

# Does the AIA Address the “Patent Crisis”?

**A Scorecard and Follow-up to The Council’s 2009  
“Patent Crisis” Roundtable**

**John A. Squires**  
Co-Chair, IP Group  
Chadbourne & Parke, LLC

**Council on Foreign Relations**  
New York, New York  
October 31, 2011

# Taking Stock from 2007 CFR Roundtable

---

- Problem areas driving crisis:
  - Patent quality
  - Litigation abuse
    - The rise of NPE's as new actors
    - Favorite fora for asserting patents
  - Uneven effect in differing industries
    - Traditional industries where patents are part of the landscape
    - New technologies and eligibility questions

## 2007 CFR Roundtable Conclusions

---

- Modernization of US Patent laws and ‘ecosystem’ overdue
- Litigation claims and awards rising, burdening innovation
- Unitary system should be preserved (special rules disfavored – Lerner)

# Taking Stock from the 2009 Roundtable

---

- The Financial Services Industry as active stake holders:
  - Quality
  - “Predatory” assertions
    - (not necessarily localized to FS but technology in general)
  - Notice and Venue (complex value chains and incremental invention)
  - Damages/Transparency
  - Valuation

# AIA Scorecard

---

- **Quality**

- Pre-issuance Submissions (recall “Rule 99” submissions?)
  - Must include a concise statement of relevance
- 5 New Post-issuance procedures
  - “Section 18” Transitional Post Grant Review
    - applies to *“a patent that claims a method or corresponding apparatus for performing data processing operations utilized in the practice, administration, or management of a **financial product or service**, except that the term does not include patents for **technological inventions**”*
  - What is a “technological invention”?
  - Can only request if sued or “charged with infringement” (reasonable apprehension?)
    - Patentee not permitted to seek preliminary injunction during three month period after issuance if post-grant review request is pending

# AIA Scorecard (FS Stakeholder perspective)

---

- **Section 18 Review**

- Can be requested at any time in patent's term
- Many 'bites at the apple' too:
  - Prohibition on raising arguments that could have been raised earlier in ordinary Post-Grant review does not apply
  - Post-grant review could potentially be followed by ex parte reexam request, and district court action on new arguments
- Also applies to reissued patents
- Interlocutory appeal of grant or denial of stay pending review
  - Federal Circuit may review *de novo*
- Jurisdictional Change: ATMs do not establish venue

# AIA Scorecard (FS Stakeholder perspective)

---

- **Prior Commercial Use under 35 USC 273 expanded**
  - Personal defense is now stated to extend to ‘an entity that controls, is controlled by, or is under common control with such person’
  - Prior statute limited to a ‘method’
    - Defense now explicitly covers subject matter consisting of ‘a process’ or ‘a machine, manufacture, or composition of matter used in the manufacturing or other commercial process’
  - Can be a basis of Post-Grant proceeding (Section 321(b))
- **Other Change (FS-specific)**
  - Tax strategies can no longer be differentiated from the prior art

# AIA Scorecard

---

- Quality
- “Predatory” assertions
- Notice and Venue (complex value chains and incremental invention)

→ A-/B+

- Damages/Transparency
- Valuation

→ Incomplete

# AIA Scorecard

---

- Damages, Valuation ...and the “Invisible Hand(s)” (or An Optimists View of a grade of “INCOMPLETE”)
  - Market forces on the horizon?
    - Enforcement as a ‘valuation event’
      - Price discovery
      - ....but not below a ‘nuisance value’ floor
      - Quality as affecting valuation
        - 5 new Post-issuance procedures (and pre-issuance submission)
      - A more efficient secondary market
- Better transparency (based upon ‘valuation events’) at any point in a patents life-cycle, should create for a better system