

Part III: What Companies Need to Know about the Leahy–Smith America Invents Act (AIA) Patent Reform Legislation

The America Invents Act, the most significant change to the U.S. patent system since 1952, was signed into law on September 16, 2011. This series of articles focuses on selected provisions of the which are likely to be the most relevant to companies in the display industry. Part III examines the changeover from a “first-to-invent” to a “first-to-file” system.

by Clark A. Jablon

THE MOST SIGNIFICANT change to the U.S. patent system since 1952 was signed into law on September 16, 2011. In Part I of this series of articles, I discussed many of the key litigation-related provisions and provided a brief summary of the new changeover from a “first-to-invent” to a “first-to-file” system. In Part II, I discussed key provisions of the AIA that relate to U. S. Patent & Trademark Office (USPTO) and patent examination provisions. These included a new prioritized examination process, fee surcharges, and a new “micro entity” designation for patent applications that allow for significantly reduced government fees, as well as new USPTO validity review

Clark Jablon is a Partner and Registered Patent Attorney at Panitch Schwarze Belisario & Nadel LLP (PSB&N) in Philadelphia, PA. His practice involves the preparation and prosecution of patent applications, enforcement, and litigation of patents, and opinion work on patent validity, infringement, and patentability. He is a degreed electrical engineer and has worked as a patent practitioner for more than 28 years. He can be reached at cjablon@panitchlaw.com. The opinions expressed herein are those of the author and not necessarily those of PSB&N.

proceedings, including a new post-grant review process (opposition proceeding). In Part III, I discuss the changeover from a “first-to-invent” to a “first-to-file” system in more detail.

Overview: From “First-to-Invent” to “First-to-File”

Presently, and until March 15, 2013, the first of two different sets of inventive entities (inventors) who file an application for the same patentable invention is entitled to a patent “interference proceeding” wherein the patent will be awarded to the inventor who can prove through documents and other evidence that he or she invented the invention first in time, regardless of which inventor filed the application first. For inventions filed on or after March 16, 2013, with certain exceptions described below, the patent will be

awarded to the inventor who filed the application first in time, regardless of when the inventor actually invented the invention. The primary exception to this new “bright line” rule is if the second-to-file inventor presents evidence that the first-to-file inventor derived the invention from the second-to-file inventor, such as by stealing it. In this case, the USPTO will conduct a “derivation proceeding” to ensure that the first inventor to file the application is actually an “original inventor” and that the application was not derived from the second inventor. (Only “original inventors” are entitled to obtain a valid, enforceable patent.)

“First-to-File” a Misnomer

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misunderstood and unappreciated aspect of this changeover is that it creates a race in which the first inventor to disclose the invention wins the race for the patent, assuming that the first discloser files a patent application in a timely manner, either concurrently with the disclosure or shortly thereafter and that the invention is patentable. To illustrate how this works, consider the following scenario, wherein the word “entity” is used to represent either an individual inventor or a company:

1. Entity A invents a new widget on June 1, 2013, and proceeds in a timely fashion to prepare and file a patent application on September 1, 2013, for the new widget. Entity A does not make any public disclosure of the invention until after September 1, 2013.
2. Entity B independently invents the same new widget as entity A and makes a public disclosure of the invention on August 1, 2013. Entity B files a patent application on the new widget on July 30, 2014, within the 1-year grace period after entity B’s disclosure (also, referred to as the “statutory bar deadline”).

Here, entity B disclosed the invention first, but filed after entity A. However, entity B is entitled to the patent, despite filing after entity A because entity B disclosed the invention first. Thus, in this instance, the new law is not technically a “first-to-file” rule but a “first-to-disclose” rule. The disclosure may be in the form of a patent application (which could be a U.S. provisional application, a U.S. non-provisional application, or a foreign application), or a public disclosure of the invention, with a subsequent patent application filing that is made within the 1-year grace period.

Furthermore, if entity B never followed up the public disclosure with a patent-application filing, entity A would still be blocked from getting a patent because entity B’s public disclosure will be “prior art” against entity A’s patent application, and entity A will not be allowed to prove that it actually invented the invention before entity B, which it can do under the present law.

In the scenario above, if entity A filed a patent application before the August 1, 2013, public disclosure by entity B, then entity A would be entitled to the patent because the filing of the patent application constitutes a disclosure for purposes of priority battles.

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Thus, the “first-to-invent” may still get the patent rights under the new “first-to-file” rules, as long as the first inventor makes a public disclosure and/or files a patent application before another entity files a patent application filing and/or makes a public disclosure of the same invention. Stated more simply, the “first-to-invent” is entitled to whatever patent rights may be available under the new “first-to-file” rules, as long as the “first-to-invent” is also the “first-to-disclose.”

The new law eliminates the “swear behind” option that is currently available to first inventors, where documentation of the first inventor’s invention date may be submitted to remove a later publication of the invention by another entity from being “prior art” that can be used against the first inventor. Presently, the U.S. is the only country in the world that retains this rule, and the law change is meant to harmonize U.S. patent law with the patent laws of other countries. The law change was also put forth as a way to potentially reduce the costs of patent prosecution and patent litigation. Expensive battles over priority are sometimes fought in USPTO interference proceedings or in court battles when references that are less than 1 year prior to the filing date of an application or patent are asserted as invalidating prior art.

New “Derivation” Proceeding

The discussion above regarding who wins the invention priority presumes that each of the entities independently invented the same new widget. However, if entity A loses the priority battle to entity B, but believes that entity B stole the invention from entity A, then entity A may request a derivation proceeding in an effort to prove that entity B derived the invention from entity A. This is an administrative proceeding that occurs in the USPTO under rules that are similar in many respects to the current interference proceedings.

What Constitutes a “Public Disclosure” for Purposes of Being the First Inventor?

The AIA statutes do not clearly answer this question, but the legislative history makes it clear that conventional types of public disclosures count, such as having the invention described in a printed publication, placing the invention in public use, or on sale, or otherwise being made available to the public anywhere in the world. In contrast to these public activities, secret public use, private offers, and private sales may not qualify as public disclosures for purposes of being the first inventor. Thus, if a company wishes to solidify its stake in the ground as being the first inventor of an invention, without immediately filing a patent

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patent legislation

application, the company should be careful not to rely upon non-public types of activities for locking in this right.

What Changes Do Companies Need to Make Under the New Laws and Rules?

For many companies, the answer is simply “none.” The law and new rules are not likely to negatively affect a company’s ability to patent its inventions for at least the following two reasons:

1. True simultaneous invention scenarios are extremely rare.
2. Under the existing law, the first-to-file inventor is usually determined to be the first to invent in interference proceedings, and it is likely that going forward, the “first-to-file” will often turn out to be the “first to disclose.” This is especially true because to be the “first-to-disclose,” the disclosure must be an “enabling” disclosure; namely, it must provide sufficient detail so as to enable one of ordinary skill (in the technology to which the invention pertains) to build the invention without undue experimentation and without engaging in any inventive efforts. Enablement is a standard that must be met in a properly prepared patent application, but is often not met by many types of public disclosures, such as sales and marketing materials.

Also, foreign companies, and U.S. companies that wish to preserve their rights to foreign patent protection, already file patent applications before any public disclosures occur so as to avoid novelty bar problems in foreign countries, and thus are accustomed to early filing of inventions. These companies might wish to file even earlier, if possible, but in most instances, practical considerations will preclude any earlier filing. Thus, for many companies, it is important to be aware of these new rules, but no changes in procedures may be necessary.

Provisionals, Provisionals, and More Provisionals

The most common strategic advice being given by patent professionals to respond to the new “first-to-file” world is to file a provisional application as soon as possible if it is believed that patent protection might be sought for an invention. A provisional application will qualify as a disclosure of the

invention as long it provides an “enabling” disclosure.

One advantage of this strategy is that if the company decides not to pursue the invention, it can abandon the patent application upon the 1-year expiration date of the provisional application, thereby avoiding the full expense of preparing a regular non-provisional application. The provisional application does not become public, and thus any invention details in the provisional application will remain secret. Alternatively, the company may wish to file a non-provisional application based on the provisional application as inexpensively as possible. Upon publication of the non-provisional application, the provisional application will block another company that makes a subsequent disclosure from obtaining patent protection on the same invention. This potentially provides the company with limited “freedom to operate” with respect to the invention by another company that files a patent application later for the same invention, regardless of when that other company made the same invention.

Another advantage of this strategy is that multiple provisional applications may be filed before the priority year ends as the invention continues to be developed, thereby locking in new disclosures to meet the “first-to-disclose” rule, and then the non-provisional application can include all of the subject matter of the multiple provisional applications.

While this strategy meets the “better safe than sorry” test, it may still not be practical for many companies because preparing a provisional application still requires company time and expense and should be prepared with the assistance of a patent professional. However, this strategy can be applied selectively by companies so that only certain high-profile

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inventions incur this extra cost, while other inventions can be handled in the conventional manner.

Large companies often have lengthy procedures for processing Employee Invention Disclosures, including periodic committee reviews to decide which inventions to file on. Budget considerations sometimes delay approved Invention Disclosures from being turned into patent applications in a timely manner. It is not uncommon for a 2-year period to pass from submission of an Employee Invention Disclosure to the filing of a patent application on the invention. Under current law, the company can rely upon the Employee Invention Disclosure as evidence of prior invention to swear behind another disclosure or application filed by a different company that was invented after the first company’s invention date. However, after March 15, 2013, companies will not have the luxury of sitting on invention disclosures and filing them at their convenience because the other company’s disclosure or application will trump their earlier invention date. Thus, large companies should consider revamping their procedures to reduce the time frame between invention submission and invention disclosure.

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Heightened Diligence Should Suffice

The new “first-to-file”/“first-to-disclose” law and rules introduce a new risk that patent rights may be lost due to delays in filing a patent application or delays in disclosing the invention. While the author is not suggesting that these are “much ado about nothing,” for most companies, a reasonable amount of heightened due diligence is all that is required to respond to this rule change.

The USPTO has an information Web page regarding the AIA at http://www.uspto.gov/aia_implementation/index.jsp that provides links to specific details of the AIA.

Parts I and II of this patent series appeared in the February/March and April 2012 issues of *Information Display*, respectively. ■