

# The Limited Monopoly™

## Patent Reform is a Done Deal — It's Time to Get Ready for It

by John Hammond, PE and Robert Gunderman, PE

### Patent Reform Bill Passed by Congress

As we were drafting this month's column, just prior to our editor's deadline (as usual), major news broke in the patent world: the U.S. Senate passed H.R. 1249, the House version of the "America Invents Act." This completes the legislative process for the most significant revision to our patent laws in nearly 60 years. The next stop for the bill is the Resolute Desk in the Oval Office of the White House. Given that it is a virtual certainty that President Obama will sign it, we are going out on a limb here (albeit a very short one), and predicting that by the time you read this column, the "America Invents Act" will be the law of the land.

Although we disagree with many of the provisions of the new law, the time for debate on its merits is over. Instead it is time to begin to consider its provisions in greater detail, and to note the changes you will need to make in your practices if patent protection of inventions and technologies is critical to your business.

### Major Changes: "First Inventor to File" and Definition of Prior Art

Since the complete scope of the America Invents Act is too broad to cover in a single column, this month we will deal with just two key provisions that will affect all who are pursuing patents: changing to a "first inventor to file" system of awarding patents, and expanding the definition of "prior art" that may be used as the basis to deny a patent. First, we note that neither of these provisions will be implemented immediately. Their effective date is 18 months from enactment of the law. This provides you with time to understand the provisions and make changes needed in your business practices so that you can continue to protect your intellectual property.

*The "America Invents Act" is a major revision of our patent laws – but you have time to make changes needed in your business practices so that you can continue to effectively protect your intellectual property.*

Regarding the change to a "first inventor to file" system: Under our current patent law, when there is a conflict between two patent applications claiming the same invention, the first *inventor* to conceive of the invention is entitled to receive a patent, even if he filed his application after the opposing inventor. In contrast, under the new patent law<sup>1</sup>, the first inventor to file a patent application is entitled to the patent, regardless of whether he conceived of the invention after the opposing inventor or not.

Closely related to this is the expansion of the definition of prior art. Under our current law, if you could prove conception of your invention prior to the date of a prior art reference that was published less than one year before your application filing date, you could "swear back" of the reference (i.e., disqualify it) by executing an oath that you conceived of your invention before its date. Now, under the new law<sup>1</sup>, that is not permitted. If "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," that is considered prior art, and

the patent is denied. The date of conception of your invention, as well as any effort to reduce it to practice has essentially become irrelevant.

112TH CONGRESS  
1ST SESSION

## H. R. 1249

To amend title 35, United States Code, to provide for patent reform.

IN THE HOUSE OF REPRESENTATIVES

MARCH 30, 2011

Mr. SMITH of Texas (for himself, Mr. GOODLATTE, and Mr. ISSA) introduced the following bill; which was referred to the Committee on the Judiciary, and in addition to the Committee on the Budget, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

## A BILL

To amend title 35, United States Code, to provide for patent reform.

- 1 *Be it enacted by the Senate and House of Representa-*
- 2 *tives of the United States of America in Congress assembled,*
- 3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**
- 4 (a) **SHORT TITLE.**—This Act may be cited as the
- 5 "America Invents Act".

However, there are two key exceptions<sup>2</sup> in this definition of prior art. The first is if the above disclosure is made by the inventor himself, or made by a third party who obtained the subject matter from the inventor, it is not considered prior art. The second is if the above disclosure is made by a third party before the filing of a patent application by the inventor, but the third party's disclosure is preceded by a disclosure by the inventor, then it is also not considered prior art. It is critical to note that there is a time constraint in these disclosures as well: if any of the disclosures are made more than one year before the filing of the patent application, then they are considered prior art. (Hence this provision of the AIA is often being referred to as the "one year personal grace period.")

## New Business Practices Under the AIA

So what are the effects of the new law on your business practices? What changes should you make to ensure that your inventions and technology can continue to be protected with patents? We believe that there are several that are critical.

Obviously, under the new "first inventor to file" law, you should file early and often. In other words, as soon as you have sufficient development and understanding of an invention to draft a disclosure that enables one of skill in the art to make and use the invention, you should file a patent application on it. The filing of a provisional application, with its modest filing fee of \$110 (small entity) and less formal filing requirements may be a good choice. Then, as you continue to make substantial improvements in the invention that may constitute additional patentable subject matter, you can file additional provisional applications with the new matter added to the previous application. At any time before one year from the filing of the first provisional application, you can consolidate the disclosures of all of the provisional applications into a single non-provisional application filing to pursue claims related to their subject matter.

With regard to public disclosures of your invention, we believe that the lowest risk practice is to get a patent application on file before any public disclosure, the one year personal grace period notwithstanding. Nonetheless, in view of the above exception provisions of section 102(b) of the statute, there is an argument to be made for publishing your invention as early as possible if you do not want to file a patent application immediately, so long as you file your patent application less than one year after your publication. Under the new law, such a publication would have two effects: 1) It would become prior art against any other inventor who files a patent application after your publication, thus blocking his effort to obtain a patent; and 2) It would block any publication by a third party from being used as prior art against your application.

Although this strategy could be effective, it has risks and constraints. The publication should *not* contain any offer for sale of the invention. In other words, it should not be

an announcement that the product of the invention is now available on the market. At this time, there is some uncertainty in the law, and any such "on sale" activity (or public use) may not be considered a "disclosure," but instead be considered prior art. You should also recognize that any publication before filing a patent application, regardless of its content, will be a bar to patentability in almost all foreign countries. So if you have any intention of eventually pursuing foreign patents for your invention, you should not use this option.

Finally, in view of the new law, you should avoid disclosing any information on an invention to third parties (vendors, contractors, investors, etc.) prior to filing a patent application on it. As a practical matter, this can be difficult to do while developing a product or pursuing investment capital. In such instances, you should have non-disclosure agreements in place with the third parties that have been drafted by a qualified attorney; and keep good records of all of your communications with such parties. Your risk is that the third party could take your information and file a patent application before your own application filing. In such circumstances, there are provisions in the new law for a "derivation proceeding" in the Patent Office, in which you would have the opportunity to prove that the opposing applicant derived his invention from your information. However, the required standard is "clear and convincing evidence;" this would most likely be expensive litigation with no guarantee of success.

## Next on the Docket

Those who are pursuing patents on inventions, from the independent inventor to the tech startup or the Fortune 500 corporation need to become familiar with the key provisions of the America Invents Act, and adjust their patenting practices accordingly. In future columns, we will address other provisions of the Act, as well as elaborate on the above discussion as the Act's effect on businesses becomes clearer.

1. 35 U.S.C. 102(a) as amended by the America Invents Act.
2. 35 U.S.C. 102(b), Id.

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