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Martin J. Adelman

George Washington University Law School, madelman@law.gwu.edu

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The America Invents Act, its unique first-to-file system and its transfer of power from juries to the United States Patent and Trademark Office

Martin J Adelman

Theodore and James Pedas Family Professor of Intellectual Property and Technology Law, George Washington University Law School, USA

The signing of the Leahy-Smith America Invents Act (AIA) by President Obama on 16 September 2011 is a landmark event in the history of American patent law. It has already been the subject of numerous articles on the web and in the law reviews as well as in the popular press. I have no intention here of going into all the details of the AIA, I just want to leave the reader with a sense for its eventual impact on American patent law. All the details are to be found in its 37 sections whose titles give the reader a good sense of the scope of the AIA. In one sense Section 1 says it all. It reads:

(a) Short Title.— This Act may be cited as the ‘Leahy-Smith America Invents Act’.

(b) Table of Contents.— The table of contents for this Act is as follows:

Sec. 1. Short title; table of contents.

Sec. 2. Definitions.

Sec. 3. First inventor to file.

Sec. 4. Inventor’s oath or declaration.

Sec. 5. Defense to infringement based on prior commercial use.

Sec. 6. Post-grant review proceedings.

Sec. 7. Patent Trial and Appeal Board.

Sec. 8. Preissuance submissions by third parties.

Sec. 9. Venue.

Sec. 10. Fee setting authority.

Sec. 11. Fees for patent services.

Sec. 12. Supplemental examination.

Sec. 13. Funding agreements.

Sec. 14. Tax strategies deemed within the prior art.

Sec. 15. Best mode requirement.

Sec. 16. Marking.

Sec. 17. Advice of counsel.

Sec. 18. Transitional program for covered business method patents.

Sec. 19. Jurisdiction and procedural matters.

Sec. 20. Technical amendments.

Sec. 21. Travel expenses and payment of administrative judges.

Sec. 22. Patent and Trademark Office funding.

Sec. 23. Satellite offices.

Sec. 24. Designation of Detroit satellite office.

Sec. 25. Priority examination for important technologies.

- Sec. 26. Study on implementation.
- Sec. 27. Study on genetic testing.
- Sec. 28. Patent Ombudsman Program for small business concerns.
- Sec. 29. Establishment of methods for studying the diversity of applicants.
- Sec. 30. Sense of Congress.
- Sec. 31. USPTO study on international patent protections for small businesses.
- Sec. 32. Pro bono program.
- Sec. 33. Limitation on issuance of patents.
- Sec. 34. Study of patent litigation.
- Sec. 35. Effective date.
- Sec. 36. Budgetary effects.
- Sec. 37. Calculation of 60-day period for application of patent term extension.

The changes brought about by these 37 sections reach deeply into both substantive patent and its administration by the United States Patent and Trademark Office (USPTO) and the courts. Specifically the AIA will change American patent law's current mixture of first-to-file and first-to-invent principles into a fully fledged first-to-file system modified only by the creation of a unique one-year grace period, having the unusual feature of effectively creating a conclusive presumption that any third party disclosure made before filing by the inventor but after an inventor's or joint inventor's public disclosure, was derived from the inventor or joint inventor. Furthermore, in the numerous other substantive changes brought about or to be brought about by the AIA, most of which seem designed to reduce the number of litigation issues, is the effective elimination of the best mode requirement. In addition, the AIA also eliminates numerous current provisions that require various acts to have been 'without deceptive intent'. Finally the AIA is more trade secret friendly, primarily by creating a full throated prior user right. This brings me to changes in the role of the USPTO itself.

CHANGES IN THE ROLE OF THE USPTO OWING TO THE AIA RESULTING IN A DIMINISHING ROLE FOR JURIES

The most important change contained in Section 6 is the creation of an opposition like post-grant review available for the first nine months after grant which permits the opposer to raise all patent invalidity issues. However, in contrast to oppositions in the EPO, this opposition, with its strict deadlines, is handled directly by a newly created Patent Trial and Appeal Board (Section 7), with a direct appeal to the Federal Circuit. Section 7 also restructures inter partes reexamination, now inter partes review, and provides for a new supplemental examination procedure to give the patentee the opportunity to cure certain failures to provide prior art during the original reexamination. These provisions in total will create a massive shift in patent disputes from the courts and juries to the USPTO, since administrative decisions are not subject to the Seventh Amendment to the American constitution dating from 1791, 'the right to trial by jury at common law shall be preserved'. Thus the issues decided under the proceedings of Section 6, not being decided at common law, are outside the command of the Seventh Amendment, falling solely into the hands of the USPTO and Federal judges. It is my view, and I believe the view of most knowledgeable observers around the world, that patent law issues should not be put in the hands of juries. No Congressional enactment authorizes the use of juries for any patent issues in the

United States. Of course there will be questions outside the jurisdiction of the USPTO that remain for juries, such as damages, equivalents under the doctrine of equivalents, and willfulness. All of this is for the future, which will show how much American patent litigation work will actually be shifted out of the courts to the USPTO by the AIA.

THE AIS'S FIRST-TO-FILE SYSTEM WITH ITS UNIQUE GRACE PERIOD

Turning away from procedure, I believe nearly all would agree that the most important substantive patent law change brought about by the AIA is the abandonment of America's highly modified first-to-invent patent system and replacing it with a first-to-file system incorporating a unique one-year grace period. The basic idea of a first-to-invent system is that prior art is everything invented before the inventor's invention date. Of course rules have to be developed to determine when an invention is completed and whether the prior inventions may be made anywhere or are geographically limited. The purest form of first-to-invent patent law existed in Canada as construed by the Privy Council in the famous case of *Rice v Christiani*.¹ In *Rice* the Privy Council held that under Canadian law a second inventor could not obtain a patent even though the first inventor made and maintained his invention as a trade secret in a county other than Canada. In contrast to Canada, at least as of 1931, the United States over the years made many modifications to its first-to-invent system, including limiting the inventions which counted as prior art to those made in America. More significantly, the United States developed a second theory for creating prior art, one that owes nothing to first-to-invent theory, but rather looks like a provision from a first-to-file system. It simply says (§ 102(b)) that, at least after 1965, when the landmark case of *In re Foster*² was decided, any technical teaching 'patented or described in a printed publication in this or a foreign country or in public use or on sale in this country' more than one year before the actual filing date, not the Paris Convention date, in the USPTO is prior art for all purposes. Further, it is often said that § 102(b) creates a one-year grace period, but technically of course it does not. A first-to-invent patent system needs no grace period as the inventor needs no protection from her early disclosure, since any teaching stemming from the work of the inventor cannot be prior art. Only inventions made before the inventor made her invention are prior art. For this reason, however, a first-to-invent prior art system does not encourage early filing. Indeed, it rewards delay. To deal with the need to encourage early filing, American patent law developed the complex jurisprudence of § 102(b), and it is § 102(b) that makes the American patent system function effectively because it allows one to look at a publication or the sale of a product or a public use and determine whether it is prior art, completely aside from the complexities of who invented what, and when and where did she do it.

Unfortunately for those who have to learn American patent law, 'public use' in some circumstances (use by the applicant only, but not third party use) has been interpreted to mean secret commercial use, and 'on sale' includes offers for sale where such offers can be secret so long as the invention is ready for patenting. These provisions have led to an extensive jurisprudence that is frankly unnecessary and costly. Unfortunately the new first-to-file prior art prior provision of AIA in Section 3 states

1. 1931 A.C. 770 (Privy Council) (available in the UK-RPTS-ALL database on Westlaw).
2. 343 F.2d 980 (C.C.P.A. 1965).

that prior art is created 'where the claimed invention was patented, described in a printed publication, or in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention'. This section is ambiguous since 'public use' and 'on sale' may be given their ordinary meaning when ultimately interpreted by the courts, an interpretation that would fit with the words 'otherwise available to the public', words that could be viewed as meaning other ways of putting information in the hands of the public besides those described by 'public use' and 'on sale'. However, what is most likely is that 'public use' and 'on sale' will be given the meaning they currently have in American patent law. While this question will be the subject of future litigation, anyone advising a client should make the conservative assumption that the words have their current and not their ordinary meaning,

To preserve most of the results under the current American patent law, it is necessary to specifically provide for a grace period, which Section 3 of the AIA defines as follows:

A disclosure made 1 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—
 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
 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.

Section (A) is unremarkable except for the question of whether all activities defined by the AIA as prior art that are not derived from the inventor or a joint inventor are covered by the word 'disclosure'. Thus would, for example, an inventor's secret use of a process to make an unpatented product be considered disclosed so as to qualify for the benefit of a grace period? I strongly suspect that the answer is yes, particularly because section (B) does not speak of 'disclosure', but of 'public disclosure', suggesting of course that not all disclosures make the information available to the public.

Section (B), however, covers where a second inventor who has not derived from the first inventor publishes an article after the inventor's publication, but before the first inventor files for his patent. Ordinarily in first-to-file systems with grace periods, if there is no derivation, such a publication would remain prior art against the first filer. However, section (B) makes it clear a public disclosure creates what is, in effect, a conclusive presumption that anyone who makes a public disclosure after the first inventor's disclosure is not an independent inventor. There is some logic in the approach as it removes any ambiguity with regard to subsequent publications, but it sharply deviates from all other first-to-file systems containing grace periods.

This brings me to the provision that all first-to-file systems must have, a provision making unpublished patent applications prior art as of their filing date if they issue or are published before abandonment. This is covered by (a)(2) which reads:

(2) the claimed invention was described in a patent issued under section 151, or in an application for patent published or deemed published under section 122(b), in which the patent or application, as the case may be, names another inventor and was effectively filed before the effective filing date of the claimed invention.

This is a standard first-to-file provision using the whole contents approach. However, current American law departs from the whole contents approach of conventional first-

to-file systems by using unpublished applications as prior art for all purposes, not just for novelty, at least since 1965 owing to *Hazeltine Research, Inc. v Brenner*,³ a feature maintained by the AIA. Moreover, as one would expect, if the filing date was after an inventor or a joint inventor made a public disclosure of the invention, it is excluded just as if it were a publication. This follows from the following: '(B) the subject matter disclosed had, before such subject matter was effectively filed under subsection (a)(2), 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'.

So there we have it. American patent law has been reworked in a significant way. It has joined fully the first-to-file world, attempted to reduce the number of issues litigated in the courts and massively shifted power away from juries to the USPTO.

3. 382 U.S. 252 (1965).