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# THE AMERICA INVENTS ACT TURNS FIVE — WHAT INVENTORS NEED TO KNOW

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By: Gary S. Shuster

The America Invents Act (“AIA”) turned five years old last week.

At the time of its adoption, independent inventors were hyper-focused on the switch from “First to Invent” to “First to File”. For example, NPR did a piece where they interviewed a very experienced patent lawyer who explained it as follows:

*The biggest change will be in the first to file. Currently, if you are an inventor, you can take up to a year after you publish your invention to actually file your application and not risk losing it. And then you can, if there is somebody else who has also developed the invention, you end up in what's called an interference, where you debate which of you was first to invent. The new law will streamline that process, and basically, it will be the person who was first to file, and you will eliminate all of these issues about who was first to invent.*

Other articles listed “First to File” as a primary item in their coverage, such as PCWorld, Patently-O, American University, Fast Company, Arstechnica, USA Today, and many others.

In practice, First to File changed a lot of things for independent inventors, but it was not the most important change in the law. Amongst all of the angst about forcing inventors to file multiple provisional patent applications as they developed their invention, front-loading costs for start-ups, and the inherent big business tilt of requiring lawyer involvement even before the invention is complete, the post-grant review provisions got little attention. They turned out to be far more important than the First to File switch.

For the sake of simplicity, this post will address the two major changes that the AIA brought about.

**First Inventor To File:**



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The First Inventor to File rule is fairly simple, and brings the US in line with the rest of the world's approach to the matter.

Savvy inventors know that their "inventor's notebooks" carry little to no weight in determining the "priority date" (the date after which inventions of others are considered to post-date, and therefore not impact, the patentability of the invention).

However, they are also aware that filing a series of provisional patent applications during the year they are developing their invention will protect the priority date for whatever content is enabled in each provisional application.

A provisional patent application (in fact any patent application) that does not go through a patent lawyer carries inherent risk. There are certain "magic words" that can kill a patent. For example, if years of research rendered something obvious to you, but to nobody else, carelessly writing "it was obvious to combine A, B, and C to create D" will make a patent for that combination almost impossible to get. Similarly, a patent claim using the term "composing" instead of "comprising" holds a significantly narrower scope.

The bottom line is that there is a real urgency to get a patent on file as rapidly as possible. I use the "casual observer" test: If I write a sentence about the problem, and somebody looks over my shoulder and reads it, can they figure out the invention? In an extreme example, imagine the discovery of the wing. If Orville Wright left out a simple line drawing of a plane and a note saying "wow, I can't believe this shape can fly", it would have been easy for anybody to see that, copy the design, and file for a patent. Under the First Inventor to File rules (and assuming he can't provide that the design was copied from him), he would not have received his patent for a "Flying Machine".

It is important to note that the switch to "First Inventor to File" simply built on what independent inventors had long known: If you aren't first to file, you will have an uphill battle to show you were first to invent. By getting rid of the ability to rely on a notebook to prove invention date, the AIA also got rid of the risk that the first to invent didn't rush to file, and only to find later that proving invention date is a lot harder than it might seem. Best practice before the AIA was to file provisionals after each important invention during the development of a product. The AIA got rid of an excuse not to do so.



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Bottom line: As hard as it is to come up with money to pay lawyers before you've even completed your invention development, that is what the AIA forces you to do. If money is an issue, write up as much of the provisional yourself, but do it in concert with (and following the instructions of) a patent lawyer.

#### Post-Grant Review:

The AIA created a set of new administrative procedures that companies can use to attack the validity of a patent. These procedures take place in front of the Patent Trial and Appeal Board — an Article I court, meaning that it is comprised of administrative judges that ultimately answer to the President. The PTAB has an enormously high invalidation rate, striking down a supermajority of the claims it has reviewed — so much so that Randall Rader, former Chief Judge of the Federal Circuit Court of Appeals, has called them “death quads killing property rights” and a “death squad” for patents. He went on to observe that “We have an enterprise (i.e., the USPTO) that has 8,000 employees creating a product (i.e., patents) and has 300 employees destroying the same product in contested proceedings.”

Chief Judge Rader is hardly alone. Many pro-invention commentators have decried the AIA, calling it “an Unmitigated Disaster and the Destruction of American Innovation”, “undermining confidence in our patent system, chilling innovation at its roots”, and a “benefit [to] those who want to use patented technology without paying for it”. It has given rise to a concept called “efficient infringement”:

Recently, various commentators have examined the licensing behaviors of IT firms under the currently prevailing regime of weakened patent rights.<sup>2</sup> These commentators note that in this environment of weakened patent rights, firms are making a different rational ignorance decision—namely, they are opting to ignore licensing requests from patent holders, relying on the view that most patent holders will not resort to litigation and that those claims resulting in litigation can generally be dispatched inexpensively either via AIA trials or through motion practice in district courts. Commentators label this form of rationally ignorant behavior “Efficient Infringement.”

Before we delve into the three kinds of post-grant review that the AIA created, it is worth noting the sea change that efficient infringement has brought about. In the years prior to the AIA, patent rights were assumed to be valid, allowing cheap and easy resolution of at least some disputes — the inventor contacts the infringer and they



work out a deal (with many exceptions). Now — particularly for start-ups and independent inventors — the typical response of an infringer is to either ignore the patent or trigger a post-grant review. Post-grant reviews normally fall into a cost range of \$300,000 to \$500,000 to defend, meaning that an inventor who does not already have a war chest can have a very solid patent but find herself unable to approach infringers for fear of being unable to defend a post-grant review.

It is fairly well accepted among independent inventors that the combination of the AIA and recent Supreme Court decisions have dramatically reduced the value of patents.

In informal discussions with five different patent brokers, estimates of the decline in patent valuation between 2000 and 2016 ranged from 80% to 95%. Several empirical studies also show a steep decline. The editor of Intellectual Asset Management has also noted that “It’s been tough in the patent transactions market for several years now.”

Turning to the three types of post-grant review available under the AIA, I first note that the USPTO has put out a helpful chart linked [here](#). I also note that there is one form of post-grant review that is literally called “Post Grant Review”, so while all three forms take place after the patent grant, and are descriptively post grant review, knowing this is useful in avoiding confusion on the subject.

Elements common to all forms of post-grant review:

- Patents can be invalidated without judicial review by an Article III court;
- While the Supreme Court case on the standard of review involved IPR, it is very likely that all forms of post-grant review will give the patent claims the “Broadest Reasonable Interpretation” (“BRI”). BRI means that if there is a reasonable way to read the claim that renders it obvious or not novel, the claim is invalid. By contrast, Article III courts give the claim language terms “their ordinary and customary meaning.” BRI makes invalidation much more likely.
- There is no presumption of validity in post grant reviews. By contrast, Article III courts require clear and convincing evidence of invalidity.
- The defense of the patent’s validity is up to the patent owner.
- The patent owner cannot seek post grant review of their own patent.





- A showing that a patent claim is not novel will invalidate the claim under Section 102.
- A showing that a patent claim is obvious will invalidate the claim under Section 103.
- The cost of defending a review is measured in the hundreds of thousands of dollars.
- The procedure must be completed within a year from the PTAB's decision to institute the review, although a six month extension is possible.
- Post grant review may be repeatedly sought against the same patent by a parade of challengers. Just because a patent survives IPR does not mean that a new IPR will not be filed against it, for example.
- District Court judges have a lot of latitude to manage their caseload, so it is not uncommon for judges to stay (or put on hold) litigation over a patent while they await a decision from the PTAB.

(1) Inter Parties Review (IPR): This is the most frequently discussed form of post-grant review. A petition is filed seeking IPR. After the petition is filed, the PTAB determines whether there is a reasonable likelihood that the claim is invalid. If the answer is yes, the PTAB institutes IPR. By law, IPR must be completed within a year (and the PTAB has been pretty good about meeting that deadline). Anybody other than the patent owner can seek IPR as long as they have not sued to invalidate the patent or been served with an infringement complaint more than a year prior to filing for IPR.

IPR is like a mini-litigation. The parties make motions, engage in discovery, and generally do the very expensive things that parties to litigation hire lawyers to do.

(2) Covered Business Method ("CBM"): This is available only for a non-technological invention (whatever that means), and can only be brought by a party sued or charged with infringement. It is instituted if it is more likely than not that the claim is invalid or if it presents a novel or unsettled legal question with implications beyond the patent at issue.

CBM is not available in cases where the patent at issue does not claim "management of a financial product or service" or "activities that are financial in nature", and where the specification does not "indicate or suggest" that the patent claims are directed at



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financial activity. In the interest of full disclosure, I am the inventor of the patent that led to this holding.

(3) Post Grant Review (“PGR”): PGR is the only one of the post-grant proceedings to allow a challenge based on subject matter eligibility (Section 101), as well as problems arising from the specification (Section 112). Because the AIA predated the aggressive Supreme Court cases limiting patent eligibility under Section 101, this difference is much more important now that it was at the time the AIA was adopted. PGR is instituted if it is more likely than not that the claim is invalid or if it presents a novel or unsettled legal question with implications beyond the patent at issue.

Anybody other than the inventor may file a PGR, but it must be sought within 9 months from patent grant. This raises a strategic question for the inventor: Do you assert a patent immediately, or wait until the 9 month period has passed? By waiting to assert, a District Court will be the only forum to look at Section 101 eligibility, and there are significant differences between the districts and between judges as to how they approach eligibility. By the same token, the USPTO’s guidance on subject matter eligibility leaves a lot of things open to interpretation. Because of the speed with which Section 101 jurisprudence is evolving, this is a discussion that the inventor should have with her patent lawyer.

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