

# Developing global IP strategies in the wake of the America Invents Act

The America Invents Acts took full effect on 16th March 2013, and strategic integration of its provisions into IP portfolio development, IP litigation and IP transactional matters will continue to be of paramount importance

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This article considers the significant impact of the America Invents Act (AIA) and its first-inventor-to-file (FITF) system in the context of IP portfolio management, so that AIA provisions can be exploited to effectively build, maintain and leverage a valuable IP portfolio.

## **AIA impact on scope of prior art and related issues**

The AIA's FITF system includes significant provisions which will affect patent acquisition for US patent applications with effective filing dates on or after 16th March 2013. For example, the pool of prior art increases in US patent applications that are subject to AIA treatment.

The "effective" filing date of any US patent application is that of the earliest filed priority document, regardless of which country it was filed in. The AIA overturns longstanding US patent practice which precluded US patent examiners from relying on a US patent's Paris Convention priority date when citing the patent as prior art. This change in US practice will thus significantly expand an examiner's ability to cite third-party US patents and pending applications as prior art against pending US applications. Under the AIA, an effective filing date of a US patent application and a

Patent Cooperation Treaty (PCT) application designating the United States can be a Paris Convention priority document's filing date outside the United States. This effective filing date can now qualify as a prior art date against a pending US application of another for both novelty and obviousness under the AIA's revised 35 USC Sections 102 for novelty and 103 for obviousness.

Under the AIA, non-US inventors can therefore consider forgoing pre-AIA decisions to contemporaneously file a US provisional application to establish an early 35 USC Section 102(e) US filing date that can be relied upon by US examiners as prior art against third-party US applications. Rather, reliance can instead be placed upon the non-US priority date as the effective US Patent and Trademark Office (USPTO) filing date.

The AIA also includes within 35 USC Section 102(a) prior art any public disclosure, public use or sale before the effective filing date (eg, the Paris Convention priority date) of the US patent application, without limiting any such disclosure, use or sale activity to the United States. A third party's prior sale in Europe can now qualify as prior art to a pending US application. Prior commercial use of a patented invention anywhere in the world may also qualify as prior art, if public in nature.

The AIA's FITF system, with its enhanced scope of available prior art, will impact on compliance with the USPTO's ongoing duty to disclose relevant prior art. Different pools of prior art should be considered for AIA applications compared to pre-AIA applications. Strategically, US applicants will need to monitor separately AIA applications relative to pre-AIA applications to ensure compliance with the broader duty to disclose requirements in AIA applications.

With a transition to a FITF system, the ability to fall back upon proof of

earlier invention conception will also be eliminated. The AIA is a first-to-file system, such that the ability of a US patent applicant to “swear behind” art published prior to the US application filing date via the USPTO’s affidavit practice will no longer be available under the AIA.

The AIA does retain a one-year grace period for inventors to file a US patent application following public disclosure of their invention. However, as is discussed further below, inventors should be aware that reliance upon the AIA grace period poses a much greater risk to loss of patent rights than did the pre-AIA grace period.

Thus, for US patent applications with effective US filing dates which fall under the AIA, the scope of available prior art will increase, as will obligations under the USPTO duty to disclose. The use of affidavits to swear behind what would otherwise be prior art will be eliminated, and reliance upon the AIA’s one-year grace period can result in a loss of valuable IP rights. These aspects of the AIA will drive strategic decisions in IP portfolio management, for example, to preserve pre-AIA treatment of a pending patent application and to assess whether such preservation will be in an applicant’s best interest.

#### Post-AIA strategies to preserve pre-AIA treatment

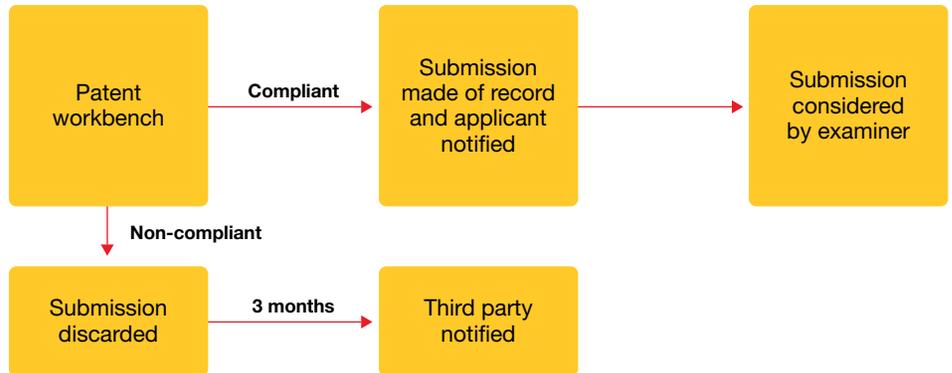
Despite implementation of the AIA’s FITF system, IP portfolio managers should remain aware that certain applications will continue to be processed under the USPTO’s pre-AIA system. These applications fall into two categories:

- Pre-AIA US patent filings before 16th March 2013.
- “Transitional” US patent filings filed in the USPTO on or after 16th March 2013, but with an effective filing date before 16th March 2013.

AIA US patent filings with effective filing dates for at least one claim on or after 16th March 2013 will be treated under the AIA’s new FITF system.

Transitional US filings encompass a US patent application which claims a benefit of priority under the Paris Convention to an earlier filed US application, a non-US application and/or a PCT application filed before 16th March 2013. Preserving pre-AIA treatment will drive the scope of relevant prior art and attendant duty to disclose information to the USPTO, as already mentioned. A transition application with a pre-16th March 2013 priority date must be handled carefully to ensure that pre-AIA

Figure 1: Pre-issuance submission of prior art in third-party patent applications



treatment is received and preserved.

How does a transition application become an AIA application? The analysis can be deceptively simple: does the application or any parent application thereof contain, or did it contain at any time, at least one claim with an effective filing date on or after 16th March 2013? To be considered a pre-AIA application, all claims must have an effective filing date prior to 16th March 2013 and cannot rely on subject matter added to the patent specification thereafter.

Note that a “taint” of the AIA cannot be removed by cancelling an inadvertently added AIA claim having specification support on or after 16th March 2013. Nor can such a taint be removed by filing a continuation application with only pre-AIA supported claims that are based on the priority of the tainted parent application. Once an application is transitioned, or “switched”, to an AIA application, the switched application and its progeny will remain AIA applications. Any such switched application will bear the attendant consequential permanent loss of the benefits associated with pre-AIA treatment.

The USPTO will still continue to recognise a benefit of priority even where the later filed application is considered an AIA application. The priority claim will always be recognised. However, a USPTO determination will simply be directed to assessing whether the AIA or pre-AIA regime will apply to the application and resultant patent.

From a strategic planning perspective, be aware that the effective filing date of a claimed invention is assessed on a claim-by-claim basis. However, the determination of whether the AIA applies to the application for assessing the relevant scope of prior art and duty to disclose obligations is assessed on an application-by-application basis, not on a claim-by-claim basis.

## “Prior art” before the AIA

US patent applications with an actual US filing date before 16th March 2013 are subject to the pre-AIA first-to-invent (FTI) system. Further, US patent applications with an effective filing date before 16th March 2013 may be subject to the pre-AIA FTI system. The statute which defines qualifying prior art in the USPTO is 35 USC Section 102.

There follows a brief comparison of pre-AIA 35 USC Section 102 relative to the new provisions of the post-AIA 35 USC 102.

Old Section 102:

- US filing date of a US application constitutes qualifying date as prior art.
- Prior public use or sale must occur in the United States to qualify as prior art.
- Date of invention can be relied upon to swear behind third-party documents published prior to a patent applicant’s US filing date.
- Broad one-year grace period to file a US application, with ability to swear behind third-party “intervening” disclosures published during the grace period.

New Section 102:

- Earliest effective priority date of a US application constitutes qualifying date as prior art for both novelty and obviousness.

- Prior public use or sale anywhere in the world can qualify as prior art.
- Date of invention cannot be relied upon to swear behind documents published prior to a patent applicant’s US filing date.
- One-year grace period to file a US application remains, but with limited ability to prove third-party derivation to remove third-party intervening disclosures published during the grace period.

The ability of a patent applicant to secure patent protection in the United States should in most cases prove to be greater under the pre-AIA patent law as compared to the AIA FITF system. Over time, this impact may be mitigated by US companies filing more quickly under the FITF race to the Patent Office. In the short term, the concerns over these changes to the US patent system are reflected by the significant increase of US origin application filings in the weeks leading up to the 16th March 2013 implementation date of the FITF system as an effort to preserve pre-AIA examination. Strategically, a US patent applicant should always consider preserving pre-AIA treatment to assess whether such preservation will be in the applicant’s best interest.

For strategic planning purposes, it will be important in the filing and handling of US transition applications to recognise that claims filed on even date with a continuation application filing are considered part of the application’s original content. Even where a continuation application’s specification remains identical to the parent specification from which priority is claimed, it is possible to have continuation claims that are not supported by the parent specification. Going forward, the filing of non-supported claims on even date with the continuation application will result in the continuation application including claims with an effective filing date on or after 16th March 2013. The non-supported claims will lead to an unintended switching of the continuation application into an AIA application, and this effect cannot be reversed by later cancelling the unsupported claims.

A strategy for addressing this situation is available. For a continuation application where there is a claim that does not find clear literal support in the original application, the claim can be filed as part of a preliminary amendment at least one day after filing the continuation application. The USPTO has

interpreted the AIA provisions such that 35 USC 132(a) prohibits the introduction of new matter into a previously filed application.

Unsupported claims that a patent applicant attempts to add after the filing date of an application are technically not allowed in the application – that is, the application cannot “contain” a claim which constitutes “new matter”. Should it be later concluded that an added claim is unsupported by the originally filed specification, it must be cancelled from the application. The USPTO will consider such a claim never to have been part of the originally filed specification. The unsupported claim cannot therefore be deemed to have switched the application to an AIA application which is subject to AIA treatment.

In a corollary situation, when an applicant adds new disclosure to the specification of a pre-16th March 2013 application, a claim later added during prosecution that is supported by the new disclosure will switch the application into an AIA application. The preliminary amendment strategy to add claims and avoid inadvertent switching to an AIA application will work only when the intent is not to add new matter to an application, but rather only to add claims believed to be supported by the originally filed specification.

Another subtle practice that can lead to an AIA switch relates to a transition application that relies on multiple priority documents. If one priority document A discloses a first embodiment A, and a second priority document B discloses a second embodiment B, a claim in a US transition application to a combined embodiment A,B may find support only in the transition application, and not in a single priority document. The USPTO will treat this US transition application as having a claim with an effective filing date on or after 16th March 2013, and the application will be irreversibly switched to an AIA application. The AIA regime’s broader pool of prior art will apply to all claims in the application, including claims fully supported by a single priority document. Strategically, it will be important during the prosecution of transition applications filed after 16th March 2013, but based on priority application(s) filed prior to 16th March 2013, to make sure that each amended claim finds support under 35 USC §112 in a single priority application.

To optimise claim scope, yet mitigate the potential for an unintended switch to an AIA application, consider the strategic filing of multiple continuation applications from the same pre-16th March 2013 priority application. Claims that will require an application to be considered under the AIA

can be filed in one continuation application branch with priority to the parent application. Claims with an effective date prior to 16th March 2013 can be filed in a second continuation application branch that is to be considered under pre-AIA law. Despite filing of the second branch, the priority application will remain under the pre-AIA regime because an AIA taint affects only an application and its progeny, but not its parent application.

#### Grace period under the AIA

Under the AIA, an inventor is still afforded a one-year grace period to file a US application following the inventor's earlier public disclosure anywhere in the world. However, such a grace period does not exist in many countries and early disclosure could lead to a loss of rights in any country where absolute novelty applies. Moreover, as mentioned, reliance upon the AIA grace period can even pose greater risk in the United States under the FITF system.

Much has been made of the fact that the AIA retained the grace period for an inventor's public disclosure of an invention within one year prior to filing a US patent application. However, this grace period under the AIA is not the same grace period that existed prior to the AIA's FITF system. The ability to rely on the grace period under the AIA is in fact much more limited relative to the grace period which existed under the old first-to-invent (FTI) system, and extreme caution should be exercised in relying upon its provisions.

Consider, for example, an inventor's public disclosure of an invention in a paper published in a scientific journal prior to subsequently filing a US patent application. Then, consider an intervening publication of almost the same subject matter by a third-party entity, prior to the inventor's later filing of a US application to protect the previously disclosed invention. Under the FTI system, an inventor could rely on an ability to prove earlier conception to remove a publication cited by a US examiner which intervened between the inventor's conception date and the inventor's US filing date. However, under the AIA, no such ability to swear behind the intervening publication exists, and the inventor certainly is not entitled to rely on the inventor's earlier public disclosure as if it were a priority document.

Instead, the relevant comparison is between the subject matter of the prior disclosure by the inventor and the third-party intervening publication. Any portions of the third-party publication not present in the inventor's prior disclosure could serve as qualifying prior art against the claims

#### Another new AIA tool: pre-issuance submission of prior art in third-party patent applications

The AIA establishes a new procedure to challenge a third party's patent application by the pre-issuance submission of prior art. This procedure is applicable to any patent application, regardless of whether the application is treated as an AIA or a pre-AIA application. The pre-issuance submission procedure enables the third-party submission of any patent, published patent application or printed publication to the USPTO in connection with examination of a pending US application. Significantly, the pre-issuance submission procedure allows the submitter to include a concise description of the asserted relevance for each submitted document.

The pre-issuance submission procedure is limited in that the submission must be made before the earlier of the issuance of a notice of allowance and the later of six months after the date on which the application is first published or the date of the first substantive rejection of any claim.

A pre-issuance submission does not require identification of the real third party in interest, but the pre-issuance submission must be signed by a submitter (eg, a US representative). There is no service

requirement for a pre-issuance submission. A relatively low government fee of US\$180 for up to 10 documents applies, which is waived for a first submission with three documents or fewer.

The pre-issuance submission may be beneficial to submit art already of record with new comments. Further, the pre-issuance submission procedure may be valuable where a USPTO examiner is considered to have underappreciated or misapplied prior art in a related application.

Pre-issuance submission may be most beneficial when a third party is practising, or very nearly practising, the prior art, and submission of the prior art will force the patent applicant to amend the claims in a manner to exclude the third party's use.

A significant issue with a pre-issuance submission is that it could result in placing a third party's best art for challenging claims of a pending application before the examiner, with no further ability for the third party to participate in the examination proceeding. This could undermine the third party's ability to assert the same prior art in subsequent litigation or USPTO administrative proceedings.

in the inventor's US patent application. No earlier undisclosed conception of the inventor can be relied upon to swear behind the third-party publication.

Thus, if an inventor discloses a combination of A,B,C in a publication before filing a patent application, and there is an intervening third-party publication of a combination directed to A,B,C,D, the disclosure of D is prior art against the inventor's later filed patent claims, even where D is an obvious addition to the A,B,C combination that the inventor had earlier conceived. As prior art, D may be relied upon for an obviousness analysis against the inventor's patent application. The inventor may not be entitled to rely on earlier conception, or on the initial publication of A,B,C as a priority document, to establish an earlier filing date and remove the third-party publication of D as a prior art reference.

Even where the A,B,C,D combination is an obvious variant of the A,B,C combination, and in fact one which the inventor earlier conceived, but did not disclose, the inventor could lose rights to claiming A,B,C,D in the later filed patent application. Moreover, this result could remain even if the third party developed A,B,C,D with knowledge of the inventor's earlier A,B,C publication.

### District court versus ITC

Under the AIA, the ability to file a single complaint in federal district court by joining multiple unrelated defendants has been curtailed. As such, where a litigation strategy involves enforcement against multiple unrelated defendants which are charged with independently infringing the same patent, litigation in multiple federal district courts can be initiated. Alternately, where a patent owner can establish ITC based domestic industry in the United States, consideration of a single ITC action may prove more effective for addressing multi-party infringement, as litigation in the ITC is based on *in rem* jurisdiction rather than the personal jurisdiction of federal district court actions.

*In rem* jurisdiction refers to jurisdiction over the subject matter at issue in the charge of infringement. As such, it is

appropriate for a complainant in an ITC case to name all respondents believed to be infringing a patent in question, even where the accused infringement of each respondent is separate and independent of the other named respondents. ITC actions proceed along a relatively fast timetable relative to most district courts.

While an ITC action can enhance a patent owner's ability to consolidate litigation against multiple alleged infringers in a timely fashion, monetary damages are not available in the ITC. Rather, the remedies in the ITC are cease and desist orders and/or exclusion orders (ie, limited exclusion orders and, in rare circumstances, a general exclusion order). However, the ITC remedies may be adequate in many cases and, where appropriate, monetary damages can be separately pursued in district court actions.

As another similar example, consider an inventor that publicly discloses a genus before later filing a US patent application. Again, consider an intervening third-party publication of a species not disclosed in the inventor's earlier publication. The third-party publication of the species legitimately invented by the third party could be prior art against the inventor's later filed claims. The inventor can try to assert that the third party derived the species from the inventor, but because the species is different in scope, the inventor may have difficulty succeeding. As prior art, the species may anticipate certain genus claims added to the inventor's patent application and render them unpatentable (eg, require the inventor to expressly exclude the third-party species from the genus claim).

The USPTO comparison will not focus upon the inventor's patent application and the inventor's initial disclosure to assess whether priority-like support exists in the original disclosure for later claimed subject matter. The earlier disclosure cannot be used in a 37 CFR 1.131 affidavit to remove intervening publications from the pool of prior art. Rather, the USPTO comparison will focus upon the inventor's initial disclosure and the third-party intervening publication to assess differences in the subject matter disclosed by the third party that will qualify as prior art against the inventor's later filed US patent claims. It may unfortunately be the case that the inventor's attempt to rely on the grace period will be ineffective in removing the third-party publication as prior art against the inventor's later filed patent application.

Accordingly, reliance upon the grace

period under the AIA's FITF can be considered of much greater risk relative to reliance upon the grace period under the pre-AIA FTI. The AIA grace period thus should not be relied upon unless necessary to preserve rights due to earlier inadvertent disclosure of an invention. Moreover, in a situation where a public disclosure has occurred, an inventor should expedite filing of a patent application in an effort to minimise the potential for intervening art.

### Derivation proceedings can provide limited ability to remove prior art or co-pending applications

The AIA will significantly expand the available pool of prior art that a US patent examiner can cite against a pending US application. The AIA will limit a patent applicant's ability to remove such prior art from the pool unless the applicant can establish that the third party derived the invention sought to be patented from the applicant's own work. The AIA provides a procedure by which a US patent applicant can remove a third-party disclosure as a prior art reference if the patent applicant can prove in an affidavit under Rule 37 CFR § 1.130 that the third-party disclosure was derived either directly or indirectly from the patent applicant's own work.

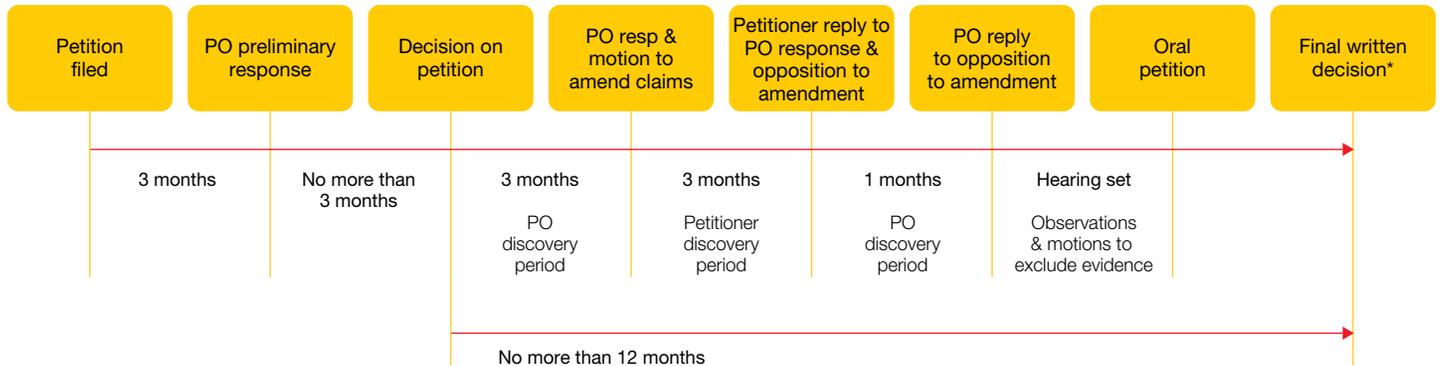
A limited derivation procedure of the AIA will provide a USPTO administrative procedure to determine proper inventorship among two pending applications. This reflects the AIA's character as a FITF system, versus a strict first-to-file system – that is, a later filed patent application can win patent rights from a first filed patent application by proving that derivation occurred.

Where an inventor chooses to disclose an invention to third parties publicly or confidentially before filing a patent application, laboratory notebooks will likely continue to be useful in newly established AIA derivation proceedings for establishing the inventor's possession of an invention and the scope of that invention. More significantly, such notebooks could also provide evidence to prove earlier invention in such AIA derivation proceedings.

### AIA's impact on litigation strategies

The AIA has created a number of post-grant procedures and implementation features which should be factored into litigation strategy. Some of these procedures, such as supplemental examination, should be factored into a patent owner's due diligence before licensing or enforcing a patent. Others should be considered in the context of patent enforcement, such as

Figure 2: AIA's new *inter partes* and post-grant reviews share a default timeline under the General Administrative Trial Rules



\*Six-month extension

whether to file a patent infringement claim in US federal district court versus the US International Trade Commission (ITC).

**Supplemental examination procedure**

The AIA created a new supplemental examination procedure which enables a patentee to request the USPTO to consider, reconsider or correct information believed to be relevant to a granted US patent.

The USPTO will conduct a supplemental examination to consider the information submitted and determine either that the information is not relevant to the patent's validity or that the information submitted is relevant to validity because a substantial new question of patentability has been raised. In this latter case, an *ex parte* re-examination is ordered by the USPTO on the patent. This *ex parte* re-examination may result in the patent being granted with the same claims or with amended claims, or may result in all previously granted claims being found unpatentable.

Supplemental examination is applicable to any patent application, regardless of whether the patent falls under the AIA regime or under the pre-AIA regime. The review is to be completed by the USPTO within three months, culminating in a determination by the USPTO as to whether an *ex parte* re-examination is to be instituted.

The strategic benefits of supplemental examination include mitigating the potential for charges of inequitable conduct in a licence negotiation or litigation subsequent to a patent grant. Prior art submitted and considered in a supplemental examination cannot be relied upon later to assert that a granted patent is unenforceable for failure to disclose the art to the USPTO during prosecution. Exceptions to this general premise include prior allegations already made in district court litigation

or where actual fraud was perpetrated on the USPTO to secure the patent grant. The supplemental examination procedure can be exploited to avoid the preparation of a formal *ex parte* request for re-examination where previously undisclosed art is unlikely to result in the initiation of a re-examination, and can be used to obtain relatively quickly the USPTO's third-party assessment that the validity and enforceability of the patent should remain intact. Where there is potential for the USPTO to initiate *ex parte* re-examination, the patent owner may strategically refrain from supplemental examination and instead pursue the pre-AIA reissue procedure as a measure of due diligence.

Because of its potential use as a pre-litigation tool, supplemental examinations initiated by a competitor could be strategically monitored to anticipate potential lawsuit filings based on the patent in question. Use of the procedure may indicate that a competitor is preparing to enforce the patent.

**Reissue**

While not a new procedure created under the AIA, reissue practice remains an option at the USPTO. Reissue practice is significant because both AIA and pre-AIA patents are eligible and a reissue can be instituted to address even minor errors in a patent, such as the failure to include a dependent claim of intermediate scope.

Once instituted, previously unsubmitted prior art can be filed in an information disclosure statement for formal consideration. Moreover, any claim may be amended to address issues beyond the prior art, such as clarity and definiteness. If a reissue is filed within two years of the original patent grant date, the claim scope may be broadened beyond the original

**Differences between *ex parte* and *inter partes* review**

There are fundamental differences between a third-party requested *ex parte* re-examination and an *inter partes* review.

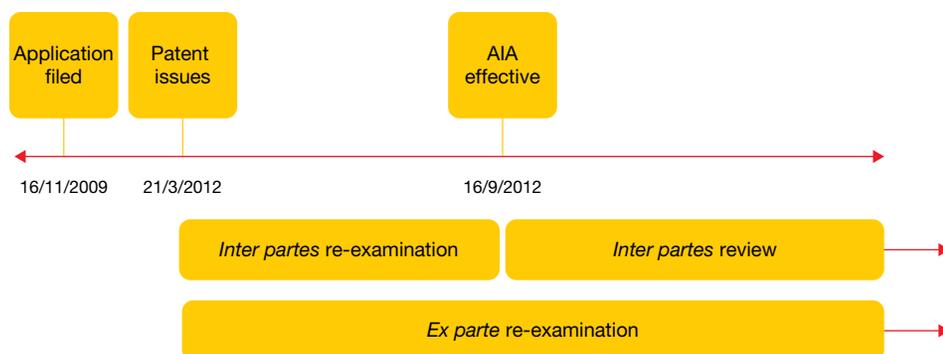
*Ex parte* re-examination:

- Can be brought by a potentially anonymous third party without having to identify the real party in interest, but third-party participation after filing the request is severely limited.
- Does not provide statutory estoppel against the third-party requester, but has a practical limit to the ability to rely on the same art later in litigation.
- Has no discovery.

An *inter partes* review:

- Can be brought only by a disclosed real party in interest, with expanded third-party participation through all stages of review.
- Allows for statutory estoppel against subsequent review of issues that were raised or could have been raised in the re-examination proceeding.
- Makes provision for limited discovery.

Figure 3: Exemplary post-grant timeline for pre-AIA patent



### Post-AIA licensing strategies

As can be understood from the foregoing discussion, the AIA adds a number of twists to IP portfolio management that, if properly understood and exploited, can lead to effective monetisation. One additional area where portfolio management in terms of growth and enforcement can be monetised is in IP licensing transactions. By using the strategies discussed herein, a valuable IP portfolio can be developed and, where desired, effectively licensed.

A number of AIA-driven strategies can be used to enhance IP transactions from the perspective of an IP licensor and from the perspective of the licensee. Examples are as follows.

Exemplary licensor measures to enhance transaction:

- Tout strength of granted patent in deal over AIA increased pool of prior art.
- Use USPTO prioritised examination process to assess scope of patentable subject matter within one-year timeframe.
- Use supplemental examination to avoid unpredictability regarding false charges of inequitable conduct.
- Continue to use reissue and *ex parte* re-examination to strengthen US patents for licensing.

- Establish milestones as function of agreed-upon review process (eg, inventor royalty after nine-month post-grant review period).
- Continue to include appropriate representations and disclaimer of warranties (eg, regarding infringement of third-party patents, validity).

Licensee measures to enhance transaction:

- Consider submission of prior art in pre-issuance submission of pending application to reduce pool of potential license-in patents.
- Consider whether an AIA commercial prior use defence applies.
- Challenge broad range of granted patents issues in expedited post-grant review (one-year review process).
- Continue to include appropriate representations and disclaimer of warranties (eg, regarding products to be produced per field-of-use licence).
- Continue to perform due diligence and exploit AIA post grant procedures (eg, *ex parte* re-examination and *inter partes* review) to challenge validity issues and diminish potential litigation.

grant, provided that the broadened claims remain commensurate with the scope of the originally filed application and are deemed patentable over the prior art.

#### *Ex parte* re-examination requests by patent owner

*Ex parte* re-examination remains a further distinct USPTO proceeding which can be exploited as a patent owner due diligence tool to bolster a patent's enforceability over

previously undisclosed prior art. In contrast to a supplemental examination request, which can result in the USPTO instituting an *ex parte* re-examination, a patent owner can simply choose to frame the *ex parte* re-examination request directly.

A request for re-examination of a US patent can be made by any person at any time during the enforceability of the patent. A re-examination request must be made on the basis of prior art patents or printed publications and the proceeding is limited to consideration of the patent's validity.

The request for re-examination must include a statement which points out each "substantial new question of patentability" based on the prior patents and/or printed publications relied upon. A substantial new question of patentability can exist even in cases where the prior art or publications relied upon were previously cited and considered by the examiner during the original prosecution. 35 USC §303(a) specifically states: "(a) .... The existence of a substantial new question of patentability is not precluded by the fact that a patent or printed publication was previously cited by or to the Office or considered by the Office."

Re-examination proceedings are required by statute to be conducted with "special dispatch" (35 USC §305). The actual time to resolution of a re-examination can be driven by many factors, such as the importance of the patent in the relevant market.

Re-examination can prove extremely useful in helping to establish leverage for avoiding litigation and/or enhancing the speed with which litigation is settled. Re-examination can also prove valuable in steering a company's product development and/or provide leverage for licensing negotiations. For example, the filing of a re-examination can slow or even stay the costly US litigation discovery process, and provide parties with an opportunity to re-evaluate settlement where a patent's validity is truly in question.

Where a patent owner requests *ex parte* re-examination, the request can point out how previously granted claims distinguish over newly discovered prior art. If re-examination is instituted, the proceeding is conducted exclusively between the patent owner and the Patent Office. Once the newly discovered prior art has been formally considered, it can be very difficult for third parties later to assert that claims of the re-examined patent should be deemed invalid over the same art, or over any later discovered art which is cumulative to the art considered. This procedure can enhance the patentee's ability later to fend

off validity attacks in court.

During re-examination, an amendment may be submitted by the patent owner to better distinguish the claims over the prior art. However, where all claims in a re-examined patent are amended, the doctrine of intervening rights can apply. According to this doctrine, a patent owner that amends all claims during re-examination may forgo damages for infringing activity prior to issuance of the re-examination certificate.

**Ex parte re-examination requests by third party**

Where an entity is concerned with potential infringement of a patent, the entity can consider challenging the patent's validity in the USPTO using the enhanced array of post-grant proceedings available under the AIA. A third party can, for example, prepare and file an *ex parte* re-examination request in the USPTO. As already mentioned, *ex parte* re-examination was created pre-AIA, yet remains a viable option for challenging a patent's validity.

During the *ex parte* re-examination process, a determination is made as to whether a substantial new question of patentability exists that would warrant opening the re-examination. Then, the patent owner is given an initial opportunity to submit a formal statement prior to a first official action by the examiner. Where the patent owner files such a statement, the third-party requester can file a reply.

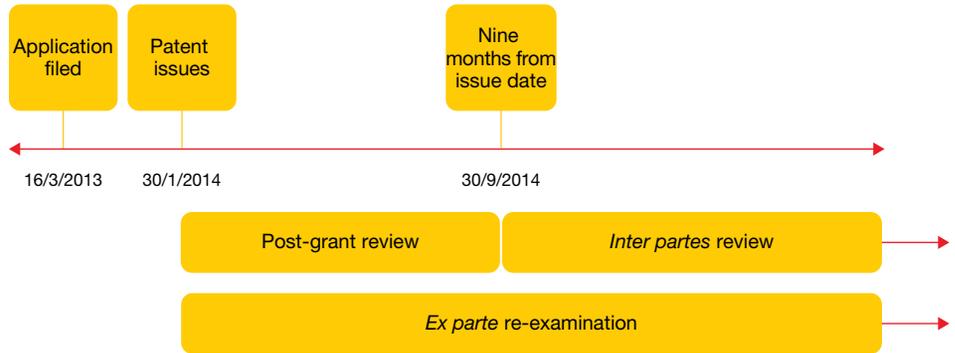
A third party's involvement ends with, at most, the reply to a patent owner's statement. From that point onward, the proceeding is conducted to resolution between the patent owner and the USPTO.

**Inter partes review**

*Inter partes* review (IPR) under the AIA constitutes a replacement to the pre-AIA *inter partes* re-examination and begins with a process similar to that of a third party *ex parte* re-examination request. A key difference in the IPR proceeding is that the third-party requester remains involved in all proceedings through final resolution, including possible appeal by either the patent owner or the third party to the Court of Appeals for the Federal Circuit. This expanded third-party participation can be significant where, for example, the issues are subtle and/or the technology is complex.

IPR is available and applicable to any patent, regardless of whether it is treated as an AIA or a pre-AIA application. For a pre-AIA patent, an IPR may be instituted any time after grant. For an AIA patent,

Figure 4: Exemplary post-grant timeline for AIA patent



an IPR may be instituted by the later of nine months after issuance or broadening reissuance of a patent, or after termination of a post-grant review (PGR) (see Figures 3 and 4).

The grounds for filing an IPR are novelty or obviousness based on patents and publications. The threshold for institution of an IPR is whether the request establishes a reasonable likelihood that the petitioner would prevail with respect to at least one challenged claim.

With an IPR, all real parties in interest must be identified. A limited discovery process is available which includes depositions of witnesses relied upon in the proceeding, and discovery deemed necessary to advance the interest of justice.

A significant cautionary effect for an IPR is the estoppel provision. After a final USPTO Patent Trial and Appeal Board (PTAB) decision has been rendered in the IPR process, the real party in interest that petitioned for the IPR is estopped from challenging the patent in the USPTO, ITC or district court on any grounds that the IPR raised or could have raised. The "could have raised" standard has not been fully vetted, and will likely be fully defined only in the aftermath of future litigation. At this time, the potential for estoppel should be borne in mind and appropriately weighed when an IPR is pursued in lieu of district court or ITC litigation.

IPR is also limited to validity issues. Where the strength of a defence goes beyond a pure validity challenge, a district court action such as a declaratory judgment action of non-infringement may actually prove more cost effective in quickly resolving an infringement matter.

Exemplary benefits of an IPR include the potential for appellate review by the Federal Circuit — the same court which would hear any appeal from a district court or ITC

## Action plan



An awareness of the recently implemented America Invents Act (AIA), and its transitional provisions, will be key to effective future US IP portfolio management and leveraging. Key aspects of effective portfolio management following implementation of the AIA include:

- Avoiding early invention disclosures – expedited filing of a patent application will minimise the potential for intervening art.
- Mitigating potential charges of inequitable conduct – to expedite a licence transaction and/or reduce litigation costs, a request for AIA supplemental examination may shield a patent from an assertion of unenforceability due to inequitable conduct.
- Enhancing patent portfolio claim scope – a broadening reissue filed within two years of a patent grant, and/or AIA post-grant USPTO tools such as supplemental examination and re-examination, can be used to enhance patent strength.
- An *ex parte* re-examination or *inter partes* review can be included in a pre-litigation strategy, or in a litigation strategy to slow

or stay a costly US lawsuit and provide an opportunity to re-evaluate settlement. As compared to district court litigation, these USPTO procedures afford a lower burden of proof for establishing invalidity, broader claim construction and a technically trained decision maker familiar with patent law.

- Considering post-grant review as an IP defensive strategy – an AIA post-grant review process can be used to attack broad grounds of patentability including subject-matter eligibility and enablement.
- Exploiting IP litigation offensive strategies – the *in rem* jurisdiction of a single US International Trade Commission litigation can circumvent the AIA's joinder provisions by permitting an exclusion order to be pursued against multiple, unrelated and independent infringers of the same patent.
- Exploiting the AIA in transactional matters – potential licensors and licensees can benefit from the AIA's provisions regarding accelerated examination and post-grant procedures to impact on a patent sale or licensing deal.

action. In addition, IPR is to be conducted by statute within a one-year timeframe (with a limited six-month extension available). In almost all cases costs should be substantially below those of district court or ITC litigation, and the IPR proceedings can be settled and stopped short of a final decision. IPR can result in significantly less business disturbance from discovery, as IPR has only limited discovery options.

Significantly for a third-party challenger, the burden of proof for establishing invalidity is lower in an IPR than in district court litigation; the burden of proof in the USPTO is proof by a preponderance of evidence versus the higher burden in the district court of clear and convincing evidence. Further, claim construction favours the third-party challenger in IPR, as claims are given the broadest reasonable construction in a USPTO IPR as compared to a construction that presumes the patent's validity in the district court. An IPR also allows for a decision maker that is technically trained and familiar with patent law as compared to a judge and/or jury in district court litigation.

In comparison with *ex parte* re-examination, the same burden of proof and

claim construction apply in IPR. However, the decision maker in an IPR is a panel of three administrative law judges, as compared to a specialised examiner in *ex parte* re-examination.

### Post-grant review

PGR was created under the AIA, but is not yet a viable option for consideration because it will be available only for granted US patents which possess an earliest effective filing date on or after 16th March 2013. Because no patent filed on or after 16th March 2013 is likely to be granted for some time, considering the impact of PGR on litigation strategy is of limited benefit at the moment. However, PGR could very quickly become an important part of a defensive litigation strategy in years to come.

PGR is substantially similar to IPR, but the basis for filing is open to any ground except failure to comply with the best mode requirement. Thus, once available, a PGR can be filed to challenge not only patent validity based on prior art, but also patent eligibility and such issues as written description support, enablement and definiteness of claimed subject matter.

A strategic consideration when choosing between PGR and IPR is that PGR could have a broader estoppel effect, as by definition more issues "could have been raised" in a PGR due to the broader grounds available for filing a PGR request.

### Strategic integration

The AIA has introduced a number of new procedures and features which must be thoughtfully and strategically integrated into IP portfolio management. With appropriate understanding of the pros and cons for each new facet of the AIA, a holistic approach to IP portfolio management can result in effective exploitation of the portfolio for enforcement and leveraging in IP transactions. *iam*

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