

10 Years Later, The AIA Is Not Done Reshaping Patent Law

By Ryan Davis

Law360 (September 15, 2021, 3:56 PM EDT) -- When the America Invents Act became law 10 years ago this week, it reshaped the patent world in ways that are continuing to evolve. Here's a look at the most significant changes the AIA brought about — and the potential impacts that haven't yet been felt.

The 2011 measure signed into law by President Barack Obama was the most substantial overhaul of patent law in nearly six decades, most prominently creating entirely new mechanisms for challenging patents and changing the rules for when patent applications must be filed.

Both of those changes have spawned new complications and strategies and mean that patent cases now play out in a completely different way than they did 10 years ago. Yet the law's implementation means that some of its effects have only begun to be felt, and will likely be the subject of future court battles.

"This changed a lot. It was a huge transition in a lot of ways from what was a pretty settled patent system. There's still a lot, even 10 years on, that we're figuring out," said Sarah Geers of Jones Day.

There have been multiple U.S. Supreme Court cases over the law, and "I'm not sure we're done with all that yet," she said. "It's been such a huge change, and I would expect that there's still going to be knock-on effects for years to come."

Validity Battles Move to the PTAB

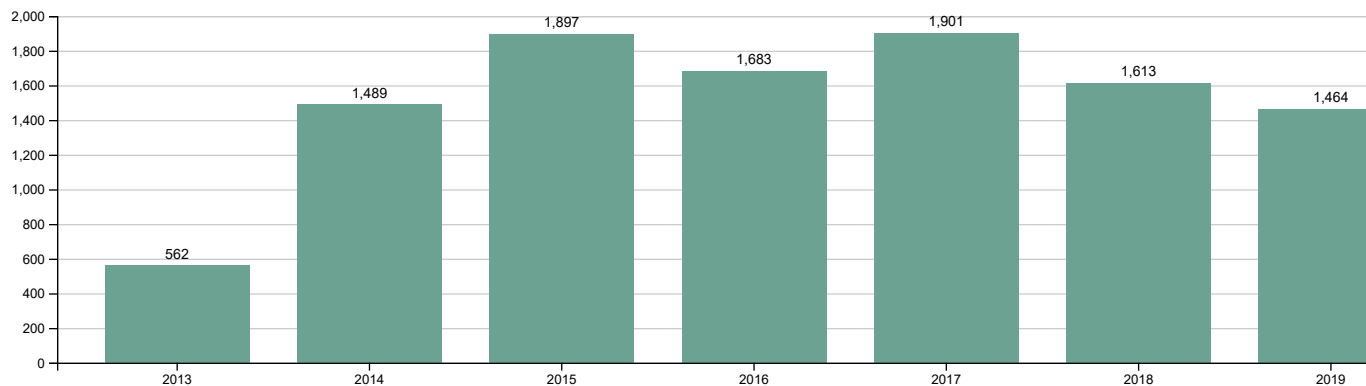
Though it mostly flew under the radar at the time the AIA was passed, the creation of the Patent Trial and Appeal Board has proven to be the most consequential change wrought by the law, establishing new considerations that nearly all patent attorneys grapple with on a daily basis.

Prior to the AIA, most disputes over patent validity played out in district court, or less frequently in reexaminations at the U.S. Patent and Trademark Office, which could drag on for years. By creating mechanisms like inter partes review at the PTAB with a one-year timeline, the AIA made the board the central battleground for validity disputes, markedly changing the patent landscape.

"With the AIA, we've really seen a shift in plaintiffs' strategy and focus," said Lori Gordon of Perkins Coie LLP.

America Invents Act Petitions Dropping Over Time

A total of 13,329 petitions challenging patents under the AIA have been filed since the law was passed in 2011, though the number of petitions filed annually has begun falling off in recent years.



Source: USPTO (Numbers reflect the number of filings per fiscal year of all types of AIA reviews. Data for 2021 is through July 31.)



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The conventional wisdom before the law was that juries were reluctant to second-guess the government and invalidate patents, but the PTAB proved to be considerably more amenable to invalidity arguments, particularly in its early years.

The resulting influx of patent challenges by accused infringers has led patentees to reconsider their approaches to litigation. That can include being more strategic about the claims they assert, alleging infringement of a greater number of patents to "defuse the PTAB option," and filing suit in venues that are unlikely to stay infringement cases for AIA reviews, Gordon said.

"That's all because the PTAB exists. It's changed the dynamic of where you file and what you're filing," she said.

Now that PTAB challenges are a regular focus of most patent cases, "the balance of power is different," said Joshua Goldberg of Finnegan Henderson Farabow Garrett & Dunner LLP.

"The patent owner now needs to recognize that there's a real possibility that if they file a suit, they are going to have to spend a large chunk of money

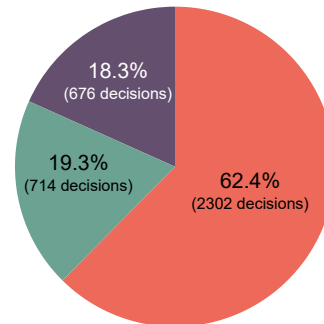
defending their patent in the PTAB," he said. "And there is a significant chance, at least statistically, that they will end up losing that patent."

Whether the altered litigation landscape created by the board is a good thing very much depends on whether one is enforcing patents or defending against infringement claims.

"A large number of the patents that undergo IPR are being found to be invalid, and I think that's been tough on patent owners, and made a more hostile environment for them," said Tania Shapiro-Barr of Dykema Gossett PLLC. "But at the same time, maybe it's making the patents that are enforced stronger."

At Least Some Claims Axed In Most Final Decisions

When an AIA review reaches a final decision, it's likely at least some claims will be invalidated. The PTAB has issued 3,692 final written decisions in AIA reviews, and in only 19% of them have all the challenged claims survived.



- All unpatentable
- Some unpatentable
- All patentable

Source: USPTO (Data is current through June 30.)



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Joseph Matal of Haynes and Boone LLP, a former temporary leader of the USPTO who drafted and negotiated many of the AIA's key provisions as counsel to the Senate Judiciary Committee, said that in his view, the PTAB has been working as designed and that critics rarely allege that its decisions are substantively wrong.

"My take on the debate is that a lot of criticism of the board is criticism of them for doing the job they were intended to do: provide an efficient and technically proficient and reliable means of assessing patent validity," he said, adding that, "There's just no public purpose to be served in allowing invalid patents to be enforced."

PTAB Pendulum Swings Back

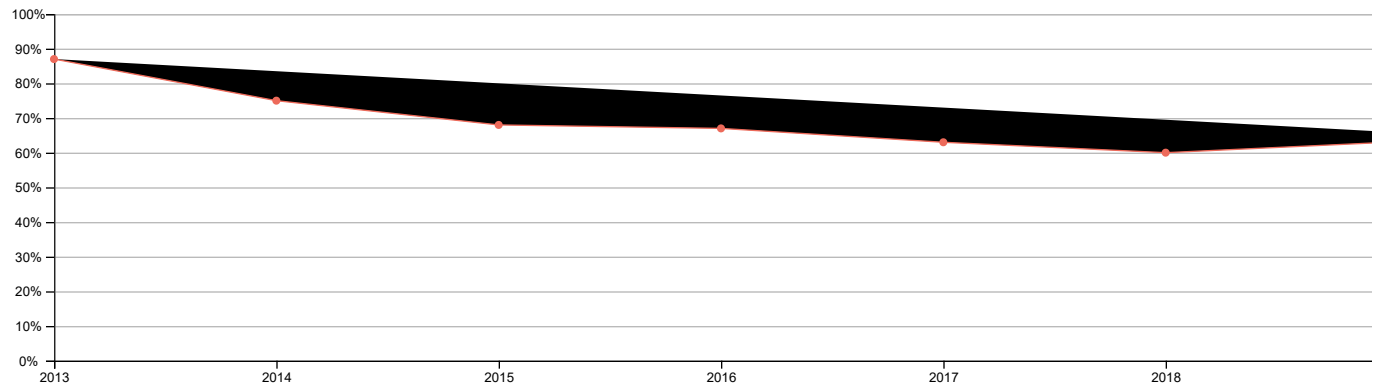
Over its 10 years of existence, the results produced by the PTAB have changed significantly, with court decisions and new rules meaning that the board's reputation has shifted from what critics termed a patent "death squad," to a forum seen as having somewhat more balanced rulings.

"At the beginning, [the law] was very much tilting the overall landscape in favor of defendants, but over the years we've seen it start to swing back to no longer favor defendants with the intensity that it did at the beginning," Finnegan's Goldberg said.

In the first year of its existence, the PTAB instituted review of 87% of petitions it received, but by fiscal 2020, that figure had dropped to 56%.

PTAB Institution Rates On The Decline

In the first few years of its existence, the PTAB instituted review of patents challenged in AIA petitions an overwhelming majority of the time, but institution rates have decreased over time.



Source: USPTO (Numbers reflect the number of filings per fiscal year of all types of AIA reviews. Data for 2021 is through July 31.)



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"The statistics at the beginning were unbelievable," said Ian DiBernardo of Brown Rudnick LLP. "How can you rely on patents as real assets, and how can you value them, with that level of unpredictability?"

Attorneys view the changing outcomes at the board in part as a natural evolution, where the low-hanging fruit of invalid patents was challenged first, spurring later challenges of stronger patents less likely to be invalidated. But they're also seen as the result of changes made by Andrei Iancu, director of the USPTO under President Donald Trump.

Those included measures aimed at making it easier for patent owners to secure amendments, and a controversial policy permitting the board to decline to review patents when a trial is looming in district court, which is now being challenged in litigation.

For everyone in patent law, "the big question mark is what's going to happen in the new administration," given how much things changed under Iancu, said Jason Sobel of Brown Rudnick. President Joe Biden has yet to name a director for the agency.

Nathan Kelley of Perkins Coie, a former USPTO solicitor and acting chief PTAB judge, said the biggest change brought about by the AIA is how much control the director has over the patent system, between claiming the power to decide when AIA reviews can be instituted and the recent Supreme Court decision giving the director the ability to review the board's decisions.

"If the PTO is correct about the scope of its discretion, I would say the director has become the most powerful person in patent law," he said. "The spotlight is on how the director will choose to yield their discretion moving forward, and the stakes are really high."

First-To-File Strategies Emerge

When the AIA was passed, much of the focus was on a provision changing the U.S. from a system where patents went to the first person to invent something to the first to file an application, bringing the country in line with the rest of the world. In practice, the shift has had a limited practical impact on patent filings, but applicants need to be mindful of it.

The change has spurred concern that making the filing date the crucial aspect of a patent application will be detrimental to independent inventors, who may have fewer resources to win a race to the patent office.

"That's one thing that I think has hurt the system, because I don't think they thought about the impact that change would have on independent inventors," said Marylee Jenkins of Arent Fox LLP. "For most of the real independents, their first thought is not, 'Who is my patent attorney?' Their first thought is, 'How do I finance this?'"

The shift to first-to-file has increased the importance of provisional patent applications, a type of preliminary filing that allow applicants to secure an early filing as long as they file a full application within a year.

"Both large and small companies are doing that; almost everyone is filing provisionals these days. So that's been a major outcome of the AIA," said Shapiro-Barr of Dykema.

Mauricio Uribe of Knobbe Martens said the availability of provisional applications has meant that the first-to-file change has not been as detrimental to solo inventors and small companies as some had feared.

"I think it presents a challenge, but I think in the long term, it's just a new way of practicing, and not necessarily something that I view as bad," he said.

Fights on the Horizon

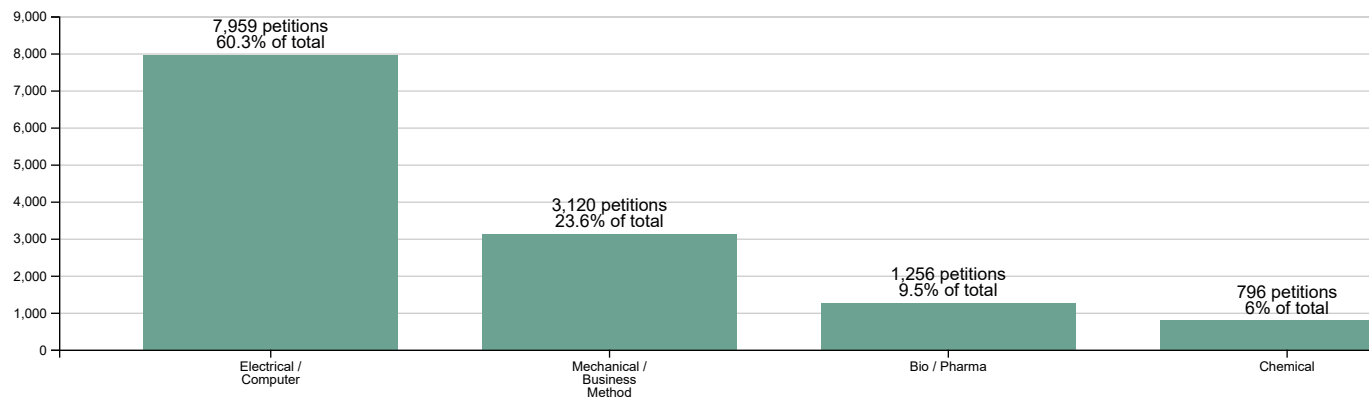
The PTAB and the mechanics of inter partes reviews have been the subject of constant litigation and numerous Supreme Court decisions, but many of the ramifications of the first-to-file system have yet to be tested in court, and could be the next front in the AIA's impact on patent law.

The first-to-file system took effect in 2013, and it has taken time for patents to be examined and issued under the new rules, and then for those patents to be asserted and challenged in litigation. As a result, many of the nuances of the new system, which include the increased amount of prior art it made available to challenge patents and the availability of post-grant reviews, have yet to come under legal scrutiny.

"It's very surprising to me that we're 10 years in and these patents keep getting examined and no one is litigating about what these provisions mean," Perkins Coie's Kelley said. "I assume it just takes time for the patents to go through the system and to get valuable enough that a critical mass of them are being litigated and tested."

Tech Patents Targeted Most Often

The lion's share of AIA petitions have targeted patents in the technology or mechanical industries, with comparatively few taking aim at life sciences patents.



Source: USPTO (Data is current through June 30.)



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Particularly in the pharmaceutical industry, the subject of some of the most lucrative forms of patent litigation, many of the patents now being asserted pre-date the AIA's changes, "So a lot of this hasn't even affected a big chunk of pharma cases yet," said Geers of Jones Day.

"I think it's really going to be in the next couple of years that the effects of the AIA are really going to be felt in district court cases in the pharma space," she said.

--Editing by Kelly Duncan and Orlando Lorenzo.

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