

# 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”).<sup>1</sup> 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.<sup>2</sup> 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*<sup>3</sup> fix.<sup>4</sup> 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.

<sup>1</sup> 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).

<sup>2</sup> Matal, *supra* note 1, at 436.

<sup>3</sup> *Holmes Grp., Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826 (2002).

<sup>4</sup> H.R. REP. NO. 112-98, at 81 (2011).

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.*,<sup>5</sup> and (3) allow removal of civil actions in which "any party" asserts legal claims under patent, copyright, or plant-variety-protection statutes.<sup>6</sup>

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.<sup>7</sup>

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.<sup>8</sup>

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.<sup>9</sup>

The *Holmes Group* provisions were added to the AIA during the Senate Judiciary Committee's markup of the bill on February 3, 2011.<sup>10</sup> 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."<sup>11</sup> 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."<sup>12</sup> 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."<sup>13</sup> Senator Kyl also noted that § 1454, the new removal

<sup>5</sup> *Holmes*, 535 U.S. 826.

<sup>6</sup> Leahy-Smith America Invents Act, sec. 19, 125 Stat. at 332.

<sup>7</sup> 157 CONG. REC. H4446 (daily ed. June 22, 2011).

<sup>8</sup> H.R. REP. NO. 112-98, at 81; *see also id.* pt. 1, at 54.

<sup>9</sup> H.R. REP. NO. 109-407, at 5 (2006).

<sup>10</sup> S. 23, 112th Cong., sec. § 17 (2011).

<sup>11</sup> 157 CONG. REC. S1378 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl).

<sup>12</sup> *Id.* at S1378-79.

<sup>13</sup> *Id.* at S1379.

became clear that some offending business method patents are issued in other sections.”<sup>592</sup> The Cantwell amendment was defeated by a vote of 85-13.<sup>593</sup>

During the final day of Senate debate on the AIA, several Senators also engaged in colloquies or made individual statements about section 18, almost all of which focused on the section’s definition of “covered business-method patent.”<sup>594</sup>

### 3. The “*clause (ii)*” Definition of Prior Art

Subsection (a)(1)(C) creates a restricted definition of the types of prior art that can be asserted against a first-to-invent patent in a section 18 review.<sup>595</sup> Subparagraph (C) provides that an anticipation or obviousness challenge against such a patent may only be supported with:

- (i) prior art that is described by section 102(a) of such title of such title (as in effect on the day before . . . [the] effective date [set forth in section 3(n)(1)]); or
- (ii) prior art that—
  - (I) discloses the invention more than 1 year before the date of the application for patent in the United States; and
  - (II) would be described by section 102(a) of such title (as in effect on the day before the effective date set forth in section 3(n)(1)) if the disclosure had been made by another before the invention thereof by the applicant for patent.<sup>596</sup>

The “effective date set forth in section 3(n)(1)” is the effective date of the first-to-file system.<sup>597</sup> The reference to § 102(a) and (b) “as in effect on the day before” that date thus means pre-AIA § 102(a) and (b).<sup>598</sup>

Clause (i) is simple—it refers to pre-AIA § 102(a) prior art.<sup>599</sup> But clause (ii) is somewhat complicated. It combines subclause (I),<sup>600</sup> which refers to

<sup>592</sup> *Id.*

<sup>593</sup> *Id.* at S5437.

<sup>594</sup> See *id.* at S5428 (daily ed. Sept. 8, 2011) (statements of Sens. Pryor, Leahy, Durbin, and Schumer); *id.* at S5428–29 (statement of Sen. Coburn); *id.* at S5431 (statement of Sen. Kyl); *id.* at S5432 (statement of Sen. Schumer); *id.* at S5433 (statement of Sen. Kirk); *id.* at S5433 (statement of Sen. Durbin); *id.* at S5441 (statement of Sen. Leahy). These statements are discussed in the subsequent subsections of this section.

<sup>595</sup> Leahy-Smith America Invents Act, sec. 18(a)(1)(C), 125 Stat. at 330.

<sup>596</sup> *Id.*

<sup>597</sup> *Id.* sec. 3(n)(1), 125 Stat. at 293.

<sup>598</sup> *Id.* sec. 18(a)(1)(C), 125 Stat. at 330.

<sup>599</sup> *Id.*

<sup>600</sup> In the U.S. Code and federal statutes, the order and names of the levels of substructure below the section level are: (a)—subsection (lower-case letter); (1)—paragraph (arabic numeral); (A)—subparagraph (upper case letter); (i)—clause (lower-case roman numeral); (I)—subclause (upper-case roman number); and (aa)—item (lower-case double letter). (Corporate lawyers also tend to refer to clauses as “romanettes.”) Going up from the section

pre-AIA § 102(b)'s grace period, with subclause (II), which refers to prior art that has pre-AIA § 102(a)'s substantive scope and is *presumed* to fall outside of pre-AIA § 102(a)'s invention-date-based grace period.<sup>601</sup> In other words, subclause (II) creates a hybrid form of prior art that consists of things that are or *would be* pre-AIA § 102(a) prior art (we are required to assume that they are outside of the invention-date grace period) and that *do* fall outside the pre-AIA § 102(b) grace period.

The purpose of combining pre-AIA § 102(a)'s substantive scope with § 102(b)'s grace period is to capture that universe of pre-AIA § 102(b) prior art that is publicly accessible.<sup>602</sup> This more limited definition of the prior art that can be asserted against a first-to-invent business-method patent in a section 18 proceeding was adopted in the same Senate floor managers' amendment that limited the types of patents that can be challenged in a post-grant review to only first-to-file patents.<sup>603</sup> As the Republican Policy Committee's summary of the managers' amendment noted, the latter change was made to post-grant review in part to avoid "secret-prior-art issues that would be difficult to address in an administrative proceeding."<sup>604</sup> The same purpose of avoiding discovery-intensive litigation over pre-AIA § 102(b)'s loss-of-right provisions in an administrative proceeding animates clause (ii)'s definition of prior art.

#### ***4. The Definition of "Covered Business Method Patent": Exclusion of "Technological Inventions"***

Section 18(d)(1) of the AIA provides that "the term 'covered business method patent' means 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."<sup>605</sup>

Several features of this definition were discussed extensively during the House and Senate floor debates in 2011. The most important feature of the definition is its exclusion of "technological inventions."

During the March 2011 debates in the Senate, Senator Schumer stated that:

---

level, title 35, like most of the Code, uses chapters, parts, and finally, titles. Some titles of the Code, however place "parts" below "chapters." *See, e.g.*, 26 U.S.C. § 1 (2006).

<sup>601</sup> 157 CONG. REC. S1367 (daily ed. Mar. 8, 2011).

<sup>602</sup> As the Republican Policy Committee summary of the Senate floor managers' amendment noted, subclause (II) is "effectively, old 102(b) prior art but limited to old 102(a)'s publicly-available prior-art scope." *Id.* Pre-AIA § 102(a) prior art is limited to what is publicly accessible. *See Woodland Trust v. Flowertree Nursery, Inc.*, 148 F.3d 1368, 1370 (Fed. Cir. 1998), *reh'g denied*, 1998 U.S. App. LEXIS 24585 (Fed. Cir. Sept. 1, 1998).

<sup>603</sup> 157 CONG. REC. S1038 (daily ed. Mar. 1, 2001).

<sup>604</sup> *Id.* at S1366 (daily ed. Mar. 8, 2011).

<sup>605</sup> Leahy-Smith America Invents Act, sec. 8(d)(1), 125 Stat. at 331.

The “patents for technological inventions” exception only excludes those patents whose novelty turns on a technological innovation over the prior art and are concerned with a technical problem which is solved with a technical solution and which requires the claims to state the technical features which the inventor desires to protect. It is not meant to exclude patents that use known technology to accomplish a business process or method of conducting business—whether or not that process or method appears to be novel.<sup>606</sup>

This construction was propounded repeatedly by members of the House and Senate during the 2011 debates on section 18 of the AIA.<sup>607</sup>

Senators Kirk and Kyl also addressed section 18’s potential application to software patents. Senator Kirk stated that section 18 should not be “too broadly interpreted to cover patents on tangible products that claim novel and non-obvious software tools used to execute business methods.”<sup>608</sup> During the March 2011 debates, Senator Kyl stated that:

As the proviso at the end of the definition makes clear, business methods do not include “technological inventions.” In other words, the definition applies only to abstract business concepts and their implementation, whether in computers or otherwise, but does not apply to inventions relating to computer operations for other uses or the application of the natural sciences or engineering.<sup>609</sup>

During the September 2011 debates on the AIA, Senator Kyl “reiterate[d]” his March 2011 statement about the technological-inventions exception, and he noted that “inventions in computer operations obviously include software inventions.”<sup>610</sup> He then added that:

---

<sup>606</sup> 157 CONG. REC. S1364 (daily ed. Mar. 8, 2011).

<sup>607</sup> See *id.* at H4497 (daily ed. June 23, 2011) (statement of Rep. Smith); *id.* at S5428 (daily ed. Sept. 8, 2011) (statement of Sen. Coburn); *id.* at S5433 (statement of Sen. Durbin) (quoting Rep. Smith). All three of these members also expressed the view that a “covered business method patent” would not include a patent for machinery that counts, sorts, or authenticates currency.

<sup>608</sup> *Id.* at S5433 (daily ed. Sept. 8, 2011) (statement of Sen. Kirk); see also *id.* (statement of Sen. Durbin).

<sup>609</sup> *Id.* at S1379 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl). Senator Kyl’s reference to “abstract” business concepts has been construed by some to suggest that section 18 review may be instituted only if a preliminary showing of § 101 abstractness-invalidity has been made. His use of that qualifier is better understood, however, as a reflection of his view that because *only* technological inventions—those which operate through natural or mathematical principles (rather than human cognition)—will create reproducible results, *all* nontechnological inventions are *inherently* abstract. See *id.* (noting “the expectation that most if not all true business-method patents are abstract and therefore invalid in light of the *Bilski* decision”). Moreover, the text and structure of section 18 clearly allow a business-method patent to be challenged on any validity ground other than pre-AIA § 102(b)’s loss-of-right provisions.

<sup>610</sup> *Id.* at S5431 (daily ed. Sept. 8, 2011) (statement of Sen. Kyl).

# 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.