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LITIGATION

With passage of America Invents Act, it's a whole new ballgame for inventors

By Hani Sayed, Esq.

This is part one of a two-part article, we will separate the effects of the America Invents Act into two categories. First, the effect of the act on patent owners, and second the effect on patent challengers.

The landscape in Intellectual Property changed significantly with the passage of the America Invents Act, which was overwhelmingly approved on June 23, 2011, in a 304-117 vote by Congress; approved on September 8, 2011, by the Senate; and then signed into law by President Barack Obama. How these changes will affect individuals, companies, investors and the like will be seen in the next couple years. Although the act does not take effect for nearly a year, it is important to understand the new rules embodied by the act before they become rules.

FIRST IN A TWO PART SERIES

The purpose of the act was to update the patent system to encourage innovation, job creation, and economic growth. Another significant purpose was to reduce frivolous lawsuits and uncertainty of patent ownership. The basics of the act turn our patent system into a "first inventor to file" from our previous position "first to invent." This transition eliminates uncertainty relating to who owned a particular technology, concept or invention. It also created a necessary path to review patents after they were granted to weed out bad ones. Additionally, the act also helps the Patent Office address a significant patent application backlog; it can be well over three years before hearing from them.

Part one — consequences for patent owners

First to File. The act now stipulates that the U.S. is a first to file jurisdiction. This helps applicants by reducing the amount of technology they must search before filing an application. A high focal point of the act was to change the patent system from a first to invent, to a first to file in the name of Patent Reform. Although being the first to the patent office is advisable under the changes, the act does attempt to strike a balance to at least ensure that the first to file is actually the inventor of the claimed subject matter. The act also seeks to strike a balance for companies and institutions to obtain patents on a subject matter even though an inventor is uncooperative or unavailable.

The new rules now state that an inventor may get a patent unless the invention was patented, described in a printed publication, in public use, on sale, or otherwise available to the public before the patent application was filed. Additionally, the new patent rules state that if an invention was described in a patent or published application naming another inventor that was filed before your application was filed, then you

may be precluded from obtaining patentable protection. The first to file effect shows up most clearly in the act for determining what inventions and patent filings came before your particular patent filing. Similar to the old definitions of what was filed or disclosed (this is commonly known as "prior art"), a patent or printed patent application is prior art to a new application even if it is published after the filing date, if the original filing date was prior to your filing date.

The first to file requirements, however, come in through the elimination of the exceptions to this section. For example, an exception is still generally provided if the prior application is jointly owned, similar to previous rules. However, there is no longer an exception for showing that an inventor conceived of the idea prior to the filing date of the prior application. Accordingly, the second inventor to file will face a prior art challenge by the disclosure from the first

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invention regardless of when either application was actually conceived. This effectively eliminates the concept of "first to conceive."

One of the concerns under the new rules is that inventions may be stolen or derived from an inventor and subsequently filed by the party that steals the concept or invention. The act does attempt to strike a balance here for limited relief when the true inventor tries to file after the invention has been stolen. For example, a patent or published application will not be used as prior art under this section if the true inventor can show they publicly disclosed the invention prior to the filing date of the first potentially fraudulently filed application, or if the true inventor can show that subject matter of the potentially fraudulently filed application was obtained from the inventor.

Although the act attempts to reduce the uncertainty to patent ownership by instituting the first to file standard, the act also attempts to balance the burden on the USPTO the uncertainty in the patent system and the cost of resolving the uncertainty with that of a true inventor. Therefore, under limited time and circumstantial constraints, a later filing inventor may show that an earlier filed application was derived from the inventor. In such a situation, the patent office may correct the inventive entity of the earlier application.

What is Prior Art? The America Invents Act now expands on what can be used against your patent application with respect to prior art. Generally, any

public information can now be used as prior art if it was available before the "effective filing date" of the invention. The new rules eliminate the one-year bar as well as the distinctions between foreign and domestic activities. The previous rules required that public disclosure or sales had to be in this country and not in foreign countries. Now, under the new rules, disclosure anywhere in the world can be used as a bar to patent filing. These new rules now essentially suggest to inventors, individuals, and companies alike that the sooner an application is filed, the better off the applicant will be.

One rule that has not changed from the old rules is a grace period for disclosure and prior use. That is disclosure by an inventor or another obtaining subject matter from the inventor within year prior to filing OR public disclosure by another occurring after the disclosure from the first disclosing inventor.

Essentially, the rules give a variation of the one-year grace period to file a patent application after public disclosure. The public disclosure from an inventor will not be considered prior art to his or her own application as long as the application is filed within one year of that disclosure. The one-year grace period applies only to a disclosure from an inventor or by another who obtained the information from the inventor, and also includes any public disclosure by another party that happens after the initial disclosure of the original inventor. Although the grace period lessens the effects of the "first to file" rule, it is still generally advisable to file an application before any disclosure occurs.

Defense to Infringement. Another new facet to the act is the ability to defend against patent infringement based on prior commercial use of the technology. The act states that a person will be entitled to a defense to a patent infringement attack if they have been using the technology commercially at least one year prior to either the patent filing or the public disclosure by the party that is alleging patent infringement. Accordingly, it is recommended that any person who invents something be sure to document any commercial use of that invention for use as a defense against a potential patent owner at a later date. In addition to internal documentation, filing for a patent on the product or process may also be advisable as soon as possible to the implementation or commercial use of the product or process to create a prior art obstacle for the possibly later filed patent, while still retaining rights to the product or process. Considering the tradeoff for keeping a product or process a trade secret, the product or process may also be published or otherwise disclosed to the public to similarly create a prior art hurdle for the possible later filed application.

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Part two — consequences for patent challengers

Prior Use Defenses. Under the Leahy-Smith America Invents Act, the "prior user" defense to patent infringement has been expanded. Formerly, the defense was available only in cases related to business method patents, but it now applies to all issued patents. Under the prior use defense, patent infringement claims are prohibited against parties that can show: they acted in good faith; they actually reduced the subject matter of a patented invention to practice at least one year before the patentee

filed its patent application; and they commercially used that subject matter before the patentee filed its patent application.

Another important aspect of the act is that any third party can submit an issued patent, published patent application, or other printed publication of potential relevance for consideration in the prosecution of a patent application. The submission should be made in writing within six months of publication of the application and should include a concise description of the asserted relevance of each submitted document. In essence, this gives any third party the right to challenge any patent application filing without waiting to start a re-examination process, which was one of the few defenses available to make a challenge before the new act.

A new administrative proceeding is also included in the act whereby the U.S. Patent and Trademark Office may institute a "post-grant review." While the current reexamination system is limited to patent challenges based on novelty and obviousness, under the new post-grant review procedure, third parties can challenge the validity or scope of an issued patent using any ground of patentability. Additionally, under the new post-grant review, a challenger may introduce any evidence of unpatentability, not just prior art patents and printed publications as required by current reexamination procedures. However, under the new post-grant review proceedings, the review of an issued patent must begin within nine months of the issuance of the patent. The regular reexamination proceedings remain available beyond the nine-month period.

Best Mode Challenges. Under current patent law, a patent applicant must set forth the best mode of carrying out the invention contemplated by the inventor on the date of filing. The best mode requirement keeps inventors from applying for patents while hiding preferred aspects of their inventions from the public.

The act does not eliminate this best mode

requirement, rather, it eliminates the failure to disclose the best mode as a defense for an alleged infringer in a patent infringement action. However, a failure to include the best mode known to the inventor at the time of filing a patent application might still be considered in a proceeding before the USPTO. Accordingly, the best mode requirement might still be used to keep a patent from issuing or to invalidate a patent in a proceeding in front of the USPTO, such as the new post grant review proceeding.

False Marking Lawsuits. All false marking lawsuits, except cases filed by a competitor who can prove competitive injury or which have been filed by the U.S. government, are retroactively eliminated by the act. This eliminates the qui tam provision of the previous patent law that had allowed "any person" to sue for false marking. Under case law, damages in such cases could be up to \$500 per falsely marked item. This resulted in larger number of false marking lawsuits. The change in the act is retroactive and puts an end to all such cases pending at the date of enactment that are not by an injured competitor or the U. S. government.

The act also provides for "virtual" marking using a website address which can be accessed free of charge by the public to find out more information about a patent which applies to the marked product.



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