



America Invents Act – AIA

IN SEPTEMBER 2011 legislation was signed into law in the USA to implement the America Invents Act (AIA). However, it wasn't until March 16 of this year that the provisions of that act came into force. The changes are fairly far reaching and are a first step in addressing some of the manifold problems of the US Patent system. I want to spend a couple of these columns describing what the changes were, what they might mean to you, and why they might not actually be as much of a change as was hoped for.

I should make it clear that I am not a lawyer so nothing I talk about in this article is legal advice. The article is based solely on my lay personal understanding as an interested observer. Because of that, my comments are undoubtedly somewhat selective and subjective. In no way should you take what I say as anything more than background information to assist further research. As with any legal matters, if you have a real problem or concern, always talk to a real attorney!

The AIA act covers US patents in the following areas. I'll go through them one at a time, with the first item in this installment and the remainder in the next column.

- First-Inventor-to-File
- Post grant challenges
- False marking
- Supplemental examination
- Assignee filing
- Tax strategy patents

First-Inventor-to-File

This is potentially a big deal! Up until March 2013, the US was just about the only country in the world that operated a first-to-invent system to decide priority in patent filings. Under the old US system, you didn't have to be the first to file a patent application to claim priority. If you could provide documentary proof that you had invented the idea first, then you were able to claim priority over another, later inventor who happened to file first. As you can imagine, this system led to a lot of arguments, and a lot of legal bills, in trying to determine who invented something first.

The rest of the world operates on a first-to-file system where the priority goes to the first person to file a patent application for the invention, no matter who invented it first. The AIA introduces the almost identical first-

inventor-to-file, which behaves similarly. In other words, if two inventors have the same idea, there has been no public disclosure of that idea, and both describe and claim that same idea in separate patent applications, the inventor that filed his patent application first would be awarded the patent. The act is not retroactive, i.e. the first-to-file provision will have no effect on existing patents or applications filed before March 16, 2013.

The U.S. had to add the word inventor to first-to-file because the US constitution restricts the awarding of the limited monopoly that constitutes a patent to the inventor. First-to-file doesn't embody that distinction and

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would thus be unconstitutional, so it became first-inventor-to-file.

On the face of it, that sounds straightforward, but there's a catch! The AIA may call this a first-inventor-to-file system, but there are still differences between the US definition of first-to-file and everyone else's. The US first-inventor-to-file isn't just a straight race to the patent office; there are still complications and exceptions.

Let's take an example of two companies, Alpha and Beta, who both independently come up with the same idea at approximately the same time.

Company Alpha dreams up the invention



in April 2013, gets it working, and files a patent application in September 2013. Company Beta gets the same brainwave a little later, in May 2013, but files it sooner in August 2013. Who wins? Under the old rules, it would clearly be Company Alpha, as they were the first-to-invent. Under the new AIA system, you might naïvely think, as I did, that the first-inventor-to-file rule would now give the patent to Company Beta as they got to the patent office first. Unfortunately, it's still not that simple.

If Company Alpha had kept quiet about their invention, as you would normally be advised to do, and not made any public disclosures before their filing in August then, indeed, Company Beta would win the first-to-file race and all seems to make logical sense. However, if Company Alpha had publicly disclosed the product in some way, shown it at a trade show, or described it in a blog, for example, before Company Beta had filed or disclosed, then Company Alpha could get the patent. What's going on here? This isn't first-to-file!

The confusion arises because the AIA doesn't remove the old one-year grace period that the US has always allowed on disclosure before filing. You have always had (and still have) one year to file a US patent after you have made public disclosure of the idea. What that means in this example is that the early disclosure by Company Alpha trumps the first filing by Company Beta. You end up with what, to me at least, seems a more confusing system than it was before. The apparent cleanliness of a first-to-file provision is sullied to the point of uselessness by the one year grace period. But that's only my opinion you understand!

The AIA changes the definition of the disclosure that is allowed under the grace period as follows:

“A disclosure made one year or less before the effective filing date of a claimed invention shall not be prior art to the claimed invention under subsection (a)(1) if –

(a) the disclosure was made by the inventor or joint inventor or by another

who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor; or

(b) the subject matter disclosed had, before such disclosure, been publicly disclosed by the inventor or a joint inventor or another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor.”

Note the key points that the initial disclosure must be made by the inventor to be eligible for the grace period. However, once that has happened, then any further disclosure by anyone of the same material is also allowable without damaging the grace period.

Now you have a dilemma. The rest of the world doesn't, on the whole, allow that same one year grace period. If you publicly disclose an invention before filing, then you are out of luck in most of Europe, Australia, and many other places. Disclosure before filing in those jurisdictions means no patent is possible; disclosure before filing puts the idea in the public domain.

Fortunately, as well as the old problem still being in place, so is the old remedy. The US Provisional Patent application. If you want to be safe under both US and international patent law, then you should always file either a provisional patent application, or a full patent application, before public disclosure. That's the safest option, but it's also potentially expensive. Small companies can't afford to file patent applications on every idea they come up with before they even know if it's workable or marketable.

The first-to-file provisions of the AIA mean that you need to be thinking about this even earlier than you did under the old system. Your strategy should vary depending on your filing ambitions. If you are only thinking about filing a patent in the US, nothing international, then early disclosure could be beneficial, even before filing. If you keep quiet about an idea, as you might have done in the past, while you are deciding if the idea is patentable, then

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you run the risk that a competitor might disclose first. With the US system's one-year grace period a competitor's disclosure could trump you, even if you had conceived the invention first. In fact, you could imagine an unscrupulous company deliberately disclosing everything they can think of, whether they can make it work or not, so as to forestall the ability of their competitors to file on anything. This could be a new kind of patent troll.

This leads us to the almost paradoxical conclusion that, if we only want patent protection in the US, we should act defensively and disclose early and fully! Shout the idea to the rooftops, and make sure you do so in enough detail that it fully describes the invention. If you keep any vital component secret, then you didn't really disclose, and you may lose the race. (Always remembering that once you disclose, the clock is ticking and you have one year to file a patent application). This presents a dilemma, the other side of which is that this early disclosure strategy, although good for the US, would be instant death to any international patenting rights. What do you do?

There is strong dissension to the first-inventor-to-file component of the AIA that argues that the race to file first strongly favors large corporations over smaller companies and independent inventors. A large company can afford to file everything immediately, whereas a smaller company can only justify the cost to file on proven ideas. That delay to prove the idea before filing may be fatal to the IP. There is some precedent and justification for this concern as this happened in Canada when they changed over from first-to-invent to first-to-file in 1989, the last large country to make the switch. A study from The National Bureau of Economic Research about

the Canada change concluded, “We find that the switch failed to stimulate Canadian R&D efforts. Nor did it have any effects on overall patenting. However, the reforms had a small adverse effect on domestic-oriented industries and skewed the ownership structure of patented inventions towards large corporations, away from independent inventors and small businesses.” On the other hand, the same report shows that Canadian inventors produced more patents under the new system. Does more patents mean better patents? Who knows, but I doubt it.

There’s also a feeling that the change to first-to-file and the consequent race to file will lead to an inevitable increase in the number of patent applications filed, and an even further lowering of the quality of patent applications, as inventors rush to get them filed early. Neither of these possibilities bode well for reducing the huge 700,000+ application backlog the USPTO currently has. Time will tell, I suppose, but it certainly isn’t the panacea for the US patent system that it was intended to be.

Just to add little more confusion, as if it needed it. The AIA does not define what “disclosure” means in detail. There are going to be grey cases. Demonstrate and describe the invention fully at a trade show or in a magazine article and you have definitely disclosed. However, what if you miss out some details, make a Twitter post, or post it on a temporary page of your web site? The AIA doesn’t even tell you whether shipping a final product constitutes disclosure. If it’s a hidden feature or software, looking at a finished product may not tell you how it works. We are going to have to wait for the inevitable test cases to answer these questions.

What should companies in our industry (which are nearly all small companies by the definition of the USPTO) do about this?

Firstly, the best and broadest way to protect yourself is to file either a full patent application in any country, or a

US provisional application as soon as you possibly can. This needn’t be that financially onerous, as provisional applications are relatively inexpensive. All a provisional has to contain is a full description of the invention and how it works, the more detailed the better. It doesn’t need all the legal language and claims. It should describe the idea well enough that somebody else could make one from the description. Once you have done this, then you have covered your bases in both the US and elsewhere in the world. (Only the US offers provisional applications, but it has become common practice for inventors in other countries to file using the US provisional system as a way to get things started).

Arguably, the keeping of detailed laboratory notebooks is less important than it was. It’s the date you filed or disclosed that now matters, not when you wrote it down in a notebook. Even if you have those laboratory notebooks, the burden of proof to show that you should be the allowed inventor, looks to be onerous and may not be practical if you aren’t the first to file. For the best chance of success, you need to be first to file or disclose, not necessarily the first to invent.

However you read it or define your strategy, the bottom line is the same for everyone, large corporation or small independent inventor. The AIA makes it imperative to file quickly. Delay to reduce your invention to practice (which was encouraged previously) is no longer a good idea. File today and the Devil take the hindmost. ■

Mike Wood runs Mike Wood Consulting LLC, which provides consulting support to companies within the entertainment industry on product design, technology strategy, R&D, standards, and Intellectual Property. A 35-year veteran of the entertainment technology industry, Mike is the Immediate Past Chair of the PLASA Governing Body and Co-Chair of the Technical Standards Council. Mike can be reached at mike@mikewoodconsulting.com.