



## America Invents Act – AIA, Part 2

THIS ARTICLE CONTINUES THE DISCUSSION on the America Invents Act (AIA) that I started in the Spring 2013 issue of *Protocol*. As a recap, the provisions of the AIA came into force on March 16 of this year. Although the changes are ostensibly far reaching, there are some concerns with the new act that might limit its effectiveness. Last issue, we talked about the new First Inventor to File provision of the AIA; this time, I want to cover other aspects of the act that might be relevant to our industry.

*Again, I must make 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 matter, if you have a real problem or concern, talk to a real attorney!*

### Post Grant Challenges

The AIA introduces a system to the USA that is somewhat similar to the Opposition Proceedings that exist in Europe. They allow a patent to be challenged with the USPTO in the first nine months after it is granted and issued. (Note: This only applies to patents with a priority date after 16 March 2013). A patent's validity can be challenged in three areas:

- Obviousness or lack of novelty
- Lack of written description, lack of enablement, or indefiniteness
- Lack of subject-matter eligibility

The thinking behind Post Grant Challenges is to simplify straightforward cases where there is clear evidence that a patent isn't novel (there is strong prior art), is obvious, or isn't described well enough to allow another person to duplicate the invention.

*In case this seems strange, remember that the intent of patents is to promote the spreading of good ideas while rewarding the original inventor, not to keep secrets.*



*As such, it is a requirement of patents that they fully and clearly describe how to make the invention. If you keep them well enough, then those are grounds for disallowing or nullifying the patent. If you have an idea that you want to keep secret (such as the recipe for a great baked bean sauce), then you might want to keep that as a Trade Secret and not apply for a patent. Applying for a patent of necessity means telling everyone what's in the beans.*

For a case to be heard by the USPTO at a Post Grant Review (PGR), the challenger has to show evidence that it is more likely than not that at least one claim is unpatentable for one of the above reasons. If a review is allowed, then it will be heard by an Administrative Law Judge (ALJ) from the new Patent Trial and Appeal Board rather than a District Court Judge. ALJs are specialized judges who have in-depth knowledge of patent law and, usually, of the

technology being patented. As such, they are better positioned to hear and understand complex and sophisticated arguments on technical matters. (I've presented expert testimony to both ALJs and District Court Judges, and I've found this to be true. An ALJ asks you much more pointed and harder questions than a District Court Judge! I've also been part of a PGR in the European Patent Court and, again, the judges are technically knowledgeable.)

The PGR process won't be cheap—USPTO fees start at \$12,500 to open a review, then you have legal and lawyer fees on top. Even with an expedited 12-18 month USPTO review process, it's unlikely that the total will be much less than \$100,000. However, that is still much less than a typical District Court case.

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It's unknown yet how popular these reviews are going to be. As it's only patents filed after 16 March 2013 that are eligible, it will be a couple of years before those start issuing and become candidates for a PGR. The potential, however, is vast. If the European patent office is taken as a guideline, something like 8% of European patents are challenged in a PGR. If the USA were to challenge at the same rate, we could see 10,000 - 15,000 challenges a year going through the USPTO! Already over-stretched, it's not at all clear how the USPTO will cope with that. One reason

they are so popular in Europe is that the challenger wins about two thirds of the time. That's pretty good odds.

If the Post Grant Review process is starting to sound like a good thing to stem the tide of ridiculous patents we've seen in the US in the last few years, there are a couple of "gotchas" to be aware of. Firstly, a challenge must be filed within nine months of the patent issuing, and that challenge must be 100% complete. You can't add any new evidence later on. That could be a hard task. Secondly, if you file a challenge and then lose it, under estoppel rules, you forfeit all future rights to challenge those patent claims again. In the worst case, you might file a challenge, lose, then get sued for infringement. If in the meantime you find further evidence with which to challenge the claims, you likely wouldn't be allowed to use it as a defense against your infringement if the court thinks that you raised the issue, or could have raised the issue, during the PGR. This estoppel would apply, not only in the USPTO, but also in civil court and the International Trade Commission. That's a real Catch 22.

As with many legal matters, it's going to take a few test cases before we know if Post Grant Reviews are effective in the USA or not. Watch this space in 2015.

## False Marking

You may never have heard of this one, but the old law on patent marking was crazy. It spawned a whole new breed of patent troll who trawled the system to make a quick buck. False marking is defined as marking a product with the number of an expired, invalid, or inapplicable patent "for the purpose of deceiving the public" (35 USC § 292). The problem was that the "purpose of deceiving the public" portion was never well defined. Not only was it applied when someone deliberately listed a patent that wasn't relevant, but it was also used to attack companies who inadvertently left an old patent number on a label or brochure after the patent had expired. Why was this attractive to trolls? Well, the old law required the federal government to enforce

the law and collect penalties, but a second provision allowed any person to sue for the offense and then split the proceeds 50:50 with the government. It was essentially bounty hunting. Anyone who noticed that a product label was marked with an invalid or expired patent number could bring suit against the manufacturer. Even worse, some courts interpreted the statutory penalty of \$500 for every such offense as being \$500 for each and every item that had shipped with that marking! That could be millions of dollars for a high volume item. There were troll lawyers who were making a healthy living out of seeking out expired patent numbers on product labels and then suing. An absolutely ludicrous situation.

The new law shuts down this legalized trolling in a number of ways, firstly it restricts the right to file suit not to "any person" but now only to someone who "has suffered a competitive injury" due to the false marking. False marking is now treated, as it should be, as an act of unfair competition, with the onus on the plaintiff to prove that it has caused measurable damage. Secondly, the penalty has been clarified so that it is no longer an automatic \$500 per item shipped, instead the plaintiff may sue "for recovery of damages adequate to compensate for the injury." Finally, it is no longer an offense under the act not to remove expired patent numbers. (An offense under the old system, which I know many PLASA members likely unknowingly committed.) Even better, these law changes were applied retroactively to all existing cases, so the trolls lost out heavily. The law is now likely to achieve what was always intended, to provide a means for the government to enforce penalties against deliberate false marking, and not to be what it had become, an easy money source for trolls.

There's also a welcome simplification of the marking requirement itself. You still have to make it clear that your product is covered by patents. However, that can now be done by marking your products with the text "Patent" and then a website address that gives the specific patents involved. This is much, much simpler to manage and to keep updated.

## Supplemental Examination

This is a new procedure in the USA. The supplemental examination provision allows a patent holder to ask the patent office to consider new information after a patent has issued and ask them if this affects the patent. For example, say I filed a patent on a gel holder that issued as a full US utility patent. After it issues, I dig up some old magazines showing evidence of an old gel holder that predates my patent. I now have the option to send that information directly to the USPTO and request a supplemental examination of my patent in the light of the prior art gel holder.

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The USPTO has a fixed three months to reply and will do so with a certificate that states whether or not the new evidence "raises a substantial new question of patentability." If they say no, then I can stop worrying, and that certificate prevents others from attacking my patent with that same evidence. If they say yes, then that will trigger a reexamination of the patent. A supplemental examination request is not limited to prior art patents and printed publications. It can be based on any information believed relevant to the patent. Supplemental examination is relatively inexpensive; you have to pay \$16,500 up front (\$8,250 for small entity). However, all but \$4,400 (\$2,200) will be refunded if there is no issue. If there is determined to be a question to answer, then the remainder of the fee pays for the reexamination. That \$4,400 may be a good way to get peace of mind.

## Assignee Filing

This change won't make much difference to PLASA companies, I suspect, but I find it interesting as, on the face of it, it seems

to fly counter to the First Inventor to File provision. The AIA allows assignees to file for a patent, not just the inventor. It also allows “one to whom the inventor is under an obligation” to file for the patent. This is a pretty normal situation in company R&D departments, where all the employees have likely signed their rights to any inventions over to the company employing them. In the past, it was still technically the inventor who applied for the patent, and then they immediately assigned it to their employer. Now, the company may apply directly.

Why does this appear counter to the First Inventor to File provision? Well, that provision had to be named “First Inventor to File” as opposed to the “First to File” that all other countries call it because the US Constitution awards the right to apply for the limited monopoly that a patent provides to the inventor and nobody else. However, now the assignee filing portion

of the same act allows others to apply. The resolution of this apparent conflict is that others may now apply, but the patent will still only be granted to the inventor, not to the applicant. In fact, even when an assignee has the right to make an application, an executed oath/declaration by each inventor must be provided by the time the issue fee is paid. This subtle but important difference between the “applicant” and the “inventor” is something we haven’t seen before in the US system. They used to be one and the same.

This change allows companies, agents, or others to act on an inventor’s behalf and file the patent for the inventor. This change will primarily affect companies who will now be able to file on behalf of their obligated employees. The difference is subtle, but it reduces the number of pieces of paper that have to be signed before the filing, which can speed the process.

There are many other changes to the US patent system in the AIA, but I think this covers the ones that are of most interest to PLASA members. How far reaching and important they will be is still a matter of opinion. Some attorneys think these, particularly the first to file and post grant challenge provisions, will make a significant difference, while others think it will be business as usual. Only time and a few test cases will tell.

Next issue back to technical matters! ■

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