Will the AIA Put Small Businesses and Individual Inventors at a Greater Disadvantage?

By Catherine L. Kung and Matthew S. Voog

The America Invents Act (AIA), passed and signed into effect September 16, 2011, went into effect on March 16, 2013.[1] In passing the Act, Congress sought to better clarify the patent priority system by switching to a first-inventor-to-file (FITF) provision to replace U.S.'s previous first-to-invent (FTI) rule.[2] All patents filed after the effective date are governed by the FITF rule, but those filed before the effective date remains under the old FTI rule. The AIA was created to not only simplify and have a more precise patent system, but to have an innovation-friendly and inventor-friendly system that reduces costs, levels the playing field for businesses small and large, and spurs economic growth.[3] However, will the AIA ultimately help level the playing field for small businesses and individual inventors?

While the AIA seeks to help small business and individual inventors, it also comes with unintended consequences that may end up hurting small businesses and individual inventors. Here are some of the reasons for the potential harms to small businesses and individual inventors: 1) the AIA may lead to an increase in the backlog of pending patents in the USPTO; 2) there may be more prior art for the USPTO to consider; 3) big businesses may be able to file patent applications faster than small business or individual inventors; 4) a greater amount of lower quality patents may be allowed; 5) there may be less of an incentive to innovate; and 6) post grant proceedings could give could give big businesses an additional avenue to challenge and delay small business patents.

Although the patent system was designed to help the backlog in the USPTO, it may create more backlog. Application filings are likely to follow the patterns seen in other countries with similar systems – a greater number of applications, each with disclosure and claims typically more narrow than has been the practice under our long-standing FTI system.[4] If more applications are filed and the backlog of pending patents worsens, then small businesses and individual inventors will have to wait longer than the current three-year waiting period.[5] With the fast-rising pace of technology, it is likely that by the time the patent is granted, the technology will be obsolete, thus putting the small business or independent inventor out of work.[6] Big businesses alternatively depend less on their patents to survive.[7]

With FITF creating a so called "race to the patent office," quickly filing patent applications becomes more important under the AIA. Under the FITF regime, large corporations with well-established invention disclosure procedures, patent committees and armies of in-house attorneys will always beat a lone inventor in the race to the Patent Office, thus placing small and independent inventors at a severe disadvantage.[8]

However, to lessen the financial strain, an individual inventor or small startup business with limited resources can choose to first file a less costly provisional patent application to reserve an earlier effective filing date and then decide within twelve months on whether to file a full application or abandon the idea. The provisional patent application is cheaper to file and requires

only a written description, without the claims, and can theoretically be more easily drafted by the inventor herself or by an attorney at a cheaper cost.[9] FITF may be an incentive to encourage early filing of patent applications -provisional or non-provisional- and help inventors avoid any untimely filing issues. Early filing can be beneficial to an inventor because the later she files the more prior art may exist to defeat her patent application[10] and, with the AIA in effect, if more inventors resort to early filing of provisional applications they may ultimately save money and resources in the long run if they decide not to file non-provisional patent applications or buy more time to gather all necessary resources if they decide to file.

The rush to file patent applications creates another potential problem. Without the same cushions available in the FTI system, a small business or independent inventor will have to submit poorly drafted applications due to time constraints, which will inevitably lead to litigation regarding low quality patents.[11] On the other hand, big companies with "platoons of scientists and lawyers" can easily scan the horizon for news of new inventions, and quickly file better quality patent applications.[12] However as mentioned, a provisional application is all an inventor will need, after which she will have an entire year to turn the full application into the PTO.

Some also fear that the FITF rule will deter innovation, because traditionally patent laws award an inventor the right to make, use, and sale an invention in exchange for the public disclosure of the brilliant idea. Thus, by making it harder for an inventor to win at a patent race, it will discourage the inventor from her desire to invent. However, inventors are not solely motivated by the possibilities of obtaining patents. A MIT study showed that inventors are often motivated by a combination of motivational factors, such as the intrinsic pleasure to invent, professional recognition, altruism, and financial gain.[13] Another study revealed that the two strongest motivational factors are the satisfaction one receives from being able to contribute to the world of innovation and the desire to conquer challenges.

Another change the AIA introduces are post-grant reviews (PGR). PGR can be requested at the USPTO based on any ground of rejection, except violation of the best mode requirement.[14] However, there is only a short window of time in which these reviews can be requested. A third party will be able to request a PGR of an issued patent during the 9-month window (including exactly 9 months) following issuance of a patent or reissue patent.[15] Constant vigilance will be required to timely challenge a patent; otherwise, a party forever loses the opportunity to do so.[16] Only big companies with a stable of in-house counsel and legal staff can afford to constantly monitor the availability of newly issued patents and challenge them in time.[17]

In summary, while the AIA seeks to level the playing field, it creates many potential unintended consequences that could ultimately harm small businesses and individual inventors. However, as the FITF rule is new to the patent system, it may prove to be beneficial or at least not as damaging as speculators would fear it to be.

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[1] Press Release, The White House Office of the Press Secretary, President Obama Signs America Invents Act, Overhauling the Patent System to Stimulate Economic Growth, and Announces New Steps to Help Entrepreneurs Create Jobs (Sept. 16, 2011).

[2] Mark Schafer, *How the Leahy-Smith America Invents Act Sought to Harmonize United States Patent Priority With The World, A Comparison With The European Patent Convention*, 12 Wash. U. Global Stud. L. Rev 807, 816 (2013).

[3] David Kappos, Under Secretary of Commerce for IP & Director of the USPTO, The America Invents Act and a Global Call for Harmonization (Sept. 22, 2011).

[4] Charles Gorenstein, The America Invents Act - Panacea or Just pain for the PTO?, IPWatchDog (Nov. 27, 2011).

[5] Jay M. Mattappally, *Goliath Beats David: Undoing the Leathy-Smith America Invents Act's Harmful Effects On Small Businesses*, 58 Loy. L. Rev. 981, 1025 (2012).

[6] *Id*.

[7] *Id*.

[8] See First-to-File vs. First-to-Invent: *Who Really Benefits from Changing the U.S. Patent System?*, Wealth of Ideas Newsletter, General Patent Corp. (Oct. 2007); see also David S. Abrams & R. Polk Wagner, *Poisoning the Next Apple? The America Invents Act and Individual Inventors*, 65 Stan. L. Rev. 517, 520 (2013).

[9] Christopher A. Cotropia, *The Folly of Early Filing in Patent Law*, 61 Hastings L.J. 65, 77-78 (2009)

[10] *Id.*

[11] Mattappally, *supra* note 5, at 1024.

[12] *Id*. at 1025.

[13] Mark B. Myers et al., How Does Intellectual Property Support the Creative Process of Invention?, in *The Lemelson-MIT Program - Intellectual Property Workshop*, September 2003, Cambridge, 8-12, Cambridge, MA: Massachusetts Institute of Technology.

[14] Eugene T. Perez, Post-Grant Review, BSKP

[15] *Id*.

[16] Julie Samuels, Patent Reform Legislation Set to Become Law, But Will Make Few Meaningful Changes, Elec. Frontier Found. (Sept. 6, 2011).

[17] Mattappally, *supra* note 5, at 1019.