# Implementing the America Invents Act



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#### Scope of America Invents Act

Creates or amends patent provisions of law

- Requires USPTO to conduct studies into specific areas of patent law
- Requires USPTO to set up new programs



#### Provisions of Law

- 20 provisions related to USPTO operations to implement
- 7 provisions implemented
- 9 provisions addressed in Notices of Proposed Rulemaking (NPRMs) to issue on 12 Month Timeline
- 2 provisions in progress on 17 Month Timeline
- 2 provisions to begin work on 18 Month Timeline



#### Implemented Provisions

(Effective on September 16, 2011 or within 60 days)

	<b>AIA Provision</b>	Implementation Documents
1	Change in inter partes reexamination standard	Revision of Standard for Granting an Inter Partes Reexamination Request, 76 Fed. Reg. 59055 (Sept. 23, 2011)
2	Tax strategies are deemed within the prior art	Memo to Examiners, Sept. 20, 2011
3	Best mode	Memo to Examiners, Sept. 20, 2011
4	Human organism prohibition	Memo to Examiners, Sept. 20, 2011
5	Prioritized examination	Changes to Implement Prioritized Examination Track (Track I) of the Enhanced Examination Timing Control Procedures Under the Leahy-Smith America Invents Act, 76 Fed. Reg. 59050 (Sept. 23, 2011)
6	15% transition surcharge	Notice of Availability of Patent Fee Changes Under the Leahy-Smith America Invents Act, 76 Fed. Reg. 59115 (Sept. 23, 2011)
7	Electronic filing incentive	Notice of Availability of Patent Fee Changes Under the Leahy-Smith America Invents Act, 76 Fed. Reg. 59115 (Sept. 23, 2011); and Fee for Filing a Patent Application Other than by the Electronic System, 79 Fed. Reg. 70651 (Nov. 15, 2011)

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- Original utility or plant patent application for expedited examination if:
  - \$4,800 fee, reduced by 50% for small entity;
  - no more than 4 independent claims, 30 total claims, and no multiple dependent claims; and
  - must file application electronically (utility application)
- Does not apply to international, design, reissue, or provisional applications or in reexamination proceedings; may be requested for a continuing application

Expanded to include RCEs



#### Prioritized Examination (cont.)

- USPTO goal for final disposition (e.g., mailing notice of allowance, mailing final office action) is on average 12 months from date of prioritized status
- USPTO limited to accepting 10,000 applications for prioritized examination in a fiscal year



#### **Prioritized Examination Data**

(As of 1/3/12)

- 1,694 petitions filed
  - 40.8 days on average from filing to petition decision
  - 98.9% grant rate
- 648 prioritized applications received a first Office action
  - 30.7 days on average from grant of petition to first Office action
- 23 Notices of Allowance and 3 Final Rejections issued
  - 39.2 days on average from grant of petition to Notice of Allowance
  - 34.3 days to final rejection
- 1st patent issued in 101 days
  - Filed September 30, 2011
  - Issued January 10, 2012



### Implementation Ongoing: 12 Month Timeline (Effective on September 16, 2012)

		AIA Provision	Notice of Proposed Rulemaking				
ı	1	Inventor's oath/declaration	Changes to Implement the Inventor's Oath or Declaration Provisions of the Leahy-Smith America Invents Act, 77 Fed. Reg. 982 (Jan. 6, 2012)Comment period closes March 6, 2012				
	2	Preissuance submissions by third party	Changes to Implement the Preissuance Submissions by Third Parties Provision of the Leahy-Smith America Invents Act, 77 Fed. Reg. 448 (Jan. 5, 2012)Comment period closes March 5, 2012				
	3	Citation of prior art in a patent file	Changes to Implement Miscellaneous Post Patent Provisions of the Leahy-Smith America Invents Act, 77 Fed. Reg. 442, (Jan. 5, 2012)Comment period closes March 5, 2012				
	4	OED Statute of Limitations (effective September 16, 2011)	Implementation of the Statute of Limitations Provisions for Office Disciplinary Proceedings, 77 Fed. Reg. 457 (Jan. 5, 2012)Comment period closes March 5, 2012				
1	5	Supplemental Examination	Changes to Implement the Supplemental Examination Provisions of the Leahy-Smith America Invents Act and to Revise Reexamination Fees, 77 Fed. Reg. 3666 (Jan. 25, 2012) Comment period closes March 25, 2012				

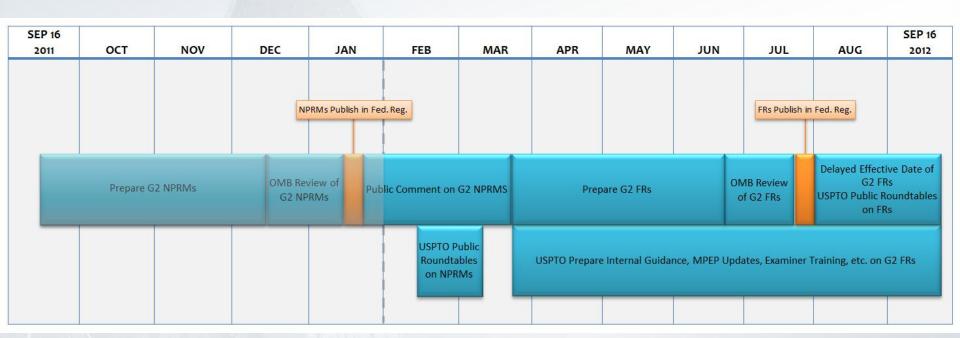


### Implementation Ongoing: 12 Month Timeline (cont.) (Effective on September 16, 2012)

		AIA Provision	<b>Notice of Proposed Rulemaking</b>			
6		Inter partes review	To publish in Federal Register			
			on February 9-10, 2012			
7	,	Post-grant review	To publish in Federal Register			
ı			on February 9-10, 2012			
8		Transitional program for covered	To publish in Federal Register			
		business method patents	on February 9-10, 2012			
9		Derivation (effective on March 16, 2013)	To publish in Federal Register on February 9-10, 2012			



#### 12 Month Timeline





#### **Preissuance Submissions**

(Effective September 16, 2012)

- New 35 U.S.C. § 122(e)
- Allows third parties to submit printed publications of potential relevance to examination if certain conditions are met:
  - must provide, in writing, an explanation of the relevance of the submitted documents;
  - must pay the fee set by the Director; and
  - must include a statement by the third party making the submission affirming that the submission is compliant with statutory requirements. § 122(e)(1) & (2)



- Submission must be made before the earlier of:
  - the date a notice of allowance under 35 U.S.C. § 151 is given or mailed in the application; or
  - the later of
    - 6 months after the date on which the application is first published; or
    - the date of the first rejection of any claim in the application. § 122(e)(1)(A) & (B)



- Proposed rule 290(d): recites contents of submission and consists of 5 parts including:
  - List of documents being submitted;
  - Description of the relevance of each document; and
  - Copy of each document, except a U.S. patent or U.S. patent application publication



- Proposed rule 290(g): requires fee for submission as set forth in current rule 1.17(p) (i.e., fee for Rule 99 submission)
  - Three or fewer documents are free if first preissuance submission by third party;
  - \$180 for 1 to 10 documents; and
  - \$360 for 11 to 20 documents



- Proposed rule 290(h): applicant has no duty to respond to the submission
  - Third party not required to serve the submission on the applicant, 77 Fed. Reg. at 449; and
  - USPTO will not notify the applicant of entry of the submission into an application, 77 Fed. Reg. at 450

• Examiners will acknowledge the submission in a manner similar to an IDS submission, 77 Fed. Reg. at 450

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# Citation of Patent Owner Statement (Effective September 16, 2012)

- Amends 35 U.S.C. § 301
- Expands the information that can be submitted in the file of an issued patent to include written statements made by a patent owner before a Federal court or the Office regarding the scope of any claim of the patent. § 301(a)(2)
- Requires written statement to include any other document, pleading, or evidence from the proceeding in which the statement was filed that addresses the written statement. § 301(c)
- Limits the Office's use of such written statements to determining the meaning of a patent claim in *ex parte* reexamination proceedings that have already been ordered and in *inter partes* review and post grant review proceedings that have been instituted. § 301(d)



# Citation of Patent Owner Statement (cont.)

- Proposed rule 501(a)(2):
  - Permits submission of patent owner claim scope statement in patent file;
  - Statement must be accompanied by documents, pleadings, or evidence from the proceeding which the statement was made about the statement; and
  - Patent owner claim scope statement made outside of a proceeding not permitted
- Proposed rule 501(b)(1): must explain the pertinence and manner of applying any submission
- Proposed rule 501(b)(2): if citation made by the patent owner, may include an explanation how the claims differ from patent owner claim scope statement



## Citation of Patent Owner Statement (cont.)

- Submissions should include:
  - Forum in which the statement was made;
  - Case or proceeding citation/designation;
  - Current status of the case or proceeding;
  - Relationship between the case or proceeding and the patent;
  - Identification of the specific papers being submitted; and
  - Relevant portion(s) of the papers being submitted.

77 Fed. Reg. 444



# Citation of Patent Owner Statement (cont.)

- Submitter's identity may be kept confidential upon request. § 301(e)
  - Proposed rule 501(d): submission may be made anonymously
- Proposed rule 501(e): submission must be served on patent owner or a bona fide attempt at service demonstrated



- New 35 U.S.C. § 257
- Patent owner may request supplemental examination of a patent to "consider, reconsider, or correct information" believed to be relevant to the patent. § 257(a)
  - Proposed rule 601(a): Request must be filed by owner of the entire right, title, and interest in the patent
  - Proposed rule 601(c): Third party participation is prohibited



- "Information" that forms the basis of the request is not limited to patents and printed publications. § 257(a)
  - Proposed rule 605(a): Number of items of information is limited to 10 per request
  - Proposed rule 605(a): Unlimited number of requests may be filed at any time



- Proposed rule 610: Recites contents of a request and consists of 12 parts including:
  - List of each item of information and its publication date;
  - Identification of each issue raised by each item of information;
  - Explanation for each identified issue;
  - Identification of how each item of information is relevant to each aspect of the patent to be examination and how each item of information raises each identified issue;
  - Copy of each item of information; and
  - Summary of each document over 50 pages in length



- USPTO must decide whether the information in the request raises a "substantial new question of patentability" within 3 months from the request. § 257(a)
  - Proposed rule 620 (a): SNQ decision "will generally be limited to" review of the issue identified in the request as applied to the patent claims
  - Proposed rule 620(e): No interviews in supplemental examination, but possible if ex parte reexamination instituted
  - Proposed rule 620(f): No claim amendment in supplemental examination, but possible if ex parte reexamination instituted



- Supplemental examination concludes with a supplemental reexamination certificate indicating whether any item of information raised an SNQ. § 257(a)
  - If SNQ, then the Director must order an ex parte reexamination. § 257(b)
  - Proposed rule 625(a): certificate will be electronic



- Ex parte reexamination conducted under 35 U.S.C. chapter 30 and 37 CFR 1.510 et seq. (the ex parte reexamination statute and rules), except:
  - Patent owner does not have the right to file a statement; and
  - USPTO will address each SNQ without regard to whether it is raised by a patent or printed publication. § 257(b)

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- Inequitable conduct immunization, § 257(c)
  - Information considered, reconsidered, or corrected during supplemental examination cannot be the basis for rendering a patent unenforceable so long as the supplemental exam and any ordered ex parte reexamination are finished before the civil action is brought, § 257(c)(1) & (c)(2)(B)
  - But does not apply to information raised in a civil action brought before supplemental exam sought.
     § 257(c)(2)(A)



- Director is authorized to establish fees, and if ex parte reexamination is ordered, fees for ex parte reexamination to be collected in addition to fee for supplemental examination, § 257(d)(1)
  - Proposed rule 20(k)(1) & (2): \$5,180 for supplemental examination and \$16,120 for ex parte reexamination order pursuant to a supplemental examination (total of \$22,100)
  - Proposed rule 610(a): total fee must accompany request
  - Proposed rule 26(c): ex parte reexamination fee will be refunded if ex parte reexamination not ordered
  - Proposed rule 20(k)(3): non-patent document over 20 sheets has extra cost



- If Director learns of "material fraud" committed in connection with the patent subject to supplemental exam, the Director:
  - must confidentially refer the matter to the Attorney General; and
  - may take other action. § 257(e)
- Office regards "material fraud" to be narrower in scope than inequitable conduct as defined in *Therasense*. 77 Fed. Reg. at 3667



#### Ex Parte Reexamination Fee

 Proposed rule 20(c)(1): Ex parte reexamination fee not pursuant to a supplemental examination is increased to \$17,750 from current \$2,520



#### Fee Methodology

- Supplemental exam and reexamination fees set under 35 U.S.C. § 41(d)(2) for cost recovery and not under Section 10 of the AIA
  - May later be adjusted when USPTO exercises Section 10 fee setting authority
- See Cost Calculations for Supplemental Examination and Reexamination (January 25, 2012), available at http://www.uspto.gov/aia\_implementation/cost\_calc\_s upplemental\_exam.pdf

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### **Implementation Ongoing: 17 Month Timeline**

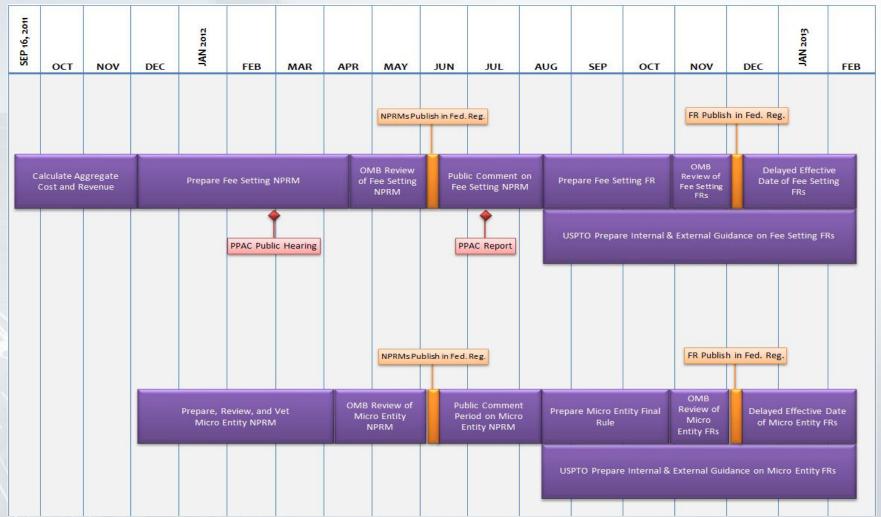
- 1. Fee Setting Authority
  - Authority effective on September 16, 2011
- 2. Micro-entity
  - Status effective on September 16, 2011
  - 75% discount is not available until USPTO exercises fee setting authority



- Authorizes the USPTO to set or adjust patent and trademark fees by rule
- Patent/trademark fees may be set to recover only the aggregate estimated cost of patent/trademark operations, including administrative costs
- Small entity and micro-entity discounts apply to fees for "filing, searching, examining, issuing, appealing, and maintaining" patent applications/patents
- Sunsets 7 years after enactment



#### 17 Month Timeline





#### PPAC Fee Setting Hearing

- Required by section 10 of the AIA
- Patent Public Advisory Committee Public Hearings on the Proposed Patent Fee Schedule, 77 Fed. Reg. 4509 (Jan. 20, 2012)
  - Hearings:
    - Wednesday, February 15, 2012 @ USPTO
    - Thursday, February 23, 2012 @ Sunnyvale, CA
  - Written comments due by February 29, 2012
- Fee information on AIA microsite; PPAC questions regarding USPTO proposed fees on PPAC website

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#### USPTO Fee Setting Principles

- Accelerate USPTO's progress in reducing the backlog of unexamined patent applications and reducing patent application pendency;
- Realign the fee structure to add processing options during patent application prosecution; and

Put USPTO on a path to financial sustainability

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### Proposed Fee Structure - Summary of Significant Changes

Description	Current Large Entity Fee (Alternative)	Proposed Large Entity Fee	Dollar Change	Percent Change	Rationale	
UtilityBasic Filing, Search, and Exam (total)	\$1,250	\$1,840	\$590	47%	More closely aligns fee revenue with cost of service.	
Request for prioritized exam (Track 1)	\$4,800	\$4,000	(\$800)	-17%	Encourages greater program participation and aligns the large entity fee with cost of service.	
Excess claims (Independent in Excess of 3)	\$250	\$460	\$210	84%	Encourages applicants to file compact and carefully devised	
Excess claims (Total in Excess of 20)	\$60	\$100	\$40	67%	applications.	
Application size	\$310	\$400	\$90	29%	аррисаціоні.	
Extensions for Response within 1st Month	\$150	\$200	\$50	33%		
Extensions for Response within 2nd Month	\$560	\$600	\$40	7%	Encourage officient processuition and assists in reducing nation	
Extensions for Response within 3rd Month	\$1,270	\$1,400	\$130	10%	Encourages efficient prosecution and assists in reducing patent pendency.	
Extensions for Response within 4th Month	\$1,980	\$2,200	\$220	11%	pendency.	
Extensions for Response within 5th Month	\$2,690	\$3,000	\$310	12%		
Request for continued examination (RCE)	\$930	\$1,700	\$770	83%	Achieves cost recovery and continues to offer applicants a viable option to dispute a final rejection when the applicant believes the examiner has erred.	
Notice of Appeal *	\$620	\$1,500	\$880	142%	Detter all and a service of the service and and a service for house and	
Filing a Brief in Support of an Appeal	\$620	\$0	(\$620)	-100%	Better aligns services with costs and reduces fee burdens associated with examiner withdrawal of final rejections.	
Filing an Appeal	\$0	\$2,500	\$2,500	102%	associated with examiner withdrawar or illian ejections.	
Supplemental Examination	\$5,180/\$16,120	\$7,000/\$20,000	\$5,700	27%	Encourages applicants to submit complete applications with all relevant information during prosecution.	
Combined Pre-grant publication and Issue	\$2,040	\$960	(\$1,080)	-53%	Combined to streamline the fee structure; reduced to promo public information to encourage follow-on innovation and reduce initial costs to patent owners who may not know the value of their invention immediately.	
Maintenance - 1st Stage	\$1,130	\$1,600	\$470	42%	Increased to achieve goals and better align front-end and backend fees; early stage fees are lower in recognition of the	
Maintenance - 2nd Stage	\$2,850	\$3,600	\$750	26%	uncertainty of patent value; as time goes on, an inventor can better measure the value of an invention and determine	
Maintenance - 3rd Stage	\$4,730	\$7,600	\$2,870	61%	whether maintenance is truly worthwhile.	

<sup>\*</sup> The Office is also proposing a \$0 issue fee when the examiner withdraws final rejection before the applicant pays the filing of an appeal fee.



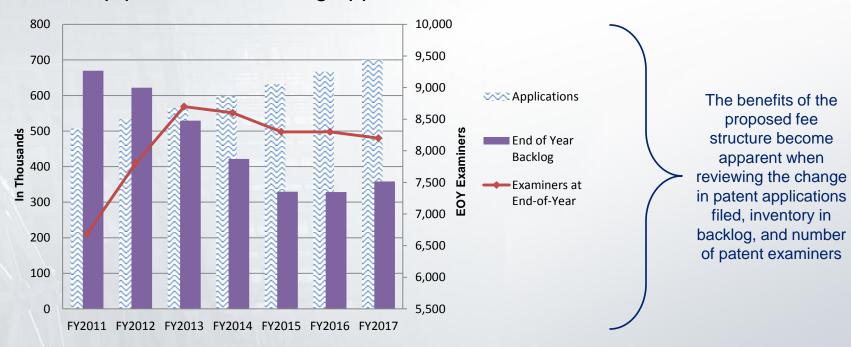
# Aggregate Cost-Revenue Balance

- For FY 2013, the USPTO estimates that its aggregate patent operational costs, including administrative costs, will total \$2.549 billion
- Under the proposed fee schedule in FY 2013, the USPTO anticipates collecting \$2.686 billion in patent fee revenue
  - \$2.549 billion directed to paying for known costs
  - \$137 million placed in an operating reserve for long-term financial stability



## Impact of Proposed Fee Schedule on Patent Application Backlog

- The USPTO anticipates using the fee revenue to offset prospective aggregate costs to:
  - reduce the backlog of patent applications from 669,625 applications at the end of FY 2011 to 329,500 at the end of FY 2015; and
  - keep pace with incoming applications.





## Impact of Proposed Fee Schedule on Patent Pendency

- The USPTO anticipates using the fee revenue primarily to offset prospective aggregate costs to reduce:
  - The average first action pendency to 10.1 months in FY 2015 from 28 months at the end of FY 2011; and
  - The average total pendency to 18.3 months in FY 2016 from 33.7 months at the end of FY 2011.

Utility, Plant and Reissue	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Applications	506,924	533,300	565,300	599,200	632,200	666,900	700,300
Growth Rate	5.3%	5.2%	6.0%	6.0%	5.5%	5.5%	5.0%
Production Units	502,488	539,700	620,600	671,900	694,200	645,200	656,200
End of Year Backlog	669,625	621,800	529,100	421,600	329,500	328,400	358,000
Performance Measures							
Inventory Position (Months)	21.2	17.9	12.9	9.5	7.3	8.3	9.2
Avg. First Action Pendency (Months)	28.0	22.5	16.9	15.9	10.1	9.4	9.4
Avg. Total Pendency (Months)	33.7	34.7	30.1	24.6	22.9	18.3	18.1
Examiners at End-of-Year	6,685	7,800	8,700	8,600	8,300	8,300	8,200



= Pendency Targets Projected to be Achieved



## Impact of Proposed Fee Schedule Operating Reserve

The proposed fee structure builds the operating reserve to the optimal level of three months of operating expenses, as follows:

Description	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
3 Months Operating Expense	\$562 M	\$637 M	\$675 M	\$702 M	\$712 M	\$736 M
Estimated End of Year Balance	\$121 M	\$277 M	\$459 M	\$756 M	\$712 M*	\$736 M*

- The Office is able to reach the three month level in 2015, when operating expenses begin
  to level off after reducing the patent application backlog.
- An operating reserve increases the USPTO's ability to absorb and respond to unanticipated shocks and temporary changes in its environment or circumstances.
- Without typical business tools, such as the ability to borrow money, the operating reserve serves as an internal line of credit to cover normal fluctuations in fees to sustain operations and execute on the goods and services requested by intellectual property stakeholders.



### Progress Report: Studies

	Topic	Due Date from Enactment	Status
1	International Patent Protection for Small Businesses	4 months	Complete
2	Prior User Rights	4 months	Complete
3	Genetic Testing	9 months	Ongoing
4	Misconduct Before the Office	Every 2 years	Future
5	Satellite Offices	3 years	Future
6	Virtual Marking	3 years	Future
7	Implementation of AIA	4 years	Future



# Int'l Patent Protection for Small Businesses Study

- USPTO studied how the USPTO and other federal agencies can best financially help small businesses with patent protection overseas
- USPTO consulted with the Department of Commerce and the Small Business Administration

 Report (33 pages) timely submitted to Congress on January 13, 2012



- Engage in diplomacy and harmonization to reduce the costs associated with filing foreign patent applications (e.g., via small entity discounts);
- Expand IP education and training for U.S. small businesses;
- Engage industry regarding how to best support U.S. small business efforts to patent internationally (e.g., corporate venture capital); and

 Collect more information and conduct further study regarding governmental financial assistance to U.S. small businesses (e.g., loan versus grant)



#### Prior User Rights Study

- USPTO studied the operation of prior user rights (PUR) in other industrialized countries
- USPTO consulted with the United States Trade Representative, Secretary of State, and Attorney General
- Report (60-pages) timely submitted to Congress on January 13, 2012



- PUR defense in the AIA is consistent with that offered by major trading partners;
- No substantial evidence that PUR defense in the AIA will have a negative impact on innovation, venture funding, small businesses, universities, or independent inventors;
- U.S. should re-evaluate economic impact of PUR defense in "Implementation of AIA" report due to Congress in 2015;
- PUR defense is appropriate balance between trade secret protection and patent law; and
- U.S. patent law should provide for a PUR defense to address
   inequity inherent in a first-inventor-to-file system



#### Genetic Testing Study

- USPTO to report on effective ways to provide independent, confirming genetic diagnostic tests where:
  - gene patents; and
  - exclusive licensing for primary genetic diagnostic tests
- Request for Comments and Notice of Public Hearings on Genetic Diagnostic Testing, 77 Fed. Reg. 3748 (Jan. 25, 2012)
  - Hearings:
    - February 16, 2012 @ USPTO
    - March 9, 2012 @ San Diego, CA
  - Written comments due by March 26, 2012

Report due by June 16, 2012



### Progress Report: Programs

	Topic	Due Date from Enactment	Status
1	Pro Bono	Immediately	Complete
2	Diversity of Applicants	6 months	Ongoing
3	Patent Ombudsman for Small Businesses	12 months	Ongoing
4	Satellite Offices	3 years	Ongoing



#### Pro Bono Program

- Provides pro bono legal assistance to financially under-resource independent inventors and small businesses to file and prosecute patent applications
- Minnesota program running
- Task Force formed to expand the program to other cities; USPTO participating



- USPTO required to open 3 satellite offices in three years
- Initial office planned for Detroit; opening 2012
  - 300 River Place Dr. = former home to Parke-Davis
     Laboratories and the Stroh's Brewery Headquarters
- Comment period closed on January 30, 2012 for suggestions on the locations of the two other satellite offices
  - More than 100 comments received

#### **AIA Roadshows and Hearings**

www.uspto.gov/AmericaInventsAct



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#### Thank You



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