Inc. v. Bridge Medical, Inc.*²³⁹ laid open to many practitioners the number of potential inequitable conduct pitfalls, and placed a heightened responsibility on practitioners in meeting the duty of disclosure²⁴⁰ to the PTO.

The *Therasense* case involved contradictory statements made to different patent offices in related patent applications.²⁴¹ At its simplest, the applicant was faced with the same reference R in prosecuting cases before the PTO and the EPO. To the EPO, the applicant argued that R disclosed that the membrane it described was optional in its material.²⁴² To the PTO, however, the applicant argued that R required that same membrane, and that application issued as a patent.²⁴³ When the patent was asserted in litigation, the defendant alleged inequitable conduct based on the failure of the applicant to disclose to the PTO his arguments to the EPO in the related case. The trial court held the patent unenforceable on that ground.²⁴⁴

The Federal Circuit panel hearing the appeal, in a 2-1 decision, upheld the finding of inequitable conduct.²⁴⁵ “Recognizing the problems created by the expansion and overuse of the inequitable conduct doctrine,” the court granted rehearing en banc.²⁴⁶ With such a statement beginning the opinion, it would seem likely that inequitable conduct theory might be reined in, and that is precisely what happened.

The en banc *Therasense* opinion unquestionably raises the bar for proving inequitable conduct, and it is probable that it will limit allegations of inequitable conduct in the first instance. After tracing the history of the inequitable conduct doctrine, the court acknowledged that it has come to a determination of both the intent of the applicant (including inventors, attorneys, and others that are closely involved with a patent application)²⁴⁷ and materiality of the statement, act or omission in question.²⁴⁸ Having then reviewed the fluctuating standards for evaluating those factors over time, the court gave bright-line standards to be used going forward.

As to the intent prong, “To prevail on a claim of inequitable conduct, the

238. 649 F.3d 1276 (Fed. Cir. 2011) (en banc).

239. 487 F.3d 897 (Fed. Cir. 2007).

240. See Duty to Disclose Information Material to Patentability, 37 C.F.R. § 1.56 (2011).

241. *Therasense*, 649 F.3d at 1283-84.

242. *Id.*

243. *Id.* at 1283.

244. *Id.* at 1284-85.

245. *Id.* at 1286.

246. *Id.* at 1285.

247. See Duty to Disclose Information Material to Patentability, 37 C.F.R. § 1.56 (2011).

248. *Therasense*, 649 F.3d at 1287.

accused infringer must prove that the patentee acted with the *specific intent* to deceive the PTO.”²⁴⁹ Negligence, even gross negligence, does not meet the requirement.²⁵⁰ Concerning the allegation of withholding a reference from the PTO, as in the underlying litigation, the court will require “clear and convincing evidence that the applicant knew of the reference, knew that it was material, and made a deliberate decision to withhold it.”²⁵¹ The court recognized that indirect or circumstantial evidence may be all that is available, but even so, a “specific intent to deceive must be the single most reasonable inference able to be drawn from the evidence Indeed, the evidence must be sufficient to *require* a finding of deceitful intent in the light of all the circumstances.”²⁵² So as to quash any doubt that might remain, the court posited the situation where multiple reasonable inferences that may be drawn concerning the evidence presented, and in those situations “intent to deceive cannot be found.”²⁵³

The materiality standard was also addressed and changed, because “higher intent standard[s], standing alone, did not reduce the number of inequitable conduct cases before the courts and did not cure the problem of overdisclosure of marginally relevant prior art to the PTO.”²⁵⁴ To show inequitable conduct, a statement or omission must be shown material under a but-for standard. That is, “[w]hen an applicant fails to disclose prior art to the PTO, that prior art is but-for material if the PTO would not have allowed a claim had it been aware of the undisclosed prior art.”²⁵⁵ The PTO’s standards of evaluating prior art under the preponderance of the evidence standard (as opposed to the clear and convincing standard in invalidity challenges in court) and of giving claims their broadest reasonable construction must be observed.²⁵⁶

Having raised the bar on materiality, the court noted an “exception in cases of affirmative egregious misconduct,” such as filing an unmistakably false affidavit.²⁵⁷ Such “egregious” falsification or other misconduct will be deemed material immediately.²⁵⁸ Nonetheless, “neither mere nondisclosure of prior art references to the PTO nor failure to mention prior art references in an affidavit constitutes affirmative egregious misconduct.”²⁵⁹ The court justified its exception to the but-for materiality standard in “striking a necessary balance between encouraging honesty before the PTO and preventing unfounded accusations of inequitable conduct.”²⁶⁰

249. *Id.* at 1290 (emphasis added) (citations omitted).

250. *Id.*

251. *Id.*

252. *Id.* (citations omitted) (internal quotation marks omitted).

253. *Id.* at 1290-91.

254. *Id.* at 1291.

255. *Id.*

256. *Id.* at 1292.

257. *Id.*

258. *Id.* at 1292-93.

259. *Id.*

260. *Id.* at 1293.

Applying these new standards, the en banc Federal Circuit vacated the inequitable conduct finding in the case before it. The standard used for materiality at trial was not the but-for standard announced in this opinion, necessitating vacation of the finding of materiality.²⁶¹ Further, the appellate court instructed the trial court to assess on remand whether the information not disclosed (i.e. the argument to the EPO concerning the membrane being optional) would have resulted in a PTO determination of unpatentability.²⁶² On intent, the Federal Circuit noted the trial court's reliance on "absence of a good faith explanation for failing to disclose"²⁶³ the EPO arguments, but held that a "patentee need not offer any good faith explanation unless the accused infringer first . . . prove[s] a threshold level of intent to deceive by clear and convincing evidence."²⁶⁴ The trial court's use of a negligence standard also tainted its finding of intent to deceive.²⁶⁵ Once again, the trial court was instructed to use the new intent standards, particularly to "determine whether there is clear and convincing evidence demonstrating that . . . [applicant's representatives] knew of the EPO briefs, knew of their materiality, and made the conscious decision not to disclose them in order to deceive the PTO."²⁶⁶

It is likely that these new standards for assessing inequitable conduct will reduce not just findings of unenforceability, but also allegations of inequitable conduct. Given the strict requirements, anyone considering an allegation of inequitable conduct will need to have a clear idea and strong evidence even to make the change. The court's noted exception for affirmative egregious misconduct will undoubtedly be a focus for further argument and litigation. Even so, the manner in which the court framed the exception and its policy for doing so both suggest a limited range of conduct that will fall into the exception. As a general matter, *Therasense* is a relief for patent application prosecutors. While still responsible for good conduct, error or even gross negligence will not be imputed to inequitable conduct. The task for a defendant to allege and establish inequitable conduct and unenforceability of a patent has become much harder.

X. MICROSOFT CORP. V. I4I LIMITED PARTNERSHIP²⁶⁷

In June, the Supreme Court weighed in on arguments contesting the long-observed clear and convincing standard for showing invalidity of a patent claim, in *Microsoft Corp. v. i4i Limited Partnership*. One alleging invalidity has the burden to prove it by clear and convincing evidence, in light of the statutory presumption of validity²⁶⁸ and the administrative presumption that the PTO did

261. *Id.* at 1296.

262. *Id.*

263. *Id.*

264. *Id.* (section alteration in original) (citation omitted) (internal quotation marks omitted).

265. *Id.*

266. *Id.*

267. 131 S. Ct. 2238 (2011).

268. 35 U.S.C. § 282 (2006).

its job correctly.²⁶⁹ In *i4i*'s patent infringement suit against Microsoft, Microsoft had offered evidence of an early sale that would invalidate claims at issue.²⁷⁰ It had also requested a jury instruction in which its burden of proving invalidity on the basis of evidence not before the patent examiner would be by a preponderance of evidence.²⁷¹

In a unanimous (8-0) decision, the Court refused to adopt a lower evidentiary standard as Microsoft requested.²⁷² Even if the evidence relating to invalidity was not before the PTO during examination, the validity presumption of Section 282 requires an invalidity defense to be proved by clear and convincing evidence.²⁷³ The Court noted that "the presumption of patent validity had been a fixture of the common law," and codification of such a common-law presumption at least implicitly includes the heightened standard of proof attached to it.²⁷⁴

While the heavier burden of persuasion remains regardless of whether evidence was previously considered by the PTO, the Court noted that "new evidence" of validity can carry more weight than evidence that was considered during examination.²⁷⁵ Thus, even if the overall standard remains the same, the fact that evidence presented was not before the examiner may make the standard somewhat easier to reach. In the Court's words, "if the PTO did not have all material facts before it, its considered judgment may lose significant force . . . [and] the challenger's burden to persuade the jury of its invalidity defense by clear and convincing evidence may be easier to sustain."²⁷⁶ The opinion also endorsed appropriate jury instructions on the effect of new evidence, such as an instruction "to consider that [the jury] has heard evidence that the PTO had no opportunity to evaluate before granting the patent."²⁷⁷

XI. *IN RE KLEIN*²⁷⁸

The Federal Circuit also addressed the doctrine of analogous art in the context of obviousness determinations, in *In re Klein*. Klein had applied for a patent on a device for measuring and mixing sugar and water for bird feeders.²⁷⁹ During examination and on appeal to the BPAI, the claims were determined to be obvious over one or more patent references, in light of sugar-to-water ratios noted in Klein's own application as recognized to be equivalent to the animals' natural

269. *i4i*, 131 S. Ct. at 2242.

270. *Id.* at 2243-44.

271. *Id.* at 2244.

272. *See id.* at 2242.

273. *Id.* at 2245.

274. *Id.* at 2246.

275. *Id.* at 2251.

276. *Id.*

277. *Id.*

278. 647 F.3d 1343 (Fed. Cir. 2011).

279. *Id.* at 1345.

food sources.²⁸⁰

Klein argued on appeal that the patent references relied on by the examiner were not “analogous art,” and so should not have been considered in the obviousness analysis.²⁸¹ “A reference qualifies as prior art for an obviousness determination . . . only when it is analogous to the claimed invention.”²⁸² A reference is analogous if it is in the same field of endeavor as the invention, or if not within such field, if it is “reasonably pertinent to the particular problem with which the inventor is involved.”²⁸³ Further, in determining whether a reference is pertinent to the inventor’s problem, the question is whether the reference “because of the matter with which it deals, logically would have commended itself to an inventor’s attention in considering his problem.”²⁸⁴ Klein took the position that each of the references addressed a different problem than his own; namely that while his invention was to contain and mix sugar and water, the references were dedicated to separating items, and none were for receiving or containing water.²⁸⁵

The references were clearly outside of the inventor’s bird-feeder field, and the court focused entirely on whether the references were concerned with the inventor’s particular problem.²⁸⁶ It determined that the determination below that the art was analogous was not supported by substantial evidence, and reversed the rejection.²⁸⁷ Three of the references had a purpose to separate solid objects, and so one focused on the inventor’s problem of a feeder with movable divider to prepare different solutions for different animals would not have consulted the references.²⁸⁸ The two other references did not address the multiple ratios of solute/solvent or have the movable divider that the inventor was concerned with, the court found, agreeing with inventor Klein.²⁸⁹

This case may be quite useful in prosecution, as the PTO has generally viewed the *KSR* opinion²⁹⁰ as expanding the realm of what can be considered analogous art. The *Klein* opinion did not mention *KSR* at all. Naturally, whether a reference is pertinent to an inventor’s particular problem will be a fact-sensitive determination, but the breadth of interpretation sometimes given to *KSR*, to look all over for pertinent art, is brought into question by this restatement of the idea that for obviousness analysis purposes, a reference must have the pertinence that the analogous art doctrine suggests. Further, patent practitioners should consider, in preparing and arguing client’s applications, whether and how to define the

280. *Id.*

281. *Id.* at 1347.

282. *Id.* at 1348 (citation omitted).

283. *Id.*

284. *Id.* (citation omitted).

285. *Id.* at 1348-49.

286. *Id.* at 1348-50.

287. *Id.* at 1350.

288. *Id.* at 1350-51.

289. *Id.*

290. *KSR Int’l Co. v. Teleflex, Inc.*, 550 U.S. 398 (2007).

“problem” faced by their inventors. By defining the problem relatively narrowly (e.g., not simply bird-feeders, but feeders with movable dividers for preparing different formulations of food), the set of analogous art may be narrowed. The concomitant risk, of course, is of overly limiting the scope of the resulting claims.

CONCLUSION

Certainly the passage of the AIA and promulgation of rules to implement it will be a major focus of the patent bar in the coming year. Time will tell whether its harmonization and streamlining goals will be met, and whether a better environment for innovation is created. In addition to opinions refining other parts of the patent law, as in *Therasense*, *i4i*, and *Klein*, the patent bar can also expect the courts and the new PTAB to weigh in on the AIA’s provisions soon.