

MBHB snippets Alert

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Patent Reform: Transitional Review of Business Method Patents Under the AIA

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The Leahy-Smith America Invents Act of 2011 ("AIA") was signed into law by President Obama on September 16, 2011. The first significant overhaul of the U.S. patent system in nearly 60 years, this new patent reform measure ushers in considerable changes in how companies and individuals may obtain and enforce patents in the United States. This is the sixth in a series of articles on the AIA (the earlier articles can be accessed here).

This article describes the new Transitional Program for Covered Business Method Patents (as set forth in § 18 of the AIA—herein referred to as the "Transitional Program"). The Transitional Program has an effective date of September 16, 2012, and is thus effective one year after enactment of the AIA. The AIA requires that the United States Patent and Trademark Office (USPTO) issue rules to review validity of covered business method patents prior to the effective date.

The Transitional Program will apply to any "covered business method patent," which is defined as "a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions." The full meaning of the term "covered business method patent" will surely be debated before, and refined by, the USPTO.

Any party sued for, or charged with, infringement of a business method patent will be permitted to apply for a post-grant review of the asserted patent under the Transitional Program. Accordingly, the Transitional Program may allow financial institutions (or other similarly situated institutions) to more easily challenge the validity of business method patents asserted against them.

The Transitional Program generally makes use of new provisions for more general Post-Grant Review also enacted under the AIA. (The Post-Grant Review procedure will be discussed in greater detail in a future article). Some pertinent aspects of the Post-Grant Review procedure enacted under the AIA include:

- the "substantial new question of patentability" standard applicable to inter partes reexaminations is replaced by a lesser "more likely than not that at least 1 of the claims challenged in the petition is unpatentable" standard; and
- as a general matter, a Post-Grant Review and a civil action challenging validity will not be allowed to proceed in parallel. (Under the Transitional Program, a petitioner may request a stay of a related civil proceeding, and the AIA sets forth four factors the court must consider when deciding whether to enter the stay.)

Thus, the lower standard of review may serve to please critics of business method patents who often allege that such patents typically claim already well-known methods. A business method patent that may have previously survived the "substantial new question of patentability" standard, may be more vulnerable under the lower standard of review set forth by the Post-Grant Review procedure. Further, patentees may be vulnerable to a delay of enforcement of rights, as a post-grant review carried out according to the Transitional Program may lead to a stay in a related civil litigation.

The Transitional Program applies to patents issuing from applications filed under a first-inventor-to-file system (as enacted by the AIA, previously discussed here). However, unlike the Post-Grant Review procedure, the Transitional Program also applies to patents issuing from applications filed under the current first-to-invent system. Further, the AIA also sets forth a sunset provision that provides that that any petition under the Transitional Program must be filed prior to 8 years after enactment (*i.e.*, September 16, 2020). This sunset period is, of course, extendible by Congress.

Of additional note, there are limitations on the type of prior art that may be used under the Transitional Program. Art that may be used includes art eligible under current § 102(a), before the AIA took effect—art showing that the invention was known or used by others in this country, before the invention by the applicant. Eligible prior art also includes art that discloses the invention more than 1 year before the date of the application for patent *and* art which would be eligible under current § 102(a) *if* the disclosure had been made by another before the invention by the applicant. Thus, while *inter partes* reexaminations are generally limited to patents and printed publications, petitioners under the Transitional Program may also use non-published evidence of knowledge or use prior to the alleged invention.

Finally, collateral estoppel may be applied against a petitioner under the Transitional Program in later proceedings with respect to grounds *actually raised* during the petition brought under the Transitional Program. This differs from the Post-Grant Review proceeding in that Post-Grant Review petitioners are estopped from re-raising arguments that were "raised or reasonably could have been raised."

In sum, owners of business method patents should take care to consider that an alleged infringer may petition for post-grant review under the Transitional Program. It may be advisable that such owners of business method patents conduct a pre-litigation search for, and analysis of, potential art in an attempt to ensure that the asserted patent would survive post-grant review.

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MBHB attorneys are well versed on the Leahy-Smith America Invents Act patent law changes and how the changes will impact prosecuting and enforcing patents in the U.S. Please contact an MBHB attorney should you have any questions about the Act or to arrange an in-house seminar about the Leahy-Smith America Invents Act. For more general information about the Act, and its impact on the patent laws, view our most recent edition of *snippets*.

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