

Part II: What Companies Need to Know about the Leahy–Smith America Invents Act (AIA) Patent Reform Legislation

The America Invents Act, the most significant change to the U.S. patent system since 1952, was signed into law on September 16, 2011. This series of articles focuses on selected provisions of the AIA which are likely to be the most relevant to companies in the display industry. Part II looks at new examination provisions, fees, fee structures, and review processes.

by Clark A. Jablon

PART I of this series of articles on the America Invents Act described many of the key litigation-related provisions. Part II discusses key provisions of the AIA that relate to U.S. Patent & Trademark Office (USPTO) and patent examination provisions, including a new prioritized examination process, fee surcharges, and a “micro entity” designation for patent applications that allows for significantly reduced government fees. New USPTO validity review proceedings, including a new post-grant review process (opposition proceeding), are also outlined.

Clark Jablon is a Partner and Registered Patent Attorney at Panitch Schwarze Belisario & Nadel LLP (PSB&N) in Philadelphia, PA. His practice involves the preparation and prosecution of patent applications, enforcement, and litigation of patents, and opinion work on patent validity, infringement, and patentability. He is a degreed electrical engineer and has worked as a patent practitioner for more than 28 years. He can be reached at cjablon@panitchlaw.com. The opinions expressed herein are those of the author and not necessarily those of PSB&N.

New Prioritized Examination Process (Available Now)

The U.S. Patent & Trademark Office (USPTO) has a backlog of over 1,200,000 pending patent applications, including more than 700,000 that have not even received a first Office Action. In response to complaints from the public regarding the excessive amount of time it takes to start the examination process, about 4 years ago the USPTO instituted the “Accelerated Examination” (AE) program, which is designed to complete the examination process within 1 year of the application filing date. (For more about the Accelerated Examination program, see the article, “Intellectual Property: How to Get a Patent Quickly,” in the September 2010 issue of *ID* magazine.)

In AE, the applicants effectively conduct a preexamination of their own applications, basically doing the examiner’s job, including prior-art searching and identifying patentable subject matter in the claims. The examiner still performs a normal examination of the application, but the applicant’s preexamination typically resolves many issues that would arise in the examination process and significantly improves the likelihood of a successful outcome for the applicant. In fact, AE applications have allowance rates that are significantly higher than the USPTO average, and the number of Office Actions per application is significantly lower than the USPTO average. However, the Accelerated Application program has been very unpopular among patent practitioners and is rarely used. It has

“... the Accelerated Application program has been very unpopular among patent practitioners and is rarely used.”

high upfront costs due to the expense in preparing the special documents that must be submitted with the application. There is also a real concern that statements made in the AE submission may be used against the patent owner in any subsequent litigation. The patent community has asked for an alternative program. "Prioritized Examination" (PE) is being touted as that alternative, although AE is still available.

PE is a "pay-to-play" program. You just give the USPTO a large amount of extra money, in addition to the normal filing fee, and the USPTO presses a few buttons and puts your application at the front of the queue. No prior-art searching or analysis is required for a PE application. Accordingly, the filing costs are typically lower than an AE application, even after paying the extra fee, which is \$4800 for a large entity and \$2400 for a small entity (small entities are usually individual inventors, universities, or companies with fewer than 500 employees). Under PE, the USPTO promises a goal similar to that of AE, which is to complete the examination process within about 1 year from the application filing date.

Which is the better option for receiving a quick examination – AE or PE? If filing costs are the main concern, PE is the better choice because it has cheaper upfront costs than AE. If effectiveness in achieving desired patent protection is the main concern, then AE is likely to be the better option because of its proven track record of higher allowance rates and fewer Office Actions.

Fee Surcharges (effective now)

A 15% surcharge has been added to most USPTO fees. For companies that maintain large U.S. patent portfolios and do not wish to increase their patent maintenance fee budget, the surcharge will likely result in more decisions to abandon issued patents before their normal expiration date by not making maintenance fee payments on selected patent properties, particularly for patents that have not shown any actual or potential commercial value by the due date of their 12th-year maintenance fee, which is the last and most expensive fee that is due (currently \$4730 for a large entity).

Government fees related to prosecution costs (filing fees, extension fees, and issue fees) represent only a small portion of total prosecution costs, and thus the fee surcharge should not result in a significant reduction in patent

applications. There are many ways for companies to reduce prosecution costs so as to offset the government fee increases, such as minimizing the need to pay excess claim fees (due for each independent claim over three and each number of total claims over 20), submitting Office Action responses by their initial due date (usually 3 months from the mailing date of the Office Action) to avoid having to pay government extension fees and conducting patent searches before filing so that a more focused set of claims can be prepared that will likely require less prosecution. The latter action may also lead to a decision not to file at all if the search results show that broad patent protection for the invention is not available.

New "Micro Entity" Designation for Patent Applications (Awaiting Implementation)

Current patent application designations include "large entity" and "small entity." Small entities, as mentioned above, are generally individuals, non-profit organizations including universities, and businesses with no more than 500 employees. All other applicants are large entities. Small entities are entitled to a 50% reduction in most of the government fees compared to large entities. The America Invents Act will provide a new designation, called a "micro-entity," which will be entitled to a 75% reduction in most of the government fees compared to large entities. Certain "low income" independent inventors and all universities will be eligible for the micro-entity status. The USPTO is preparing the regulations for this new designation and will make the fee reduction available upon completion and implementation of the regulations. The vast majority of patent applicants will not be eligible for this new designation, so it will not likely result in any further cost savings to most companies who file patent applications.

New Post-Grant Review Process (Effective March 16, 2013)

This process, also referred to as an "opposition proceeding," allows anyone to challenge the validity of an issued patent before the USPTO on any ground within a 9-month window following issuance of the patent. Such proceedings have been in existence in Europe for many years, and thus many international technology companies may already be familiar with the concept behind an opposition proceeding. The entity requesting the challenge is referred to as the "Petitioner." To obtain a post-grant review, the petitioner must file a request that demonstrates to the satisfaction of the USPTO that there is a "reasonable likelihood" that the petitioner will prevail (in proving invalidity) on at least one of the issued claims. The request must be accompanied by whatever evidence the petitioner believes demonstrates invalidity, which will typically be new prior art, but may also include arguments that the patented claims are indefinite or are not properly supported by the written description. If the request is granted, then the USPTO will effectively reexamine the issued patent and make any rejections that it believes should be made based on the information presented in the request. The patent owner will then have a chance to respond to the rejection(s) in the same manner that occurs during normal prosecution of a patent application. The original petitioner may also file certain types of limited responses to the patent owner's response.

If the patent validity is reconfirmed as a result of the opposition proceeding, the petitioner will be estopped (prevented) from reasserting most validity arguments in any subsequent litigation over the patent. Thus, the petitioner may be limited to asserting only a non-infringement defense in a subsequent litigation.

Most companies will likely find that the new post-grant review process is not helpful

“

You must give the USPTO a large amount of extra money, in addition to the normal filing fee, and the USPTO presses a few buttons and puts your application at the front of the queue.

”

“ The America Invents Act will provide a new designation, called a “micro-entity,” which will be entitled to a 75% reduction in most of the government fees compared to large entities. Certain “low income” independent inventors and all universities will be eligible for the micro-entity status.

in invalidating patents of concern because the vast majority of patents are issued before competitors begin to engage in potentially infringing activity. Thus, for most patents of concern, the 9-month window will pass before a competitor becomes aware of the patent. Furthermore, the easiest and cheapest way that most accused infringers escape liability for patent infringement is by proving to a court that they are not infringing the patent. Proving invalidity of the patent is a much harder path to take, and, as stated above, the need to do so typically arises well after the opposition period ends.

Notwithstanding the above comments, certain companies have a limited number of competitors and may be in a position to take advantage of the post-grant review process. Such companies should consider establishing a formal review process wherein all issued patents from such competitors and/or all patents directed to a specific technology of interest are identified shortly after issuance using a “watch service.” In this way, the patents can be reviewed to determine if a validity challenge should be brought before the expiration of the 9-month window. Most patent law firms can assist companies in establishing such a watch service, which is typically provided by third parties that specialize in this area. Procedures should then be put in effect at the company regarding who will conduct the review and who will be notified of patent(s) that the company may wish to challenge. A patent lawyer will then need to identify and review the proposed evidence of invalidity to determine whether it will likely meet the USPTO standards for a post-grant review, and, if so, prepare and file the post-grant review request.

New Inter Partes Review (Effective September 16, 2012)

Patents may still be challenged at the USPTO after the expiration of the post-grant review proceeding; *i.e.*, 9 months after issuance of the patent. Proceedings have always existed for such challenges, including *ex parte* reexamination and *inter partes* reexamination. These reexamination proceedings are limited to validity challenges based on novelty and obviousness grounds based on prior art “patents and printed publications,” in comparison to the more extensive validity challenges that will be permitted during the opposition period described above that can be based on any grounds of invalidity.

The AIA maintains “*ex parte* reexamination” but replaces “*inter partes* reexamination” with “*inter partes* review.” Both of these proceedings require that a challenger (referred to as the “Requester”) file a request for reexaminations stating why certain claims of a patent are invalid due to lack of novelty or because of obviousness. The USPTO must then determine whether there is a reasonable likelihood that the requester would prevail with respect to at least one of the claims challenged by the requester. If so, then the patent undergoes a reexamination; the USPTO will effectively reexamine the issued patent and make any rejections that it believes should be made

based on the information presented in the request. The patent owner will then have a chance to respond to the rejection(s) in the same manner as during the normal prosecution of a patent application. The original requester may also file certain types of limited responses to the patent owner’s response.

The same estoppel rules discussed above with respect to “post-grant review” also apply to the requester of an *inter partes* review in any subsequent court proceeding that involves the patent.

Supplemental Examination (Effective September 16, 2012)

The AIA adds a brand-new process that allows patent owners (not third parties) to request that the USPTO “consider, reconsider, or correct information believed to be relevant to the patent.” In most instances, the Supplemental Examination (SE) will be used by patent owners to submit prior art that was not originally considered by the patent examiner during the original examination, and which the patent owner now wishes to be considered. SE is not limited to new consideration of prior-art patents or publications, and other evidence of lack of novelty or obviousness may be presented. The patent owner must file a request for SE that shows why the information presented in the request (*e.g.*, new prior art) raises a “substantial new question of patentability” (SNQP). If the USPTO determines that a SNQP exists, then it will initiate a reexamination of the patent.

If the patent is reissued in view of the new information, then the information (*e.g.*, prior art) presented by the patent owner in the SE request generally cannot be used in a subsequent court proceeding to challenge the validity of the patent.

This process is primarily designed to allow a patent owner to “cleanse” a patent of potential validity challenges brought by a defendant in a subsequent patent lawsuit based on the above-mentioned new information. It is par-

“ ... certain companies have a limited number of competitors and may be in a position to take advantage of the post-grant review process.

“ *Companies will now have a new avenue to shield a patent that they wish to enforce from a validity challenge over prior art . . .* ”

ticularly aimed at validity challenges based on an assertion of “inequitable conduct” for not bringing the information to the attention of the USPTO during the original examination of the patent. Stated another way, the process is primarily designed to reduce the number of “inequitable conduct” challenges brought by defendants in patent lawsuits.

Companies will now have a new avenue to shield a patent that they may wish to enforce from a validity challenge over prior art that they become aware of that might be used against them in a litigation. However, companies will need to weigh the above-discussed benefits of this process against its costs and risks before filing a SE. The costs will include the currently proposed USPTO fees of about \$22,000, as well as attorney fees, which are likely to be a multiple of that number. One potential risk is that the USPTO might ultimately determine that the patent is invalid over the new prior art. Another potential risk is that if the USPTO determines that there was “material fraud” involved in the original examination or the SE, the USPTO will forward the matter to the U.S. Attorney General for review.

Pre-Issuance Submissions of Prior Art for Pending Applications (Effective September 16, 2012)

The USPTO currently has procedures that allow third parties to submit prior art to the examiner for consideration during the exami-

nation process. However, the rules governing the procedures and the timing of the submissions are such that almost no third parties make such submissions. The AIA implements new procedures that are supposed to encourage more submissions. The new procedures have the following requirements:

- i. The prior art must be an issued patent, published application, or any other printed publication.
- ii. The submission must be made before the earlier of the date of a notice of allowance of the patent application, or the later of (i) 6 months after the date of publication of the application or (ii) the date of the first rejection.
- iii. The submission requires a “concise statement of relevance” of the document.

The real party of interest making the submission does not need to be identified. Thus, the submission can be made anonymously through an entity unaffiliated with the third party that wishes for the prior art to be considered, often referred to as a “straw man.”

Companies that wish to challenge a pending application over prior art that has not been brought before the examiner may wish to use this new procedure instead of resorting to more complicated prior art-based validity challenges, such as post-grant review or inter partes review. However, as discussed above, most companies only learn about patents of interest well after they are issued, so this pro-

cedure will not be of help in the majority of situations. However, if companies ramp up their policing of pending applications through a “watch service,” they may learn of such patent applications early enough to consider using this procedure.

Policy Goals of New AIA Examination Proceedings

The main policy goal behind post-grant review, inter partes review, supplemental examination, and pre-issuance submissions is to reduce litigation costs by providing a forum at the USPTO to challenge patent applications and patents that would otherwise be litigated in a more expensive court proceeding. Whether the new examination proceedings will achieve that goal remains to be seen.

Part III of this patent series will focus on the changeover in the U.S. patent system from a “first to invent” to a “first to file” system, as briefly discussed in the first article in the series, which appeared in the February 2012 issue of *ID*.

The U.S. Patent & Trademark Office (USPTO) has an information web page regarding the AIA at: http://www.uspto.gov/aia_implementation/index.jsp that provides links to specific details of the AIA. ■

Submit Your News Releases

Please send all press releases and new product announcements to:

Jenny Donelan
Information Display Magazine
 411 Lafayette Street, Suite 201
 New York, NY 10003
 Fax: 212.460.5460
 e-mail: jdonelan@pcm411.com

“ *The main policy goal behind post-grant review, inter partes review, supplemental examination, and pre-issuance submissions is to reduce litigation costs . . .* ”

**VISIT
 INFORMATION
 DISPLAY ON-LINE
 For daily display
 industry news**

www.informationdisplay.org