A Guide to the Legislative History of the America Invents Act: Part II of II

Joe Matal*

Introduction

This is the second Article in a two-part series about the legislative history of the recently enacted Leahy-Smith America Invents Act ("AIA").[1] The first Article addressed those sections of the AIA that apply to an application before a patent has issued—principally, the bill's amendments to §§ 102, 103, 115, 122, and 135 of title 35, and several of the AIA's uncodified provisions.[2] This second Article addresses those changes made by the AIA that apply only after a patent has been granted. It examines the legislative history of the AIA's provisions concerning post-grant review of patents; inter partes proceedings; supplemental examination; the section 18 business-method-patent-review program; the new defense of prior commercial use; the partial repeal of the best-mode requirement; and other changes regarding virtual and false marking, advice of counsel, court jurisdiction, USPTO funding, and the deadline for seeking a patent term extension. This second Article consists of two parts: Part I addresses sections of the U.S. Code that were amended by the AIA, and Part II addresses sections of the AIA that are uncodified.

I. Sections of the U.S. Code That Are Amended by the AIA

A. 28 U.S.C. §§ 1295(a)(1), 1338(a), and 1454: The Holmes Group v. Vornado Fix

Section 19 of the AIA, at subsections (a) through (c), enacts the so-called *Holmes Group*[3] fix.[4] These provisions: (1) amend title 28 to clarify that state

---

* Joe Matal has served as a Judiciary Committee Counsel to Senator Jon Kyl since 2002, except for when he served as the Minority General Counsel of the Judiciary Committee from May 2009 to January 2011 while Senator Jeff Sessions was the ranking member of the committee. The author thanks his wife, Maren, for her assistance and support during the drafting of these Articles.

[1] Pub. L. No. 112-29, 125 Stat. 284 (2011). The first Article appeared in volume 21, page 435, of the Federal Circuit Bar Journal. Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part I of II*, 21 Fed. Cir B.J. 435 (2012).

[2] Matal, *supra* note 1, at 436.

[3] Holmes Grp., Inc. v. Vornado Air Circulation Sys., Inc., 535 U.S. 826 (2002).

courts lack jurisdiction over legal claims arising under patent, copyright, and plant-variety-protection statutes, and deem the various overseas territories to be States for this purpose; (2) extend the Federal Circuit's appellate jurisdiction to compulsory patent and plant-variety-protection counterclaims, thereby abrogating *Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.*;[5] and (3) allow removal of civil actions in which "any party" asserts legal claims under patent, copyright, or plant-variety-protection statutes.[6]

A provision appearing in earlier versions of the AIA as § 19(d), which would have required the Federal Circuit to transfer cases that had been appealed as patent or plant-variety-protection cases but in which no such legal claim "is the subject of the appeal by any party," was eliminated from the AIA during House floor consideration.[7]

The 2011 Committee Report briefly described these provisions, noted that similar legislation was reported by the House Judiciary Committee in 2006, and "reaffirm[ed]" the Committee Report for that earlier bill.[8]

The Committee Report for the 2006 *Holmes Group* bill stated that:

> The [House Judiciary] Committee believes *Holmes Group* contravened the will of Congress when it created the Federal Circuit. That is, the decision will induce litigants to engage in forum-shopping among the regional circuits and State courts. Extending the argument, the Committee is concerned that the decision will lead to an erosion in the uniformity or coherence in patent law that has been steadily building since the Circuit's creation in 1982.[9]

The *Holmes Group* provisions were added to the AIA during the Senate Judiciary Committee's markup of the bill on February 3, 2011.[10] During the Senate debates in March 2011, Senator Kyl noted that the AIA modified the 2006 bill by limiting its expansion of Federal Circuit jurisdiction to "only *compulsory* counterclaims."[11] Senator Kyl stated: "Compulsory counterclaims are defined at Rule 13(a) and basically consist of counterclaims that arise out of the same transaction or occurrence and that do not require the joinder of parties over whom the court would lack jurisdiction."[12] He explained that "[w]ithout this modification, it is possible that a defendant could raise unrelated and unnecessary patent counterclaims simply in order to manipulate appellate jurisdiction."[13] Senator Kyl also noted that § 1454, the new removal

[5] *Holmes*, 535 U.S. 826.
[6] Leahy-Smith America Invents Act, sec. 19, 125 Stat. at 332.
[7] 157 Cong. Rec. H4446 (daily ed. June 22, 2011).
[8] H.R. Rep. No. 112-98, at 81; *see also id.* pt. 1, at 54.
[9] H.R. Rep. No. 109-407, at 5 (2006).
[10] S. 23, 112th Cong., sec. § 17 (2011).
[11] 157 Cong. Rec. S1378 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl).
[12] *Id.* at S1378–79.

statute, had been modified to clarify that intellectual-property counterclaims would not be remanded.[14]

B. 28 U.S.C. § 1295(a)(4)(A): Jurisdiction of the Federal Circuit

This subparagraph was revised to identify all of the various Patent Trial and Appeal Board proceedings from which the Federal Circuit shall entertain appeals.[15]

Senator Kyl addressed these revisions during the March 2011 debates, commenting that "[t]he language of subparagraph (A) is also generalized and clarified, recognizing that the details of what is appealable will be in sections 134 and 141."[16] He also noted that it "appears that Congress never gave the Federal Circuit jurisdiction over appeals from reexaminations when it created those proceedings," and that the AIA's recognition of such jurisdiction was therefore made retroactive.[17] Finally, he noted that "[i]n the effective-date provision . . . , various existing authorities are extended so that they may continue to apply to inter partes reexaminations commenced under the old system."[18]

C. 35 U.S.C. §§ 6, 141: Patent Trial and Appeal Board and Appeals to the Federal Circuit

Section 6 of title 35 is revised by section 7(a) of the AIA to (i) redesignate the Board of Patent Appeals and Interferences ("BPAI") as the Patent Trial and Appeal Board ("PTAB" or "Board"), (ii) to authorize the new Board to hear appeals of examinations and reexaminations, and (iii) to enable the Board to conduct derivation proceedings and inter partes and post-grant reviews.[19] Consistent with this change, in section 7(c) of the AIA, "section 141 of title 35 [was] modified to allow appeals of PTAB decisions in inter partes and post-grant reviews, and the section is edited and reorganized."[20]

The Committee Report briefly commented on these revisions,[21] as did Senator Kyl, who noted that the recodification of section 6 departs from previous

[14] *Id.*

[15] *See* Leahy-Smith America Invents Act, Pub. L. No. 112–29, sec. 6(f)(3)(C), § 1295(a)(4)(A), 125 Stat. 284, 313 (2011); *see also* 157 Cong. Rec. S1377 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl).

[16] 157 Cong. Rec. S1377 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl).

[17] *Id.*

[18] *Id.*

[19] Leahy-Smith America Invents Act, sec. 7(a), 125 Stat. at 313.

[20] 157 Cong. Rec. S1377 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl).

versions of the bill by allowing all members of the PTAB to participate in all proceedings.[22]

Section 6(f)(2)(B) of the AIA provides that, for purposes of pending interferences, "the Director may deem the Patent Trial and Appeal Board to be the Board of Patent Appeals and Interferences" and conduct "any further proceedings in that interference."[23] Paragraphs (2) and (3) of section 7(e) of the bill create similar authority for pending inter partes reexaminations.[24] And in conformity with this change, "language [was] added to section [6(f)(3)(C)] of the bill that deems references to derivation proceedings in the current appeals statutes to extend to interferences commenced before the effective date of the bill's repeal of interferences."[25]

D. 35 U.S.C. § 32: Suspension or Exclusion from Practice

Section 3(k) of the AIA modifies the statute of limitations for initiating a proceeding under 35 U.S.C. § 32 to exclude an attorney from practice before the USPTO.[26] It requires that such a proceeding be initiated within the earlier of either the ten-year period after the misconduct occurred, or one year after the misconduct was reported to the USPTO "as prescribed in * * * regulations."[27] Section 3(k) also requires the USPTO to report every two years to Congress on substantial incidents of misconduct that evade investigation because of the ten-year time limit.[28]

Senator Kyl commented on these provisions during the March 2011 Senate debates, describing the ambiguity that existed as to which deadline applied to § 32 proceedings under pre-AIA law.[29] He also noted that "[a] 10-year limit would appear to allow a proceeding for the vast bulk of misconduct that is discovered,"[30] while staying within the time period "during which individuals can reasonably be expected to maintain an accurate recollection of events and motivations."[31]

---

[22] 157 Cong. Rec. S1377 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl).

[23] Leahy-Smith America Invents Act, sec. 6(f)(2)(B), 125 Stat. at 311.

[24] *Id.* at secs. 7(e)(2), 7(e)(3), 125 Stat. at 315.

[25] 157 Cong. Rec. S1377 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl) ("In the effective-date provision at the end of section [7], various existing [appeal] authorities are extended so that they may continue to apply to inter partes reexaminations commenced under the old system.").

[26] Leahy-Smith America Invents Act, § 3(k), 125 Stat. at 291.

[27] *Id.* § 3(k)(1).

[28] *Id.* § 3(k)(2).

[29] *See* 157 Cong. Rec. S1372 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl).

[30] *Id.*

E. 35 U.S.C. § 143: Proceedings on Appeal

Section 7(c)(3) of the AIA amends § 143 of title 35 to allow the Director to intervene in a Federal Circuit appeal of the PTAB's decision in a derivation proceeding or in an inter partes or post-grant review.[32] Senator Kyl noted this provision in passing during the March 2011 debates on the bill.[33]

F. 35 U.S.C. § 202(b): Bayh-Dole Funding Agreements and Technical Corrections

Prior to the enactment of the AIA, § 202(c)(7)(E)(i) of title 35 provided that, if a government-owned, contractor-operated facility received net royalty income from patented inventions developed through federally funded research in an amount that exceeded 5% of the facility's annual budget, then 75% of any such royalty income received in excess of that 5% must be paid by the facility to the federal government.[34] Section 13 of the AIA reduced this 75% toll to just 15%.[35]

The 2011 Committee Report commented briefly on this provision in its background section, noting that:

> The Senate Judiciary Committee considered testimony that the requirement to repay the government 75 percent of the excess on royalty payments may be causing a disincentive for universities and small business operating under the GOCO provisions to commercialize products.[36] Based on these concerns, the Act maintains the essence of the agreement GOCOs made with the taxpayers when they received funding[:] that they would reimburse the taxpayer if they are sufficiently successful in commercializing a product invented with taxpayer dollars, but which reduces the burden on universities and small businesses, thereby encouraging commercialization.[37]

---

[32] Leahy-Smith America Invents Act § 7(c)(3), 125 Stat. at 314–15.

[33] *See* 157 Cong. Rec. S1377 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl).

[34] 35 U.S.C. § 202(c)(7)(E)(i) (2006), *amended by* Leahy-Smith America Invents Act § 13(a)(1), 125 Stat. at 327.

[35] Leahy-Smith America Invents Act § 13(a)(1), 125 Stat. at 327.

[36] H.R. Rep. No. 112-98, at 51 n.52 (2011). A footnote that appears in the Report at this point cites to the following hearing testimony: *The Role of Federally-Funded University Research in the Patent System: Hearing Before the S. Comm. on the Judiciary*, 110th Cong. (2007) (statement of Dr. Elizabeth Hoffman, Executive Vice President and Provost, Professor of Economics, Iowa State University).

[37] H.R. Rep. No. 112-98, at 51; *see also id.* at 79 (section-by-section analysis); S. Rep. No. 111-18, at 46 (2009) (additional views of Sen. Grassley); 157 Cong. Rec. S1366 (daily ed. Mar. 8, 2011) (Republican Policy Committee Legislative Notice) (summarizing section

DOCKET ALARM

Explore Litigation Insights

Docket Alarm provides insights to develop a more informed litigation strategy and the peace of mind of knowing you're on top of things.

Real-Time Litigation Alerts

Keep your litigation team up-to-date with **real-time alerts** and advanced team management tools built for the enterprise, all while greatly reducing PACER spend.

Our comprehensive service means we can handle Federal, State, and Administrative courts across the country.

Advanced Docket Research

With over 230 million records, Docket Alarm's cloud-native docket research platform finds what other services can't. Coverage includes Federal, State, plus PTAB, TTAB, ITC and NLRB decisions, all in one place.

Identify arguments that have been successful in the past with full text, pinpoint searching. Link to case law cited within any court document via Fastcase.

Analytics At Your Fingertips

Learn what happened the last time a particular judge, opposing counsel or company faced cases similar to yours.

Advanced out-of-the-box PTAB and TTAB analytics are always at your fingertips.

API

Docket Alarm offers a powerful API (application programming interface) to developers that want to integrate case filings into their apps.

LAW FIRMS
Build custom dashboards for your attorneys and clients with live data direct from the court.

Automate many repetitive legal tasks like conflict checks, document management, and marketing.

FINANCIAL INSTITUTIONS
Litigation and bankruptcy checks for companies and debtors.

E-DISCOVERY AND LEGAL VENDORS
Sync your system to PACER to automate legal marketing.