Patent Prosecution Update

November 2011

Navigating the New U.S. Patent Filing System

Recently, President Obama signed into law the America Invents Act (AIA), which represents the first major overhaul of U.S. patent law in over half a century. Of the many changes, the AIA most notably converts the U.S. patent filing system from a First-to-Invent system to a First-Inventor-to-File system on March 16, 2013 ("the effective date"). The new system will apply to applications that include at least one claim not entitled to a priority date earlier than the effective date. That is, if all of the claims of an application filed after the effective date are entitled to a priority date earlier than the effective date, the prosecution of that application will be governed by the First-to-Invent system. This article discusses the new system and provides some strategies for navigating the change. **More**

UK High Court Revisits Excluded Subject Matter with Some Promise for Applicants

by Martin D. Hyden

Recently, the United Kingdom (UK) High Court suggested that the practice of the UK Intellectual Property Office (UKIPO) may have to change to permit more patenting of inventions in excluded categories. **More**

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Navigating the New U.S. Patent Filing System

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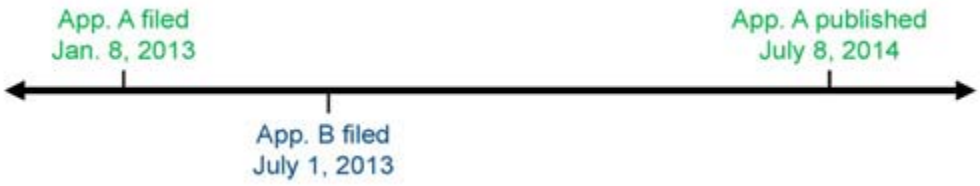
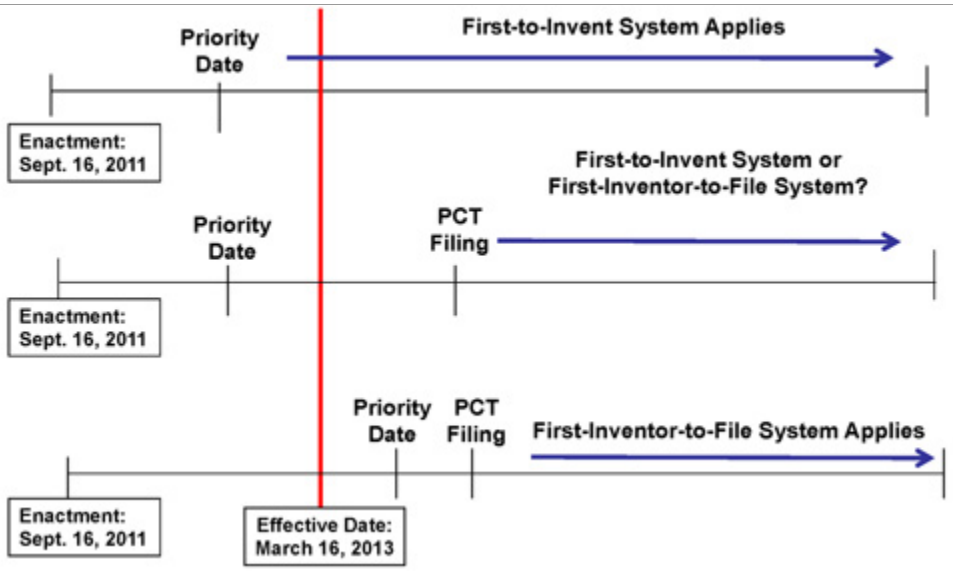
The First-Inventor-to-File System

The change from a First-to-Invent system to a First-Inventor-to-File system was accomplished by replacing current 35 U.S.C. § 102(a)-(g) with new 35 U.S.C. § 102(a)-(d). Most importantly, new § 102 (1) imposes a near absolute novelty requirement with a limited inventor grace period and (2) redefines the universe of available prior art. As the name of the new system suggests, the basic premise is to award patents to the first filer. In its simplest form, the new system eliminates the possibility of antedating a prior art reference based on earlier invention. For example, the timeline below shows a common scenario that occurs during patent prosecution. Under the old system, if Applicant A's published application is applied as prior art against Applicant B's patent application, Applicant B could antedate Applicant A's filing date by showing earlier inventive activity. Under the new system, however, Applicant B cannot antedate and is precluded from obtaining a patent because he/she was not the first to file.



Straddling the Effective Date of the First-Inventor-to-File System

Because the change to a First-Inventor-to-File system does not apply to applications already pending on the effective date, or to applications only having claims entitled to a priority date earlier than the effective date, it is important to understand how these new changes can impact the prosecution of applications filed after the changes are implemented. The timelines below show three scenarios demonstrating whether the new or old system will govern the prosecution of an application filed after the effective date of the changes. The first timeline shows a clear-cut situation: the First-to-Invent system applies to any application pending before the changes become effective. The third timeline shows a similarly clear case: the First-Inventor-to-File system applies when both the priority date and the application filing date are after the effective date of the changes. The situation is less clear when the priority date and the application filing date straddle the effective date of the new system, as shown in the middle timeline. In this case, if the application included *at any time* at least one claim not entitled to the earlier priority date, the First-Inventor-to-File system will govern prosecution, even if that claim was cancelled before examination on the merits.

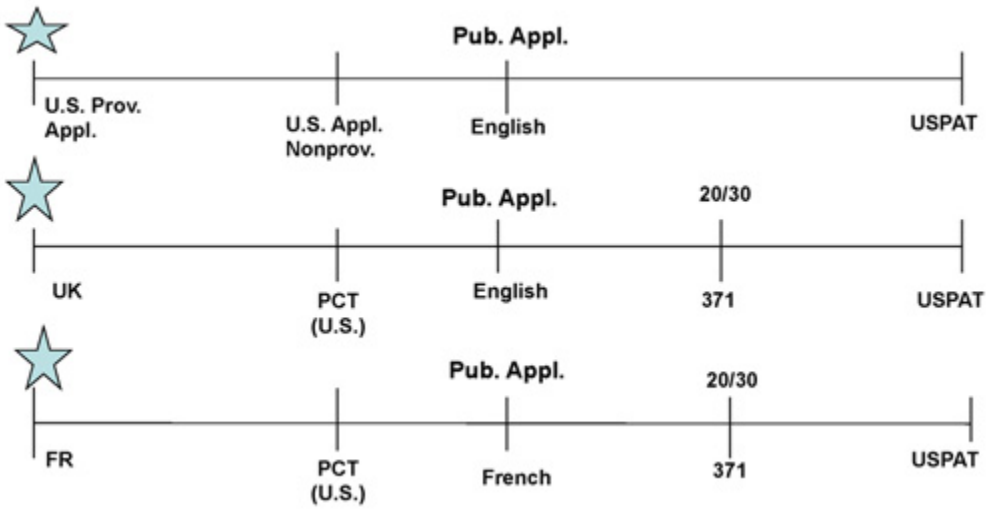


Inventor Grace Period Exception

Despite its name, the new system is not an absolute novelty system because it includes a limited inventor grace period. In particular, the AIA provides a one-year grace period for an inventor's own work, such as a publication by or obtained from any inventor. For example, if Applicant A publicly discloses first, Applicant A can safely file within one year of that disclosure, even if a third party discloses or files before Applicant A files its patent application. In other words, Applicant A is not precluded from obtaining a patent if a third party files its application between Applicant A's disclosure and filing dates. Thus, under the new regime, an inventor's disclosure can act as a placeholder while an inventor prepares its application for filing.

Significant Effective Prior Art Date Changes

The AIA also expands the pool of available prior art. Under the old system, a published U.S. patent application (or a published PCT application that designated the United States and was published in English) qualified as prior art only as of its U.S. (or PCT) filing date, regardless of any foreign priority date. The new regime, however, eliminates all geographical and language distinctions for such applications. Once the changes are implemented, the effective prior art date of such applications will be the earliest filing date to which these applications are entitled to a right of priority, even if the earliest filing date is a foreign priority date. These changes are illustrated in the three timelines that follow this paragraph. As denoted by the star on the first timeline, the published U.S. application qualifies as prior art as of its U.S. provisional filing date under both the new and old regimes. The second and third timelines, however, show how the new regime expands the universe of available prior art. As illustrated in the second timeline, an English international publication of a PCT application designating the United States qualified as prior art under the old system only as of its PCT filing date. Under the new regime, however, that same international publication would qualify as prior art as of the United Kingdom filing date (i.e., the foreign priority date). Similarly, the third timeline shows that, under the new system, the illustrated U.S. patent will qualify as prior art as of the French priority date, regardless of the language of the international publication.



How to Work Within the New System

The AIA's change from a First-to-Invent system to a First-Inventor-to-File system therefore involves more than simply awarding patents to the first filer. The change not only can result in loss of patent rights, but also can impact the patentability of applications filed after the changes are implemented. Thus, it behooves patent applicants to gain an early understanding of the changes and develop strategies to their benefit. For example, patent applicants should consider filing new nonprovisional applications before the changes become effective, so that these applications will be governed by the First-to-Invent system and avoid the larger pool of prior art. In either system, and most especially in the new system, patent applicants should make every effort to file new applications as soon as possible. If preparing and filing a full nonprovisional application requires significant time, patent applicants should consider filing a provisional application to secure an early priority date. Further, patent applicants should take care when adding claims in applications having priority and filing dates that straddle the effective date of the changes. As explained above, adding to an application a single claim not entitled to a preimplementation priority date, even if that claim is later cancelled, will irreversibly cause the application to proceed under the First-Inventor-to-File regime.

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UK High Court Revisits Excluded Subject Matter with Some Promise for Applicants

by Martin D. Hyden

(cont'd)

UK patent law excludes patenting of certain subject matter, even if the conditions of novelty, inventive step, and industrial applicability are otherwise met. This part of UK law mirrors that of the European Patent Convention and states that patents shall not be granted for inventions comprising, among other things, computer programs, mathematical methods, mental acts, or business methods, "as such." It is the "as such" language that has challenged legal minds in the UK and European Patent Office (EPO) since the law was enacted in the late 1970s. The presence of one of these excluded categories in a claim is not determinative. It is necessary to look at the claim as a whole to decide whether or not the invention falls within any of the excluded categories.

The UKIPO and UK courts are required to follow the decisions of the EPO on issues of excluded subject matter. Issues arose when the UK courts were asked for a decision regarding two applications that appeared to fall in the excluded categories.[1] When the UK courts reviewed the EPO decisions, they found discrepancies making it difficult to establish an overriding principle to direct the courts. As a result, the UK Court of Appeal derived a four-part test for determining whether or not an invention should be refused as excluded subject matter: (1) properly construe the claim; (2) identify the actual contribution; (3) ask whether it falls solely within the excluded subject matter; and (4) check whether the contribution is actually technical in nature. The UKIPO adopted the four-part test, resulting in the UKIPO using a different standard than the EPO when considering excluded subject matter.

The EPO considers the claim to fall outside the exclusion as long as the claim includes something other than excluded subject matter. Therefore, in the EPO, as long as something physical exists in a computer program claim, such as a carrier, the exclusion does not apply. However, under the EPO's analysis, excluded subject matter cannot establish an inventive step because the EPO does not consider excluded subject matter as contributing to the technical nature of the invention. Consequently, the EPO routinely refuses claims to improvements in computer-implemented systems as excluded subject matter on the grounds that the only contribution was the improvement in the computer program or mental-act aspect of the invention.

The UKIPO approach focuses on the contribution of the claimed invention as opposed to the words of the claim. This approach considers the contribution of the claimed invention to the stock of human knowledge. For example, the contribution of a claim to a new computer program on a carrier is only the new computer program, so the exclusion applies. This UKIPO practice has been strict so far.

The recent decision of the UK High Court in *Halliburton v. Comptroller* [2011] EWHC 2508 (Pat), suggests that the UKIPO applies the test too strictly. This decision considered the exclusion of inventions relating to mental acts. The Court held that this exclusion must be interpreted narrowly and only found where it is possible to perform the steps of a claim purely mentally, i.e., without the need to perform any

nonmental act. This confirms that a claim that includes something that cannot be performed mentally cannot be refused on this excluded ground alone.

In the *Halliburton* case, the invention related to a method for designing drill bits for use in oil drilling. The UKIPO routinely held design as a mental act. In view of its decision regarding the narrow scope of the mental-act exclusion, however, the Court considered the other excluded categories. The Court held that the contribution of the invention was a computer-implemented method of bit design, even though the invention was found entirely in the software that controls the design process. The Court found that circumstance will indicate whether or not the invention is patentable. The Court provided an example: "when the task carried out by the computer program is not itself something within the excluded categories then it is likely [but not necessarily] that the technical contribution has been revealed and thus the invention is patentable." This holding suggests that the UKIPO's approach is too strict relative to the contribution of computer-implemented inventions and that the task of the computer program should receive more weight.

The UKIPO may appeal this decision, so this may not be the last word on this issue. However, claim drafters seeking protection in the UK should consider this ruling, making sure to incorporate nonmental acts into the claim. This should be sufficient for patentability as long as the *Halliburton* decision remains good law. But claim drafters should stay apprised of any action in this case that might reimpose the UKIPO's stricter requirements on excluded subject matter.

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[1] *Aerotel v. Telco / Macrossan's Application* [2007]

Martin Hyden has over 25 years of experience as a UK and European patent attorney. He has also passed the USPTO qualifying examination. He has worked in both private practice and in-house in the UK, USA, Japan, and France, and is now based in Finnegan's Brussels office, where his practice is focused primarily on patent prosecution and oppositions and appeals from patent office decisions, including representation at hearings and oral proceedings. He currently has a number of clients for whom he handles prosecution at the UKIPO for computer-implemented inventions in which the question of excluded subject matter is commonly raised.

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Rule Review

The America Invents Act (AIA) overhauled several aspects of patent law, including establishing a new threshold for requesting *inter partes* reexamination. Under the prior patent laws, *inter partes* reexamination of a patent was granted only upon a showing of a substantial new question of patentability (SNQ) for at least one patent claim. Effective upon enactment of the AIA, however, this threshold has changed. The new threshold requires a petitioner to show that the information in its request establishes a reasonable likelihood that the petitioner will prevail with respect to at least one patent claim. This new threshold applies only to requests for *inter partes* reexamination filed on or after September 16, 2011, and the SNQ standard will apply to all earlier requests to the conclusion of those proceedings. As the new "reasonable likelihood of prevailing" threshold appears to be a higher standard, the USPTO may now not grant a request for *inter partes* reexamination where it may have in the past. Thus, prior to filing a request for *inter partes* reexamination, third parties should carefully consider the various options for challenging a patent relative to the newly instituted threshold.

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The Federal Circuit Says

Means-plus-function claim terms that lack sufficient structural disclosure in the specification to satisfy 35 U.S.C. § 112, ¶ 6, are unpatentable as indefinite under 35 U.S.C. § 112, ¶ 2. While this is not a new statement in the law, the majority of a split Federal Circuit panel in *In re Aoyama*, No. 2010-1552 (Fed. Cir. Aug. 29, 2011), found that a flowchart in the specification setting forth particular process steps, determinations, and results for "a method of reverse logistics" failed to sufficiently disclose structure to support the claimed "controller system including reverse logistics means for generating transfer data." Maj. op. at 9. Judge Newman noted in her dissent that the majority's holding heightens the requirement of disclosure for computer-implemented method claims. Diss. op. at 11.

Based on Federal Circuit precedent, the corresponding structure in the specification for computer-implemented means-plus-function limitations is not the general-purpose computer, but the specific-purpose computer programmed to perform the particular algorithm. *WMS Gaming Inc. v. Int'l Game Tech.*, 184 F.3d 1339, 1349 (Fed. Cir. 1999). And means-plus-function claims lacking sufficient disclosure are indefinite and unpatentable under 35 U.S.C. § 112, ¶ 2. *Aristocrat Techs. Austl. PTY Ltd. v. Int'l Game Tech.*, 521 F.3d 1228, 1337-38 (Fed. Cir. 2008).

In re Aoyama involved the claim term "reverse logistics means for generating transfer data." The majority construed this limitation as a means-plus-function term and analyzed the specification for its corresponding structure. The majority focused on Fig. 8 of the disclosure as the portion of the specification linked to the claimed function. The majority stated, however, that although Fig. 8 shows an algorithm, it only shows results that are obtained and does not describe how to achieve those results. In particular, the majority concluded that Fig. 8 fails to include any disclosure explaining how to "generate transfer data" as claimed. After concluding that the means-plus-function features of the claims lacked sufficient disclosure under 35 U.S.C. § 112, ¶ 6, the majority, on its own accord, found the claims indefinite under 35 U.S.C. § 112, ¶ 2.

In her dissent, Judge Newman noted that Fig. 8 represented a typical computer-routine format. Judge Newman also noted that the specification included a lengthy description of Fig. 8 regarding the receipt and transfer of data, and disclosed that the routine can be implemented in hardware, software, or a suitable combination of hardware and software.

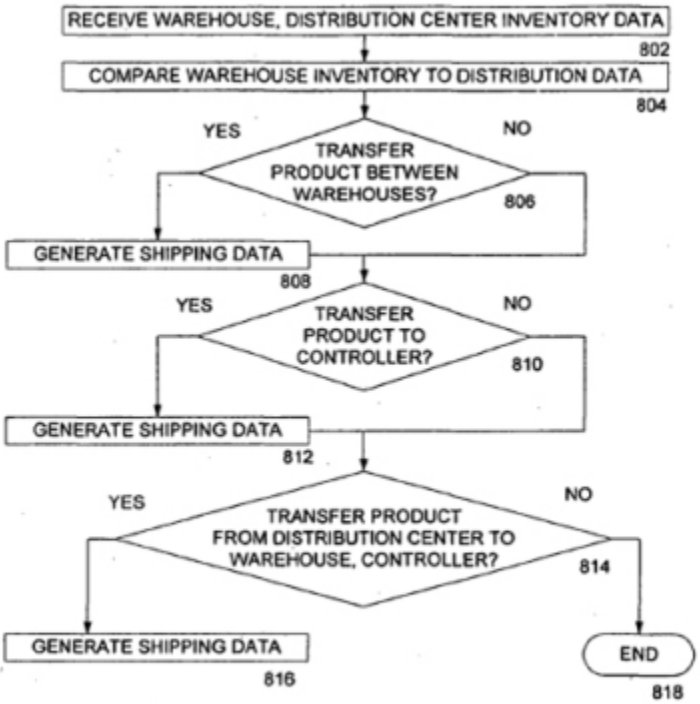

FIGURE 8 800

Judge Newman explained that the form and content of the flowchart represent typical and established ways for describing computer-implemented processes. Quoting from *Aristocrat Technologies*, 521 F.3d at 1337, she stated that "the sufficiency of the disclosure of algorithmic structure must be judged in light of what one of ordinary skill in the art would understand the disclosure to impart." The standard is not a heightened threshold, nor does it require actual software code. Judge Newman also pointed out that Federal Circuit precedent includes several examples where the Court considered a flowchart or figure, similar in form and content to Fig. 8 and its accompanying text, to disclose sufficient structure to satisfy 35 U.S.C. § 112, ¶¶ 2 and 6.

Judge Newman concluded that the majority lacked a basis for changing the practice of presenting and disclosing computer-implemented methods in patents. She criticized the majority for failing to address whether one of ordinary skill in the art would understand the disclosure as a structural algorithm to perform the claimed function of generating transfer data.

Despite the dissent, applicants using means-plus-function limitations to claim computer-implemented methods should carefully consider the corresponding disclosure in the specification to determine if sufficient disclosure exists. A flowchart, like Fig. 8 in *In re Aoyama*, may not be sufficient and may result in claims being rejected or considered unpatentable under 35 U.S.C. § 112, ¶ 2, for being indefinite.

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Did You Know?

The United States Patent and Trademark Office (USPTO) now provides for fast-track examination. In recent years, application backlogs and the average time needed to process a patent application have plagued the USPTO. It currently takes almost three years to process a typical patent. To address these problems and promote greater efficiency within the Office, the America Invents Act provides a mechanism for prioritized examination within the USPTO. This mechanism, known as the Track One program, became available on September 26, 2011, and provides patent applicants with some control over when their applications are examined. Participation in the Track One program is limited to 10,000 applications per USPTO fiscal year. As of October 13, 2011, 254 applications have been filed as Track One cases in the current fiscal year. Statistics regarding the Track One program are currently available on the USPTO website at the following location: http://www.uspto.gov/aia_implementation/patents.jsp.

To be eligible for expedited processing under the Track One program, a nonprovisional application (which may include continuation and continuation-in-part applications) must be filed on or after September 26, 2011, via the USPTO's electronic filing system, must not include any multiple dependent claims, and must contain no more than four independent claims and thirty total claims. In addition, the application must be deemed "complete." To be "complete," all application parts, necessary fees, and a request for prioritized examination must be submitted on the date of filing. For a large entity, the necessary fees include (1) a $1,250 application filing fee; (2) a $4,800 prioritized examination fee; (3) a $130 processing fee; and (4) a $300 publication fee. Thus, aside from any applicable size or excess claims fees, the total large entity fees for a prioritized application will be $6,480. Small entities receive a 50% discount on the prioritized examination and application filing fees. Participation in the Track One program does not require conducting any patentability searches or commenting on the results of such searches.

Applications receiving a priority designation will be "accorded special status and placed on the examiner's special docket throughout its entire course of prosecution . . . until a final disposition is reached." Changes To Implement the Prioritized Examination Track (Track 1) of the Enhanced Examination Timing Control Procedures, 76 Fed. Reg. 59050 (Sept. 23, 2011). The USPTO's stated goal is to provide a "final disposition" within twelve months of granting prioritized status to an application. A "final disposition" may include (1) allowance, (2) final rejection, (3) the declaration of an interference, or (4) abandonment. Any request for an extension of time will cause the application to be ineligible for further treatment under the prioritized examination (Track One) program.

The Track One program may be a useful option for entities interested in procuring granted patents quickly. For example, start-ups interested in quickly building a patent portfolio to assist with raising capital may use the Track One program to expedite the processing of their patent applications.

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