The Limited Monopoly™

...And Last But Not Least - The New "First to File" Statute Under the AIA

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Encore

For slightly over a year now, the majority of our columns have covered various provisions of the America Invents Act, which became law on September 16, 2011. And for good reason – the AIA is considered to be the single largest revision to our patent laws in nearly 60 years. The most significant (and most controversial) provisions of this law are 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.

Because of the significance of these provisions, and the time needed to implement them, their effective date was legislated to be 18 months from enactment of the AIA, i.e. March 16, 2013. This delay in effective date was provided so that the USPTO could issue the regulations needed to implement the changes, and also so that businesses that pursue patents as a key strategic objective could comprehend the changes, and adjust their patenting strategy accordingly.

Regular readers of this column may recall that we opened our series of discussions of the AIA with a summary[1] of first-to-file and broadened prior art. Given that these are the most significant provisions of the AIA, and that their effective date will be just two weeks after publication of this column, we thought that it would be appropriate to conclude our series on the AIA by revisiting this topic. (In our discussion below, we refer to the "first to invent" and more limited prior art statutes as "old law" and in the past tense, since these statutes are expiring on March 15, 2013.)

"First Inventor to File"

Under the old law, when there was a conflict between two patent applications claiming the same invention, the first inventor to conceive of the invention was entitled to receive a patent, even if he filed his application after the opposing inventor. When a conflict was found in the Patent Office in which two separate applicants were attempting to patent the same invention, an "interference" proceeding was instituted before the Board of Patent Appeals and Interferences. In litigation before the Board, if the first inventor could prove conception prior to that of the opposing inventor, and diligence in reduction to practice of the invention, then he would be awarded the patent.

In contrast, under the new law[2], the first inventor to file a patent application is entitled to the patent. It no longer matters that he may have conceived of the invention after an opposing inventor.

"Small technology businesses, don't despair. You may be short on resources, but you can move a lot faster than Pachyderm Incorporated when you have to."

…and Expansion of Prior Art

The expansion of the definition of prior art in the new law is very important when considered with the new first-inventor-to-file regimen. Under the old 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 and providing evidence that you conceived of your invention before its date. However, under the new law[3], that is no longer possible. 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 will be considered prior art, and the patent will be denied. The date of conception of your invention, as well as any effort to reduce it to practice, is now irrelevant.

However, there are two key exceptions[3] in this definition of prior art. The first exception is that 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 exception 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. This provision of the AIA is often referred to as the "one year personal grace period."

File Early and Often

So in view of these major changes in patent law, how should you adjust your business practices to ensure that your inventions and technology can continue to be protected with patents? We believe that it is important to make several key changes.

Most importantly, under the new first-inventor-to-file statute, you should file patent applications "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. A provisional application has a relatively low filing fee of $130[4] (small entity) and less formal filing requirements – claims are not required, and informal drawings are sufficient. Since a provisional application can be prepared and filed faster and at a lower cost, it is a good choice in many circumstances.

Moreover, after the filing of a first provisional application, 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 that first provisional application, you can consolidate the disclosures of all of the provisional applications into a single non-provisional application filing (or multiple non-provisional applications) to pursue claims related to their subject matter. The non-provisional application(s) would likely claim priority to all of the provisional applications in the series, thus benefitting from the filing of the entire chain.

File First, Disclose Later

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 applicants who file a patent application after your publication, thus blocking their 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. There remains 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 the "one year personal grace period" option.

It is important to keep in mind that in view of the one year PGP, if you have an unintended disclosure, you still have an opportunity to recover, at least within the United States. For instance, suppose one of your engineers publishes a paper on a product breakthrough before you have had a chance to file a patent application. From the date of that publication, you have one year to file a patent application on it in the U.S.; but again, that publication is a bar to patenting in almost all foreign countries.

Guard Your Information

Finally, in view of the new first-inventor-to-file and prior art laws, you should avoid disclosing any information on an invention to third parties (vendors, contractors, investors, etc.) prior to filing a patent application on it, to the greatest extent possible. 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 these third parties that have been prepared by a qualified attorney. You should also keep good records of all of your communications with such parties.

Your risk is that any such third party could take your information and file a patent application before your own application filing. In these circumstances, there are provisions in the new law for a "derivation proceeding" before the newly formed Patent Trial and Appeal Board in which you would have the opportunity to prove that the opposing applicant derived its invention from your information. However, the required standard that must be met in a trial before the Board is "clear and convincing evidence." This would entail expensive litigation (easily into the six figure range) with no guarantee of success. It is far better to manage your proprietary and confidential information according to best practices, and avoid such a situation altogether.

And a Final Comment

When the AIA was being drafted in Congress, the lobbying for and against these new provisions was intense. In general, large corporations who favored first-inventor-to-file were pitted against small technology companies and independent inventors who favored the existing first-to-invent statute. The conventional wisdom was that first-inventor-to-file would create a "race to the Patent Office," to file patent applications, in which small companies and individuals with limited resources would be ill-suited to compete.

Perhaps that will turn out to be true… but consider this counterpoint: In order to take advantage of first-inventor-to-file, large corporations will need to fundamentally change the way they do business (i.e., a new paradigm! to use corporatespeak). This change will need to happen in the face of Dilbertian bureaucracies and incentive systems. Hence we are not all that sure they'll succeed. Maybe some large companies can go from conception to written Invention Disclosure to internal corporate vetting to a patent application in a few months, but we doubt many can. Small technology businesses may be short on resources, but they can move a lot faster than Pachyderm Incorporated when they have to. We expect that they will continue to lead in innovation and job and wealth creation well into the future.

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1. **The Limited Monopoly™** October 2011.
2. 35 U.S.C. 102(a) as amended by the America Invents Act.
3. 35 U.S.C. 102(b), Id.
4. As of March 19, 2013.

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