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Guidelines for Navigating the First-to-File Provisions of the AIA Taking Effect On March 16, 2013

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The America Invents Act (AIA) that was passed in late 2011 contains a number of significant changes to the U.S. patent system. One of the most important changes under the AIA will take place on March 16, 2013, which is when the U.S. patent system will change from a "first-to-invent" patent system to a "first-to-file" patent system.

There has been no small number of authors and presenters who have delved into the intricacies of the America Invents Act's first-to-file provisions. Often this results in an almost bewildering array of hypotheticals to illustrate how those provisions will operate in a number of exceptional situations. Justice Holmes is reputed to have once remarked, "emphasis on the obvious is often more important than elucidation of the obscure."[1] With that in mind, we have endeavored to take a step back and focus on what we know, as well as those things which, while not entirely certain, at least suggest consideration of concrete options.

What follows is an Executive Summary of what we see as some of the most important implications of moving to a first-to-file patent system, along with recommendations for considering how to make that transition in a way that helps to minimize risk to a patent portfolio. The Executive Summary is then followed by an explanation as to the reasons which underlie our recommendations. We hope this is helpful in providing meaningful guidance for those who manage IP portfolios and others who are impacted by the AIA.

Executive Summary

1. Early filing continues to be a recommended best practice.

2. Completion of most kinds of filings prior to the effective date of March 16, 2013 for first-inventor-to-file provisions of the Act will likely be advantageous. We recommend that consideration be given to the following before March 16, 2013:

- Converting any provisional applications to non-provisional utility applications
- Reviewing pending applications (provisionals, U.S. utility applications, and PCT applications filed in lieu of U.S. utility applications) and filing continuation-in-part (CIP) applications to include new subject matter covering any significant improvements in such pending applications
- Filing any new applications (provisionals, U.S. utility or PCT applications in lieu of U.S. utility applications) for important subject matter not yet filed (new disclosures)

- Filing U.S. stage national entry (utility) applications from pending PCT applications; there may also be a reason to file other applications that are not intended to add new matter (such as continuation and divisional applications) before March 16, 2013 to avoid the risk of inadvertently invoking the first-to-file provisions of the AIA (see footnote 5 and accompanying text below).

You may wish to consider contacting Workman Nydegger to discuss development of an optimal strategy based on these potential kinds of filings.[2]

3. We recommend that parties continue to diligently document and record the development of their patentable technologies. This means that well-documented lab books (either hard copy or electronic or both), as well as other evidence of development such as prototypes, testing records, etc. should continue to be preserved and corroborated.

4. The AIA's grace period provisions (discussed more fully below) should not be viewed as the basis for a primary strategy for protecting an inventor's rights. Instead, they should only be regarded as savings provisions that may, under certain circumstances, help to avoid an inventor's loss of right in the U.S. (but not necessarily loss of right in foreign countries) due to prior public disclosure by the inventor or due to prior public disclosure or application filings by other parties.

Underlying Analysis

While understanding as much as possible about the AIA (which includes many changes in addition to the "first-to-file" provisions) is certainly important, the fact is that there is much about the AIA that will simply require further guidance and construction of the various provisions in the statute by as interpreted by the U.S. Patent Office and, ultimately, by the federal courts. With that *caveat* in mind, here are the reasons for the above recommendations.

1. Early Filing Continues to Be A Recommended Best Practice

The AIA replaces a "first-to-invent" system with a system based on the "first inventor to file." This brings U.S. practice more into alignment with major patent systems in place throughout most of the rest of the world. Even prior to the AIA, obtaining the earliest possible filing date for an application was a recommended best practice. This was true for at least two reasons. One is that any public release of the subject matter of an application which occurs prior to the application's earliest filing date results in loss of rights in most other "first-to-file" systems around the world. This does not change under the AIA.

The other is that even when two competing "first-to-invent" applications were filed, the first application filed was "presumed" to be entitled to the patent, placing the burden on the other applicant to overcome that burden. This resulted in a large majority of "priority" contests being resolved in any event in favor of the party who filed first.

The AIA mostly eliminates[3] "first to invent" considerations as the basis for awarding a patent to an inventor. This of course underscores the importance of obtaining an early filing date, as much for protecting U.S. rights as foreign rights, both prior to and after the effective date of the AIA's first-to-file provisions. That said, early filing of course needs to be balanced against waiting at least until an adequate disclosure of an invention can be developed. At the end of the day, it goes without saying that it does not enhance the value of a portfolio to file applications which lack subject matter that is essential to support claims that will provide adequate coverage for marketable products.

2. Completion of Most Kinds of Filings Prior to March 16, 2013 Will Likely Be Advantageous

Once the AIA takes effect on March 16, 2013, important changes will take place both with respect to (1) the point in time at which certain kinds of information can be relied upon as being "prior art" to an applicant's application for purposes of determining novelty and non-obviousness of the application's claims, and (2) what kinds information will qualify as "prior art." In most cases this means for applications filed after March 16, 2013, there will likely be a broader universe of prior art that could be used to challenge the invention's novelty and non-obviousness.

A. Changes In the Time At Which Information Can Be Relied Upon As Being "Prior Art"

Prior to the AIA, the subject matter of certain events were *eligible* for consideration as "prior art" based on whether those events occurred prior to the "invention" date (e.g., conception and reduction to practice) of the claimed invention, or whether they occurred more than one year before the U.S. filing date of the application. In the case of the former, the asserted prior art could be disqualified if an applicant could show that the "invention" date (*presumed* to be the filing date) was *actually* before the date of the prior art reference in question. An applicant could thus remove some kinds of asserted "prior art" by "swearing behind" it in this way. Prior art occurring more than one year before the application's earliest filing date could not be removed.

The AIA changed this. As of March 16, 2013, certain information now becomes eligible for use as "prior art" if it becomes available at any time prior to the earliest effective filing date of the application, subject only to the AIA's grace periods. The AIA removes the possibility of "swearing behind" a reference with an earlier invention date to remove it as "prior art."

B. Changes In What Can Qualify As "Prior Art"

The AIA contains both good news and bad news for applicants in terms of changing what kinds of information can qualify as prior art. The good news for applicants is that the AIA eliminates some categories of what in effect has long been regarded as "secret" (e.g., not publicly available) information which has been treated as prior art. This includes elimination of undisclosed prototypes for inventions later made public (e.g., so-called "prior invention" prior art under section 102(g)), and *potential* elimination[4] of the subject matter of a secret sale (for example, under a confidential beta test agreement or the like) or of a secret commercial "use" by the applicant.

The bad news for applicants is that other categories of information that will qualify as prior art as of March 16, 2013 will become broader. This includes the following:

- Including as "prior art" subject matter that was "on sale" or "in public use" *anywhere in the world* instead of merely in the United States, as was the case prior to the AIA.
- Adding a new category of "prior art" that includes *any subject matter that was* "*available to the public*"*anywhere in the world* prior to the application's earliest effective filing date. Prior to the AIA, such subject matter was only prior art if it became known in the United States and prior to the applicant's invention date.
- Making U.S. patents and published U.S. patent applications "prior art" *as of the date of foreign applications to which they claim priority*. Previously, such patent and printed publications were only "prior art" as of the date on which they had been filed in the U.S., not in a foreign country.

The situations in which the prior art relevant to a particular application will be narrowed under the AIA

will almost certainly be less than the situations in which the relevant prior art will be expanded under the AIA. Therefore, although the possibility of benefitting by filing after the March 16, 2013 deadline should not be overlooked in the event of applications that might be impacted by elimination or potential elimination of prior art categories, as a general rule most application filings will benefit from being filed prior to the March 16 effective date.

This is all the more true because continuing applications filed on or after March 16, 2013, but which claim priority to one or more parent applications filed before March 16, 2013, will only be treated under the existing first-to-invent patent laws *if they never include a claim at any time having an effective filing date on or after March 16, 2013*. In other words, if a continuation, continuation-in-part, or divisional application filed after March 16, 2013, presents at any time a claim to subject matter disclosed in the application that has an effective filing date after the March 16 date, even if that claim is later cancelled, the application becomes subject to the post-March 16 AIA provisions.[5]

However, while as noted the AIA eliminates some kinds of "secret" prior art for new applications filed on or after March 16, 2013, a continuation, divisional, or CIP application filed on or after March 16, 2013 that claims priority to one or more parent applications filed before March 16, 2013, will *also* be subject to some such "secret" prior art under the prior statute (35 U.S.C. § 102(g)). In other words, this raises the possibility that an application with priority claims that "straddle" the March 16, 2013 date will be subject to at least some of the prior art rules under both pre-AIA and post-AIA statutory provisions, a kind of "worst of all worlds" outcome.

3. Documenting An Invention's Development Continues To Be A Recommended Best Practice

Since enactment of the AIA, there has been some discussion of whether an invention still needs to be carefully documented in terms of when and how it is developed, since "first-to-invent" is no longer the underpinning of the statute. For example, under the AIA it will no longer be possible to remove "prior art" which occurred after the invention date of the claimed subject matter, but less than one year before the application's U.S. filing date, by proving the invention date. So-called "interference" practice under the prior statute, where competing applications filed by different inventors for the same invention are resolved based on who was shown to be first to invent, will also no longer be available except in limited circumstances involving claims with an effective filing date prior to March 16, 2013.

Notwithstanding that these procedures for establishing an earlier invention date will not be available, we recommend that parties continue to diligently document and record the development of their patentable technologies, and also activities relating to collaboration or technology disclosures to outside entities. This means that keeping well-documented and corroborated lab books (either hard copy or electronic or both), as well as other evidence of development such as prototypes, testing records, etc. continues to be important, as well as documenting and preserving records and evidence of collaboration and technology disclosures to outside parties.

There are several reasons why this continues to be a recommended best practice. First, the AIA differs in some important ways from other "true" first-to-file patent systems that are in place in other countries of the world. For example, although interference proceedings will no longer be available in most circumstances, the AIA is nonetheless based on a "first *inventor* to file" concept. This means that even if an inventor is second to file, if it can be shown that the subject matter of the earlier application was derived from the inventor of the second-filed application, the patent will be awarded for the second application, not the first. In other words, while interference proceedings will no longer be available to award a patent to the "first-to-invent" as between two applicants seeking to patent the same subject

matter (at least in most circumstances), nonetheless the AIA does not permit a prior application to be granted if it was derived from an inventor of a later application. The AIA eliminates "interference" (based on proof of "first-to-invent") in most circumstances and instead limits the inventor's remedy to proof of derivation, which will be resolved based on whether an inventor in a prior filed application derived the invention from an inventor in a later filed application. Proof of derivation will require well documented records of an invention's developments, as well as records tending to show that an outside party had access to the invention during its development, thus leading to derivation.

Another reason is that under the AIA's grace periods, if a disclosure is made by an inventor or if it can be shown that a disclosure was made by someone who obtained the subject matter "directly or indirectly" from the inventor, and where the disclosure is one year or less before the inventor's filing date, the subject matter of the disclosure may be able to be removed as "prior art." This is another instance in which evidence of "derivation" could become important. Similarly, under another of the AIA's grace periods, if it can be shown that a public disclosure was made by someone who obtained the subject matter "directly or indirectly" from the inventor, and where the public disclosure is one year or less before the inventor's filing date, the public disclosure can be used to effectively prevent later publications or later filed applications from becoming patent-defeating prior art, depending on how closely such publications or applications correspond to the disclosure made or attributed to the inventor. This is also an instance in which evidence of "derivation" could become important under the AIA.

And finally, during litigation the ability of an inventor to describe the course of the invention's development, using well documented, well-corroborated and credible evidence of invention, can be invaluable in persuading a fact-finder of the invention's importance and its inventive merit.

4. The AIA's Grace Period Provisions Should Not Be Viewed As The Basis Of A Primary Strategy for Protecting An Inventor's Rights

The AIA's grace period provisions should not be viewed as the basis of a primary strategy for protecting an inventor's rights. They should be viewed instead as savings provisions that may, under certain circumstances, help to avoid an inventor's loss of right in the U.S. (but not necessarily loss of right in foreign countries) due to prior public disclosure by the inventor or due to prior public disclosure or application filings by other parties.

The AIA's grace period provisions operate in essentially two ways. First, if prior to filing, the subject matter of an invention is disclosed by an inventor or by another person who obtained the subject matter either directly or indirectly from the inventor, that disclosed subject matter will not defeat U.S. patent rights in the disclosed subject matter (although intervening acts by third parties may do so) if the inventor files an application within one year of the disclosure. This result for inventor-derived disclosure is essentially unchanged from the prior statute.

Second, where there is a public disclosure by the inventor or someone who obtained the subject matter from the inventor within one year or less before the inventor's filing date, the subject matter of the public disclosure may be able to be used to effectively prevent other publications or applications from becoming patent-defeating prior art, depending on how closely such publications or applications correspond to the public disclosure made or attributed to the inventor. This is a change from the prior statute.

Some have argued that such a public disclosure by an inventor might be used as a way to inexpensively protect rights without actually filing an application until sometime later within a year from the

publication. However, because the USPTO's rules would require a relatively high (and somewhat uncertain) level of correspondence[6] in order to defeat intervening prior art such as other publications or earlier filed applications, this strategy is questionable.

In contrast, this problem does not come into play when filing an application to preserve rights (as opposed to trying to use a public disclosure by the inventor). This is because the disclosure of the filed application will remove any intervening publication or application for any claim supported by that disclosure by virtue of the fact that any such claim will have an effective filing date prior to the intervening publication or application. In contrast, an inventor's public disclosure does not provide an earlier effective filing date; it merely can be used to remove intervening art under the USPTO's rules provided that there is the required correspondence between the content of the public disclosure and the content of *the intervening art*. Obviously, an applicant has no control over the content of such intervening art.

For the reasons noted, our view is that the AIA's grace period provisions, properly understood, should be viewed as *savings* provisions, not as the basis for any primary strategy to protect rights.

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[1] Rosen, *Persuasion:The Art of Leading While Being Led*, Law Practice Mgmt., Mar. 1990, at 31.

[2] For example, the above recommendations may well need to be tempered in certain situations, as for example in the case of universities. This is because as of March 19, 2013, a new fee schedule will take effect, which will permit universities to take advantage of a new "micro entity" provision which reduces most fees by 75%. In view of this, universities may wish to consider provisional filing as the most appropriate way of preserving pre-AIA rights for new disclosures and may even conclude that the benefits of filing the other types of applications discussed above before March 16 are outweighed by the costs benefits of filing after March 19.

[3] The AIA does not completely eliminate all "first to invent" considerations since "derivation" continues to be available as a way of removing the second inventor's application. Derivation can be thought of as a more limited type of "first to invent" challenge where, rather than proving an earlier date of invention, proof instead focuses on whether the second inventor "derived" the invention from the first inventor.

[4]The statutory provision in question provides that subject cannot be patented if it was "in public use, on sale, *or otherwise available to the public* before the effective filing date of the claimed invention." 35 U.S.C. § 102(a)(1), emphasis added. In its final examination guidelines released on Feb. 14, 2013, the USPTO has taken the position that "the Office views the 'or otherwise available to the public' residual clause . . . as indicating that secret sale or use activity does not qualify as prior art." 78 Fed. Reg. 11059-62, Response to Comment 7, emphasis added. While the USPTO's interpretation gives helpful guidance, ultimately this is one of the areas which, as noted at the beginning of this article, will require further guidance from the courts, since it is the courts, not the USPTO, that ultimately is charged with responsibility for determining how the statute is interpreted.

[5] "If a nonprovisional application *contains, or contained at any time*, a claim to a claimed invention that has an effective filing date on or after March 16, 2013, the applicant must provide a statement to

that effect within [time periods as specified]. . . . This procedure will permit the Office to readily determine whether the nonprovisional application is subject to the changes to 35 U.S.C. 102 and 103 in the AIA."78 Fed. Reg. 11024 – 25 (Feb. 14, 2013), bracketed statement and emphasis added. Significantly, the USPTO has taken a pro-applicant position with respect to applications filed on or after March 16, 2013 that disclose and claim only subject matter also disclosed in a previously filed pre-AIA application, and in which, during later prosecution, claims are presented which lack support and are thus ultimately cancelled as being directed to "new matter." The USPTO has indicated this will *not*convert the application into an AIA application. *Id*. at 11043, Response to Comment 24. It remains to be seen whether the courts will take the same position.

[6] "The Office has clarified that . . . there is no requirement that the disclosure by the inventor or a joint inventor be a verbatim . . . disclosure of an intervening disclosure . . ." 78 Fed. Reg. 11059-67 (Feb. 14, 2013). However, the Office also cautioned that it did not support "the more expansive alternative interpretations" of the statute, which appears to mean that intervening disclosures that might be said to be "obvious" variations of the inventor's prior public disclosure will not be able to be removed by the prior disclosure. *Id*.