PDHonline Course G374 (4 PDH)

Understanding the New Patent Law Changes

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Changes from "First-to-Invent" to "First-to-File" System

When patents are examined for patentability, the Patent Examiner studies the state-of-the-art technology that existed before the priority date of the invention. Things before that date can be cited (as a reference) against the invention in a rejection for "novelty" (Section 102) or "non-obviousness" (Section 103).

A typical rejection under current Section 102 is:

> *A person shall be entitled to a patent unless –*
>
> *(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of application for patent in the United States.*
>
> *Claims 1, 7 and 13 are rejected under 35 USC 102(b) as being anticipated by [cited reference].*

A typical rejection under current Section 103 is:

> *A person shall be entitled to a patent unless –*
>
> *(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the difference between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary*

> *skill in the art to which the subject matter pertains. Patentability shall not be negative by the manner in which the invention was made.*
>
> *Claims 1, 7 and 13 are rejected under 35 USC 103(a) as being unpatentable over [cited reference] in view of [cited reference].*

One of the most controversial changes is to convert the U.S. patent law system from a "**first-to-invent**" priority system to a "**first-to-file**" priority system. Under current U.S. patent law, the determination whether a reference is prior art is based on whether the reference pre-dates the date of the patent applicant's "invention." Under the new patent laws introduced, the determination of whether a particular reference is prior art will instead be based on whether the reference pre-dates the "effective **filing** date" (not the invention date) of the claimed invention. A claimed invention is not novel if it is described in a patent or published patent application that names **another** inventor and was filed before the effective filing date of the claimed invention.

There is an important exception: public disclosures in patents and patent applications "by the inventor or joint inventor or another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor" are not prior art. This creates a "first to publish" priority for inventors. However, it is important to keep in mind that publishing destroys international patent rights in most cases. Thus, under the new law, for one year, your own public disclosures will not be cited as a reference against you. These safe harbors were to protect academic researchers from being left behind in the race to the patent office. They argued successfully for language that gives researchers a year after disclosing their discovery in a publication to file for a patent. Lower cost "provisional" patent applications can be filed to protect a discovery while the decision is made whether it is worth the cost of pursuing a full-blown (or non-provisional) patent, and it gives the institution time to search for an investor willing to pay patenting costs. However, this safe harbor does not help outside U.S. borders, since most foreign patent

offices do not give inventors the one-year grace period. Notably, Japan may be expanding its grace period in this regard. It will be interesting to see if other countries follow suit.

Good advice: stay mum about promising discoveries to make sure they aren't "scooped" by competitors or even collaborators. If it is impossible to keep the technology contained safely (especially in the internet age, blogs, online movie clips, and other social media for students who may be working in your research labs), file quickly and file often. Companies should restructure their time-to-file process, if necessary, so that invention disclosures are generated promptly and delays in subsequent filing are minimized.

Since priority is determined by the first-to-file a patent, not the first-to-invent the inventive concept or technology, acting quickly to file a patent application can be vital to the granting of a patent. This is especially true in competitive areas where many are developing innovations simultaneously. Inventors must reduce the invention to practice as soon as possible to ensure timely filing. It is also advisable to file patent applications early to establish a prior art and effective filing date.

The changes to a first-to-file system eliminate the current practice of "swearing behind" or "antedating" cited prior art with a sworn statement that the inventor was in possession of the invention prior to the effective date of the cited prior art. Since an inventor can no longer file affidavits to antedate cited prior art, filing a provisional patent as soon as the technology is reduced to practice may be a strategy for many inventors in order to address this significant procedural change.

Some believe that this enables a new angle for venture capitalists to get into smaller companies with micro investments on the hope that a novel patent could turn into a serious income-earner. This will be interesting to watch over the next few years.
There are also those who believe these changes will favor large companies and are going to increase the costs of obtaining, maintaining, and enforcing patents for universities and individual inventors.

Paul Morgan (former Assistant General Patent Counsel for Xerox and nationally-recognized commentator on the AIA) believes that the true impact of this change is "hyper-hyped." He points out in a guest blog article on *Patently O* that "the number of situations in which two different parties file patent applications on the same or substantially the same invention, and the second-to-file obtains valid dominant patent claims, is miniscule (now less than 20 a year). Cases involving invention 'derivation' are a small percentage of even that miniscule number. In other words, the removal of alleged prior 'invention date' arguments is *not* a significant AIA change." He also commented that one can no longer argue: "we filed our patent application later than our competitors on this idea, but we can swear we 'invented' it first." (Most of those oaths were fatally defective anyway. Most people did not understand what proving a prior "invention date" requires, and those oaths only worked when uncontested in the U.S. Patent Office, not in interferences or litigation.) Thus, going from a commonly misunderstood U.S.-only "first-to-invent" system to a "first-to-file" system [like the rest of the world] is not really going to make that much difference.

Other Recommendations and Good Practices Under the New Patent Laws

Experienced patent practitioners recommend that inventors expand searches to as many major global sources of prior art *and* relevant activities as possible.

Defensive publication should be considered and may be useful where foreign filing might be unnecessary or at least limited (*e.g.* limited to foreign countries with grace periods). While you may not want to make the investment to patent a particular technology, you may want to publish to prevent a competitor from patenting it.

Increased Importance of Confidentiality Agreements

With the changes in U.S. patent laws, confidentiality agreements take on even greater importance and should be used more diligently by inventors and companies to protect

technology. There are two ends of the spectrum: confidential and public. If it is not confidential, it is probably public. A good (conservative) rule of thumb, although a gross exaggeration of the law, is to presume that any disclosure not under a confidentiality agreement is a public disclosure and no one must keep it a secret unless they agree to do so in writing before you tell them the secret. Following those rules will keep you out of trouble in most cases.

With whom should you have a confidentiality agreement (also known as a nondisclosure agreement or "NDA")? At the very least, you should consider confidentiality agreements with suppliers, manufacturers, prototype makers, investors and employees. Some people feel slighted when you ask them to sign an NDA. It is important to stress that this is not about distrust; it is to protect patent rights. Explaining this often eases the tension.

It is also important to read confidentiality agreements carefully and to understand their provisions. Not all NDAs are created equal. Some also include non-use and/or non-compete provisions, which can be problematic if you are in the same business as the entity with which you are signing the NDA. These provisions must be narrowly written to prevent future restrictions on your business or customers. Many contain covenants not to reverse-engineer the technology and to have all employees and consultants sign parallel NDA agreements if they are exposed to the confidential information. It is also important to understand and follow the outlined procedures. For example, some NDAs require that oral disclosures be reduced to a written memorandum within a specified time period and that it be marked "confidential." Failure to follow the written pre-agreed procedures can risk protection.

Increased Importance of Provisional Patent Applications

The new patent laws have provisional patent applications assuming a more significant role in protection strategy and should be used more diligently by inventors and companies to protect technology. The benefits to provisional patent applications include establishing an early priority date for patentability while shifting the patent term one year

later. This experience is reflected in actual practice as well. Dennis Crouch reports useful statistics about patents and patent practice in the *Patently O* blog. He states that about 33% of utility patents claim priority to at least one provisional and only about 20% claim priority to more than one provisional application. A utility patent application must be filed within 12 months of the provisional patent application to benefit from a priority claim and earlier effective filing date. There are no late fees or extensions available for this deadline. *Patently O* reports that about 40% of the non-provisional applications were filed within one day of the 12-month deadline and about 70% were filed within two-weeks of that deadline.

Experienced patent practitioners recommend that inventors file all important non-provisional applications before March 16, 2013, except for those applications in which all of the claims are entitled to a priority date prior to the effective date of the AIA.

Writing Provisional Patent Applications that are Defensible and Receive Priority

Provisional applications should be filed where publication is undesirable, but make sure all claims are fully supported and enabled. Formally, provisional patent applications are to be written like a full utility application. The only difference is that including claims is optional. Despite the statutory requirements, many attempt to write “quick and dirty” disclosures that contain little more than some experimental data or a list of component parts and functionality of the device. They rely on the fact that the provisional patent application is not examined and is essentially a placeholder for a filing date. However, the USPTO is looking to see if priority is warranted and the filing date will certainly be challenged in infringement and validity challenges by third parties. So, it is important to file an application that is “enabled” enough to survive a challenge. The test is whether someone skilled in the art, taking the disclosure in the provisional patent application, could make and use the invention. It is not necessary to explain or even know how or why it works, just that it does accomplish an identifiable end. A good rule of thumb is to think of a provisional application, at the very least, as a problem solution statement. In

the most basic way, I ask inventors to complete the following sentences in an effort to focus their thoughts on the inventive concept that underlies the invention:

- The precise problem I am trying to solve or the advantage I am trying to provide is___.
- The existing technology fails to _____, and I can provide that by _____.
- Existing technology could be improved by _____.
- The advantage of ___ would be realized if the following changes were made: __.
- The precise component or step that helps achieve the advantage is ___.
- This idea was not possible before now because _____.
- One component or step that I have that the prior art (existing technology) does not have is ___.
- The necessary components or steps are _____ and the optional ones are ___.

If you do not have the time or resources to draft a full formal application, know where to take your shortcuts without compromising coverage. The section that absolutely needs some meat and detail is the detailed description of a preferred embodiment. The abstract and summary are less critical, as is the discussion of prior art in the background section. These sections do not add much protection in the end. They would be the portions I might skimp on in favor of doing a solid written description.

Experimental data can be useful to show that you are in possession of the invention at the time of filing. Inventors tend to want to omit data that did not come out as they wanted. However, sometimes showing data that is both positive and negative can be useful to demonstrate that you know the metes and bounds of what works and what does not.

Inventors also tend to want to disclose only some of the technology to competitors, reserving a few special secrets for themselves. This is not permitted. Despite the changes in the best mode as a way to invalidate a patent, the statutory requirement was not changed. Essentially a patent is a deal the federal government makes with the

inventor. If you share your secrets with the rest of the world, we will give you a limited monopoly for two decades (for utility patents, 14 years for design patents) on that technology. The goal is to advance the public body of knowledge so others can use your technology as a springboard for even further advances.

Foreign sales and public use – changes in the definition of prior art

The new law expands the scope of foreign-filed applications as prior art and "on sale" and "public use" to foreign countries. After March 15, 2013, a claimed invention is not novel if it:

> "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" (§ 102(a)(1))
>
> *or*,
>
> "was described in a patent issued under section 151, or in an application for patent published or deemed published under section 122(b), in which the patent or application, as the case may be, *names another inventor* and *was effectively filed before the effective filing date* of the claimed invention." (§ 102(a)(2))

Under the new law, the "on sale" and "in public use" activities are no longer limited to the U.S. These activities, if done anywhere in the world, will be a bar to a patent application. This "absolute novelty" actually has been the rule in most other countries for some time. It is now more important than ever to keep technology confidential and non-public until a patent application is filed. Notably, the one-year grace period still applies if the inventor or a direct assignee publicly discloses the invention and later files a patent application. There are still open questions about how the grace periods might apply to inventors in some circumstances.

Example: NewTech, Inc. has developed a patentable method for making a device. The proprietary method decreases manufacturing costs and improves the durability of the final product and adds several new features that were previously unknown in this device. The manufacturing method would not be discoverable from efforts to reverse-engineer the device. The method is used to manufacture the device in China; no manufacturing is done in the U.S. During the first year, the devices are only sold in Europe and have not yet reached the U.S. market. Under the new law, NewTech, Inc. would be unable to file a patent application. In order to preserve its rights, it should have filed a provisional or a PCT application before it commenced manufacturing operations (use in commerce) and sale of the device.

The example above shows one of the significant effects that the new patent laws have on inventions. Inventors and businesses will need to adjust their strategies for invention protection to take into account the use of the invention in foreign commerce and how to secure protection in the U.S.

Best Mode

Under the current U.S. patent law, a specification for a patent is required to "set forth the best mode contemplated by the inventor of carrying out his invention." While the AIA does not eliminate this requirement, Section 15 of the AIA eliminates "failure to disclose the best mode" as "a basis upon which any claim of a patent may be canceled or held invalid or otherwise unenforceable." Since this issue is not one raised during prosecution, this appears to effectively be the death knell of this statutory requirement.

Example: An inventor describes three materials that can alternatively be used to manufacture a new chemical compound. There were others that worked well, and one of those others was preferred by the inventor in his own commercial use of the product. He did not disclose that one, believing the others were sufficient exemplary alternatives, and wanted to keep this little tidbit for his own company. If a competitor discovers that the inventor knew of this "best" embodiment (version) of the invention

and that he intentionally failed to disclose it, under the new law, the competitor can no longer use that as a basis to invalidate the patent.

Warning: The law surrounding this issue is unclear. Despite the apparent difficulty in enforcing the statutory requirement via patent invalidity provisions, the law did not eliminate the requirement. It is likely that a new way to ensure compliance will present itself in the next year or two.

Paul Morgan argues in a *Patently O* guest blog that "this significantly increases the value of trade secrecy protection (instead of or even in addition to patenting) for any inventions which can be kept secret while being commercially exploited. There is potential dual IP protection from the AIA elimination of 'best mode' defenses. Even more so if disputed ambiguities in AIA 102(a)(1) are held to overrule the long-established *Metalizing Engineering* doctrine that 'forfeits' patenting after having already commercially exploited an invention, which would allow tacking on full-term patent protection after unlimited years of trade secrecy protection." He also commented, "If the invention is a manufacturing or chemical process that is not detectable from the sold product, and it can really be *kept* a secret, there are some increased incentives to do that, *rather* than patent it, and rely on 'trade secrecy' law protection."

New Oath and Declaration Procedures

There are new procedures and conditions for providing "oaths" and "declarations" for patent applications. All non-provisional (utility, plant and design) patent applications must be accompanied by a statement under penalties of perjury that the applicant is the inventor of the subject matter contained in the claims (an oath or declaration). (At the time this is written in January 2012, *The Official Gazette* just published its rulemaking to implement these new provisions and is considering public comment.)

The new law expands the procedures for inventor declarations to provide for more detailed declarations that may be submitted by an assignee, in lieu of an inventor. This

may be especially useful when an employee that is no longer with a company is the inventor and for practical reasons, he cannot be located after his move or his cooperation is difficult to obtain when he moves on to a new job or opens a new business. Under current U.S. patent law, each inventor is required to execute an oath or declaration, unless the inventor refuses to do so, or is otherwise unavailable, in which case a person to whom the inventor has assigned or agreed to assign the invention can execute an appropriate declaration.

Limitation on Issuance of Patents Claiming "a Human Organism"

Already effective, "no patent may issue on a claim directed to or encompassing a human organism." This new prohibition takes effect for any application pending on, or filed on or after the date of enactment. This prohibition does not apply to any previously issued patent. The precise definition of human organism remains unclear and will likely be judicially defined as the law is interpreted by the United States Patent and Trademark Office and Board of Patent Appeals and Interferences (BPAI) and challenged in federal district court.

Limitation on Issuance of Patents Claiming "Tax Strategies"

Already effective, "no patent may issue on a claim directed to "any strategy for reducing, avoiding or deferring tax liability." Excluded, however are computer program products and systems for preparing tax returns and financial management methods and systems that may be severable from the use of any tax strategy.

Understanding the Scope (Limits) of Patent Protection for Future Discoveries

It is important to understand the limits of patent protection. For example, an inventor must be in possession of the invention at the time of the patent application. That means that he must appreciate the inventive concept and know how to make and use it. Taking the patent application, one of ordinary skill in the art must be able to use it to make and

use the invention and appreciate the invention as it is disclosed in the patent application, without undue experimentation. The 2011 Federal Circuit case *Teva Pharmaceuticals v. Astrazeneca Pharmaceuticals* adds an interesting twist: conception requires appreciation of what is made, not why it works. Knowing the stable compound and the components of the formulation was sufficient. It was not necessary to understand which component was responsible for the given result.

While it is desirable to protect a technology and all of the progeny that it inspires, patent protection does not extend to that which is yet to be discovered or invented. Reasonable substitutions of components or process steps based on known technology might be deemed obvious or anticipated (therefore not patentable by others), but is not guaranteed to be covered under the breadth of the patent claims (not necessarily infringing). Again, the patent claims are interpreted in light of the accompanying disclosure. Things not known or discovered are generally not within what is considered in the inventor's possession at the time of filing.

Disclosure of rudimentary technical knowledge in a patent application can have several effects. It may open the door to a continuation application or continuation in part application in the future. This will help prevent your own technology from being cited as prior art against you and potentially qualify you for an earlier priority date. It also potentially prevents others from patenting it as a defensive publication. However, if the technology is not well developed, you may be making it public earlier than you desired and may start the timeline for getting the details finalized because the continuation must be filed before the underlying patent is issued. It is important to consider how these affect your commercialization plans and schedule.

Disclosure and claiming technology that is in a different art area than the base patent disclosure and claims is likely to receive a restriction requirement and increase the costs of prosecution. There are some tactical advantages of restriction requirements in some cases – we like to argue that the Patent Office cannot take the position that it is patentably distinct and then claim it is obvious or anticipated. However, if budgets and

speed of patent prosecution are concerns, this may be something to consider carefully in the balance.

New Virtual Patent Marking

A patent may now be "virtually" marked (effective on all pending and newly filed applications). Virtual marking applies to all patents issued after September 26, 2011, including patent applications pending on that date. A patent may be marked by making reference to a public website address that associates the patented article with the number of the patent, i.e., "virtual" marking. For example, the following might be used:

> *"Patents: http://ACME.com/patents/superproductX," a website that would display the patent numbers associated with the super product X of Acme Company.*

Patent marking means physically labeling a product or its packaging with the identification numbers of patents that protect the inventions embodied in the product. Marking provides constructive notice that the listed patents protect the product. However, the reality is that patenting an invention and manufacturing a product differ immensely. Physical marking effectively requires patentees to label static products with the numbers of dynamic patents. Patents are dynamic: new patents are granted, existing patents expire, and a patent's scope may change. Manufacturing, on the other hand, is typically static. The product is manufactured at a single point in time. Plastic molds are created for a product with the patent markings. However, when patent pending status or a patent expires, patentees must change their product markings to avoid liability for "false marking." Commercial reality is that it rarely changes the molds because manufacturing equipment is expensive to change. Inventory is not modified after production. By allowing manufacturers to mark the product or its packaging with a notice that references a website rather than a specific patent number, the web address could remain accurately updated at all times. Patentees could change the patent

numbers listed on a website efficiently and thus avoid false marking liability. It has been suggested by commentators that virtual marking would also help competitors and the public by enabling patentees to accompany the patent numbers with other useful information about the patents, such as their expiration dates.

This system is likely to be regulated over time and even implemented on a public registry website with regulatory guidelines. Undoubtedly, abuses will be experienced with some patent holders who implement hard-to-use virtual marking sites where useful patent information is buried or omitted. Patent holders may try to use the opportunity to collect identifying information for marketing or inundate the readers with advertising or other unwanted information.

Thus, the best practice is to be diligent about patent marking. Patent owners who do not mark their products are prevented from recovering any damages for any of the infringements occurring prior to serving an actual, specific, notice of infringement, or bringing suit. Patent marking can also aid assertions of "willful" infringement – resulting in enhanced damages, and has the potential of aiding in establishing "inducing" infringement claims.

While false marking claims have been brought in line, it does not change the fact that deliberately or recklessly marking a product with a patent number that does not apply to any part of that product is still against the law and a legal peril. It can be potentially indirectly prejudicial for patent enforcement and FTC complaints.

Reducing Patent Troll Activity

We have all heard about the rise in “patent trolls” and “false marking litigation.” The new law limits the persons who have standing to bring a suit for false patent marking to persons who have “suffered a competitive injury as a result of” such false marking. In addition, damages for a suit by a competitor are set to be “adequate to compensate for the injury.” The Act also provides that marking a product with an expired patent is not a violation of Section 292 and that the modifications to 35 U.S.C. § 292 apply to “all

cases, without exception, that are pending on or commenced on or after, the date of the enactment of the Act." There were also changes to the procedural rules to limit joinder (coupling of many unrelated defendants in one suit in one court). In patent cases, defendants may only be named together for patent claims arising out of the same transaction or occurrence (or series thereof).

Expedited Proceedings: the new Fast Track option

Patent applicants may now pay to get a place at the front of the line. Many countries have offered expedited processing upon payment of an expediting fee. The USPTO now offers such an option to patent applicants with a new "fast track option". Effective September 26, 2011, the new fast track option will help start-ups get a patent within one year. To take advantage of this procedure, an inventor must:

- Electronically file a complete application with less than 30 total claims and less than 4 independent claims;
- File a request for prioritized examination with the patent application;
- Pay a fee of $4,800 for large entity and $2,400 for small entity status in addition to all regular filing, examination and search fees; and
- File a new non-provisional application after September 26, 2011 (the process cannot be used for design, reissue or reexamination, but can be used for continuation and divisional applications).

Under Track I ("the fast track option"), a patent applicant can complete a simple form http://www.uspto.gov/forms/sb0424.pdf and pay the fee to have a patent application processed on an expedited basis. Current statistics by Dennis Crouch on his *Patently O* blog show that patent applications are averaging 3- 4 years to issue. The goal is that patents on the fast track option will be "processed to completion" within 12 months of an application entering the Track I program. It is reported that the Patent Office has granted 99% of the fast track petitions it has decided. As of January 2012, the reported

statistics are that first office actions are being sent no later than 70 days, and 30 days on average, after approval of the petition.

There is a feeling in the patent community that expedited or accelerated examination requests receive a higher level of scrutiny, either officially or unofficially. For example, more experienced patent examiners are typically assigned to process applications in these types of programs, resulting in greater scrutiny from the experienced examiners. For this reason, many applicants and patent professionals opt not to participate in these optional programs. The Patent Office officially states: "For those applicants or practitioners concerned about whether Track I applications will be treated differently from others in terms of grant/denial rate, our examiners are being given exactly the same training, credits and incentives to accurately examine Track I cases as for all other cases, and no training, credits or incentives are being given to bias examiner decisions in any way. And as for the data, given the statistics provided above, so far there is no basis to believe there is any difference in results for Track I versus non-Track I processing, other than the significantly faster responsiveness."

How does the new Fast Track option compare to the Accelerated Examination procedure for patent applications?

In 2006, the USPTO introduced the accelerated examination process. If an applicant conducted a pre-filing search and submitted an examination support document, examination would be accelerated. This procedure carries not only hefty additional legal costs for applicants; it may also result in estoppels and file history-related or file wrapper-related risks. Put another way, you may be forced to take a legal position that you later regret has unintended consequences.

The new fast track procedure does not require the applicant to undertake the pre-filing search and extra document preparation, nor does it expose the applicant to file wrapper risks. Applicants simply pay the fee and can move the patent application through the USPTO at 3-4 times the normal speed.

Is it worth the cost? Determining the cost-efficiency of the fast track option is a business decision and requires careful consideration. In addition to the added filing fees, the fast track will compact prosecution into 12 months – including all of its legal costs. An applicant must have the time and money resources for the speedy prosecution process. Situations where fast track should be considered:

- An immediate need to recover Return on Investment (ROI) on the technology (licensing opportunities and sales are better on issued patents than on pending applications);
- Additional capital that is needed must be raised through investors (investors perceive less risk on patented technology);
- The patent is directed to key product or technical features;
- The time to market is critical; or
- Competitors will quickly enter the marketplace.

In short, applicants seeking a speedy way to process a patent application should seriously consider the fast track option, but need also consider the financial and time burden associated with this option.

Priority of Examination for Important Technologies

The USPTO also has authority to prioritize the examination of applications for products, processes or technologies that are important to the national economy or national competitiveness. It is not clear how this will be implemented, but it can be a key benefit to inventors in certain technology areas. Beginning September 26, 2012, the USPTO can prioritize examination of applications claiming technology important to national economy or competitiveness.

Micro entities

Starting in about a year (as of this writing in early 2012), micro entity fees offer a 75% discount over large entity fees, which is an additional 50% reduction over the current small entity fees that are already 50% reduced from most official filing fees. To qualify for this fee reduction, the applicant must have an income under $150,000 per year (actually measured as 3 times the income of what is reported on the US Census Website which is currently $49,777) and have not filed more than 4 non-provisional patent applications. Additionally, the applicant may not have signed a licensing agreement with a party or an entity that is not a small entity.

Important word of caution: if you file as a micro entity, but later either sell, license or assign your patent to a large entity, you MUST pay the difference in patent fees; otherwise the patent may become disqualified.

Other Initiatives for Assisting Small Businesses and Independent Inventors

In the coming years, the USPTO will offer a Patent Ombudsman Program to provide assistance to small business concerns and independent inventors. The USPTO shall work with nationwide intellectual property law associations to establish pro bono programs to assist “financially under-resourced independent inventors and small businesses.” Inventors and small businesses should be on the lookout for these program initiatives and actively provide feedback on their needs to program developers.

A function of the Patent Ombudsman Program is to assist an inventor in prosecuting a case when other options have failed. When you have a question about a specific application in prosecution and have been unable to find the correct person to assist you or have been unable to obtain assistance from the examiner or Supervisory Primary Examiner (SPE) to whom the application is assigned, then the Ombudsman Pilot Program is the venue to use. If your question is a general question and not associated with a particular pending patent application, then the Ombudsman Pilot Program is not the appropriate program to use. The Ombudsman Pilot Program is not meant to be a

universal assistance center but rather a place to get prosecution assistance when you have exhausted normal channels in the Technology Center (TC).

On a personal note, while these goals are well-intended, it remains to be seen how effective they can be. By way of comparison, my experience is that the IRS consumer advocate program has not been a very successful initiative. Despite my personal reservations, I applaud the effort to address the needs and concerns of this important portion of the patent community. The USPTO website has the following announcement aimed at inventors, start-ups and small companies:

> *Inventors who qualify as a small entity (e.g., independent inventor, a small business, or a nonprofit organization) are eligible for a 50 percent reduction in the USPTO's filing, issue and maintenance fees. That translates into a savings of thousands of dollars when compared to what large corporations pay.*

The USPTO Inventors Assistance Program has quite a few avenues that small inventors and entrepreneurs can utilize, including:

- The USPTO web site, which contains computer training modules and an Inventors Resource page.
- iTunes podcasts, particularly the computer-based training module entitled "Concept to Protection".
- Webcasting presentations available for university business and entrepreneurship classes.
- A dedicated mailbox (independentinventor@uspto.gov) that responds to inventor questions.
- A toll-free number for inventor inquiries (1-800-786-9199).
- Education conferences, such as the 15th Annual Independent Inventors Conference (November 2010) which

brings inventors together with experts in entrepreneurship and intellectual property.

Other free programs available to independent inventors through the USPTO include:

- Intellectual Property Awareness Campaign (IPAC) program series called “IP Basics”. The presentation cover topics such as how to protect and enforce patents, trade secrets, trademarks, domain names, and copyrights domestically and internationally.
- USPTO China “Roadshows” supply information to independent inventors that lack the expertise and resources available to large corporations. The “roadshows’ are web-based seminars that cover a large variety of IP-related topics, but are focused on those most critical to independent inventors and small businesses.
- The USPTO and Small Business Administration’s collaborative webinar for small entities “SME IP Training Tutorial” is a 1½ -hour program that gives a comprehensive overview of patents, trade secrets, trademarks, domain names and copyrights. It is available through the STOPFakes.gov web site.

The USPTO also has a network of libraries called the Patent Trademark Depository Libraries (PTDL) that are ideal for independent inventors and entrepreneurs, small businesses, university and governmental laboratories and research and development firms. There are currently 82 PTDL libraries in 45 states, D.C. and Puerto Rico. The libraries have free services train on USPTO databases, using the USPTO website and accessing and using USPTO documents. The libraries also host public seminars on IP topics geared toward both novice and experienced inventors.

In June 2011, Secretary Locke announced the Obama Administration’s “one-stop shop” initiative set at streamlining government bureaucracy to bring services directly to entrepreneurs and businesses. The idea is to integrate departmental programs to assist throughout the life cycle of a business. The USPTO supports this initiative. In October

2011, USPTO Director Kappos discussed thoughts and concerns with independent inventors in the first of a series of roundtable discussions.

For inventors and small businesses seeking assistance in patent filing and prosecution, there are a few USPTO patent programs available as resources. The goal of these programs is to help accelerate patent prosecution so that the applicant can find out more quickly whether a patent will be granted. This knowledge would allow the independent inventor or small business to plan for potential investment, manufacturing and marketing opportunities.

The first of these is Accelerated Examination, which sets out to give an applicant a quality patent in less time. The applicant provides more upfront disclosure, and the Examiner, armed with more focused and detailed information about the invention and the closest prior art, is able to more quickly examine the application and make a quicker decision on whether the claimed invention is deserving of a patent.

Another patent program is the First Action Interview Pilot, which entitles an applicant of a new utility application to an interview with the Examiner before the first office on the merits. This program supports the idea that more interaction between the applicant and the examiner at the beginning of examination benefits the patent process because issues are resolved early on in prosecution.

There is also the Pilot Program to Accelerate the Patent Process for Small Entity Inventors. If an applicant abandons a co-pending unexamined application, another applicant can be accorded special status for examination. This allows applicants to have greater control over the priority with which multiple pending applications are examined and reduces the backlog of unexamined applications.

In the USPTO's *Official Gazette*, patents that are available for licensing or sale are published in a notice. For a small fee (currently $25), the independent inventors are given the visibility they need to attract possible investors.

For inventors and small businesses that need assistance in protecting their intellectual property rights, the USPTO's hotline (1-8o66-999-HALT) under the Strategy for Targeting Organized Piracy (STOP) might be an excellent resource. The initiative is managed by attorney experienced in IP protection in the US and throughout the world.

End of SIR Program

Effective March 16, 2013, the USPTO will no longer accept Statutory Invention Registration (SIR) applications. The provisional patent application formally replaces the old SIR procedure. This has long been coming since the introduction of the provisional patent application process, but the end is finally here.

Satellite offices

Prior to September 16, 2014 and subject to available financial resources, the USPTO shall establish three or more satellite offices for patent processing. This will decentralize patent office operations. The impact is unknown, but the intent is to attract more experienced patent examiners and to optimize workflow at the USPTO. One office will be in Detroit. Speculation in the patent community is that a second one will be in California.

The long term impact is uncertain. Attracting quality Examiners is a great goal, but the decentralization opens the door to disparate treatment, procedural practices and timelines in different offices. Uncertainty may be increased, not decreased in the end. Forum shopping will inevitable occur.

Out with Interference Proceedings, In with Derivation Proceedings

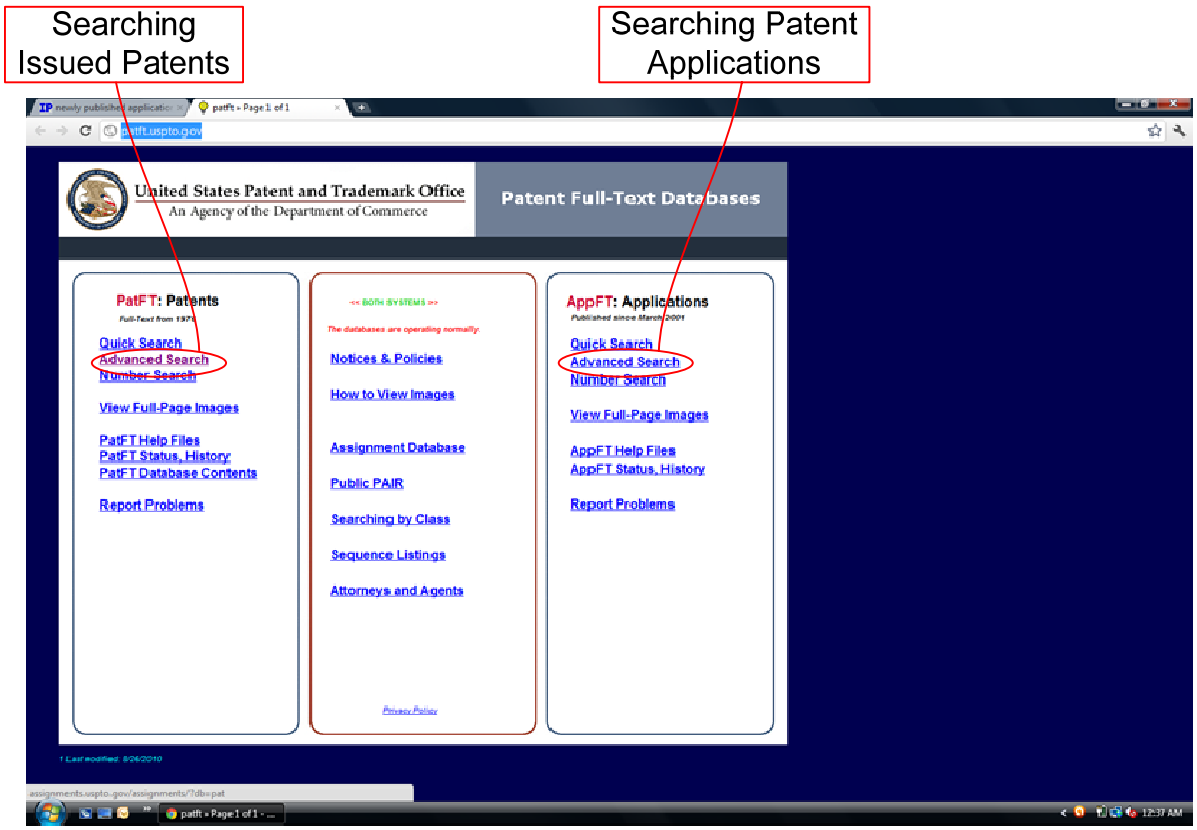
Current “interference” practice is used to determine the priority of invention between two applicants for the same invention based on which applicant invented the subject matter first. Thus, the patent will be awarded to the first to invent, not the first to file a patent application. There are conditions to be satisfied by the first inventor, most importantly that he acted diligently in his efforts and did not “abandon” the invention.

Under the new system, an applicant may succeed in a derivation proceeding if he can establish that the invention claimed in the earlier filed patent or patent application was derived from the inventor of the later-filed patent application. A petition for a derivation proceeding may be filed “only within the 1-year period beginning on the date of the first publication of a claim to an invention that is the same or substantially the same as the earlier application’s claim to the invention.”

This makes it important for inventors and companies to monitor patent applications and patents when they are published. Opportunities can be lost if you do not act timely. How can you effectively do this?

1. You can engage a patent watch service to alert you to publications in areas of interest or key technologies.
2. You can review the online patent publications each Tuesday (issued patents) or Thursday (applications) as they are published or on some regular interval that ensures you are informed as early as possible.

The following screenshot shows a means by which applications or issued patent publications may be searched at http://patft.uspto.gov/:



Third Party Challenges

There are several ways you can participate in the patent process of your competitors, and of course, they can participate in yours. Let's review a few of the available procedures in a bit more detail.

Pre-issuance Submissions by Third Parties

There is a new procedure by which third parties may submit prior art references, such as a patent, published patent application, or printed publication, to the PTO before issuance of another's patent. Such submission must be made in writing before the earlier of (a) a notice of allowance, or (b) the later of (i) six months after publication; or (ii) the first rejection of the patent application. This makes it important for inventors and companies to monitor patent applications (and patents for cases where the application is not published and only the issued patent is published) when they are published. In

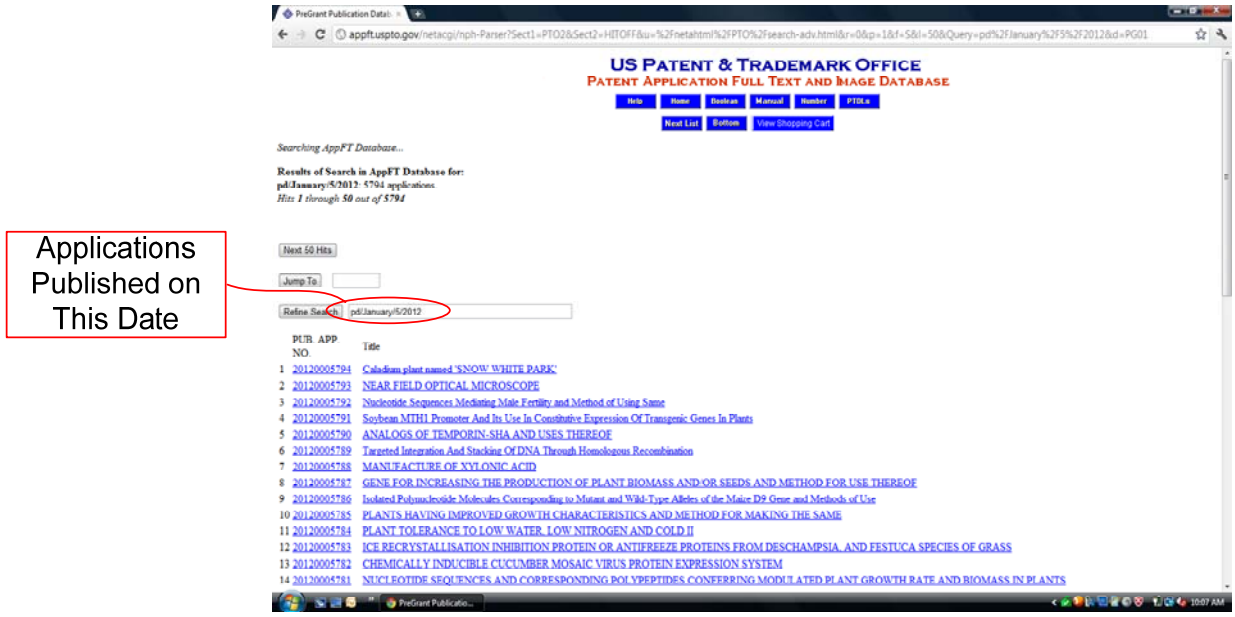
addition to paying the required fee, the submission must set forth "a concise description of the asserted relevance of each submitted document. There is no requirement to associate specific prior art text or drawings with the claim elements of the pending patent application. Third party submissions will be allowed beginning in September 2012 and the Patent Office is working on the rules that will guide the mechanics and procedure for this new process. Under the proposed rules, a submission must include a fee of $180 for the submission of up to ten documents. It has also proposed a fee exemption for the first submission by each third-party for each application (with a limit of three documents in that submission). Submissions may include patents, published patent applications and other published materials.

This is a new opportunity to impact the patent portfolio of competitors. In some technology areas, the Patent Examiners have difficulty locating references. You can now provide a reference to the Examiner with an explanation of its relevance, that is, why it shows how the invention is not novel or would be obvious in light of existing technology.

Opportunities can be lost if you are not timely acting. How can you effectively do this?

1. You can engage a patent watch service to alert you to publications in areas of interest or key technologies
2. You can review the online patent publications each Tuesday (issued patents) or Thursday (applications) as they are published or on some regular interval that ensures you are informed as early as possible

If you want to do your own search, the following screenshot shows a means by which a publication date may be entered to search patents issued on a particular date. As demonstrated below, 5,794 patent applications were published on January 5, 2012. One may then further refine the results within this pool for more specific terms or classes.



Post Grant Review

There is also a new post-grant review procedure which may be used as a method for third parties to challenge an issued patent. A request for post-grant review may be based on "any ground that could be raised under paragraph (2) or (3) of section 282(b) (relating to invalidity of the patent or any claim)." A petition for post-grant review must be filed within nine months after the grant or reissuance of the patent. The standard for initiating a post-grant review is whether the information presented in the petition, if not rebutted, "would demonstrate that it is more likely than not" that at least one challenged claim is invalid.

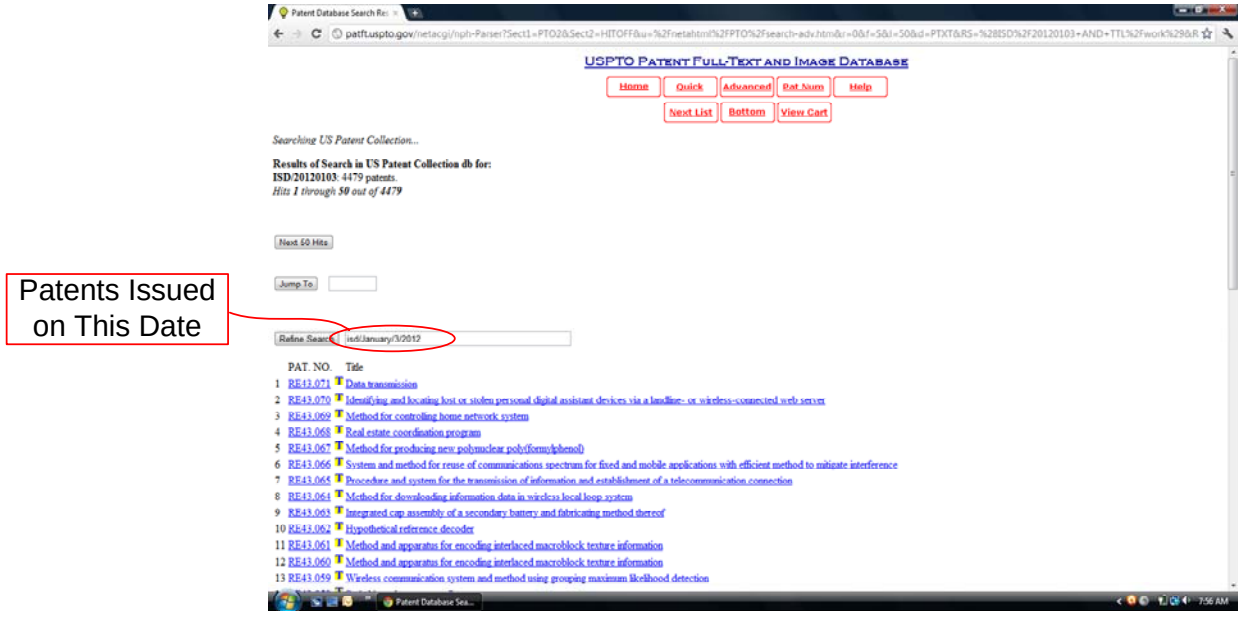
The new post-grant review (opposition proceeding, which will be available for patents with a priority date on or after March 16, 2013) broadens the bases for review to virtually any validity challenge (rather than the novelty and obviousness review under the old proceedings). However, the procedure brings more definitiveness to patent owners in that post-grant reviews will only be available during a 9–month window following patent issuance. Commentators believe that this will not be as popular as one might predict since the tough new threshold that requires a showing "that there is a reasonable likelihood that the petitioner will prevail with respect to at least one claim

challenged." If the threshold is not met, the petition for review will be rejected. This threshold is substantially greater than the USPTO's current standard requiring a "substantial new question of patentability." Additionally, the cost for these proceedings is expected to be steep, perhaps as high as USPTO filing fees of over $40,000 for a post-grant review. Legal fees are also predicted to be steep due to the availability of limited discovery.

Opportunities can be lost if you are not timely acting. How can you effectively do this?

1. You can engage a patent watch service to alert you to publications in areas of interest or key technologies
2. You can review the online patent publications each Tuesday (issued patents) or Thursday (applications) as they are published or on some regular interval that ensures you are informed as early as possible

The following screenshot shows a means by which an issue date may be entered to search patents issued on a particular date. As demonstrated below, 4,479 patents were issued on January 3, 2012. One may then further refine the results within this pool for more specific terms or classes.



Ex Parte Reexamination

The existing form of *ex parte* reexamination will remain, but its scope will be slightly expanded. Ex parte reexamination generally occurs when the patentee itself asks the patent to be reexamined, attempts to strengthen its patent in light of information not entered in the patent record that might be relevant. The Patent Office is asked to look at the patent again in light of the new information (prior art). The claims may stand or be narrowed in these proceedings, but cannot be expanded. This procedure is aimed at thwarting potential invalidity challenges by potential infringers or competitors. Effective September 26, 2012, with respect to any patents issued on, before or after September 16, 2011, third parties will be able to request reexamination based on "statements of the patent owner filed in a proceeding before a Federal Court or the USPTO in which the patent owner took a position on the scope of any claim of a particular patent."

Inter Partes Reexamination

The current *inter partes* reexamination procedure is replaced with a new *inter partes* review procedure. However, in the interim, upon enactment for any new proceedings filed within one year of enactment of the Act, the standard for *inter partes* reexamination of a patent will be changed from "a substantial new question of patentability" to "a reasonable likelihood that the requestor would prevail" with respect to at least one challenged claim. The prior standard will continue to apply to any *inter partes* reexaminations filed before enactment.

Inter Partes Review

The *inter partes* review is a procedural mechanism for third parties to challenge an issued patent based on prior art consisting of patents or printed publications which render invalid one or more issued claims. The standard for initiating an i*nter partes* review is whether there is "a reasonable likelihood that the petitioner would prevail" with

respect to at least one challenged claim. A third party may file a petition for *inter partes* review at any time after the later of (1) nine months after the grant of the patent or reissuance of the patent, or (2) after the termination of any post-grant review.

The *inter partes* review procedure has new features with respect to its relation to civil actions. An *inter partes* review may not be filed more than one year after the date of the initiation of a patent infringement action against the petitioner involving the patent. In addition, if a petitioner had previously filed a civil action challenging the validity of a claim of the patent, that petitioner may not institute an *inter partes* review. Further, if the petitioner files a civil action challenging the validity of a claim of the patent after filing a petition for *inter partes* review, that civil action "shall be" automatically stayed until, the patent owner moves the court to lift the stay, the patent owner files a civil action counterclaiming for infringement, or the petitioner moves the court to dismiss the civil action. Counter-claims by the petitioner challenging the validity of a claim are not governed by the above rules. In addition, *inter partes* review proceedings may be terminated upon settlement. So long as the PTO has not yet decided the merits of the proceeding, *inter partes* reviews shall be terminated upon joint request of the petitioner and patent owner.

Supplemental Examination

A new supplemental examination procedure under which a patent owner may request that the PTO "consider, reconsider, or correct information believed to be relevant to the patent." If the PTO concludes that the information presents "a substantial new question of patentability," the PTO shall order reexamination of the patent. This section provides patent owners with a way to clear the record with respect to potential claims of inequitable conduct. Under the Act, with limited exceptions, a patent shall not be held unenforceable "on the basis of conduct relating to information that had not been considered, was inadequately considered, or was incorrect in prior examination of a patent if the information was considered, reconsidered, or corrected during a

supplemental examination of the patent." This new supplemental examination procedure will become effective September 26, 2012 with respect to any patent issued before, on or after September 26, 2011.

Transitional Program for Covered Business Method Patents

There is a transitional post-grant review proceeding for the review of the validity of business method patents before September 26, 2012. This provides a reexamination which can be initiated for "covered business method patents" by those sued for or charged with infringement of the patent in issue. A covered business method patent is defined as including a claim for performing data processing or other operations used in the practice, administration, or management of a financial product or service," and excludes patent for "technological inventions."

Expansion of Prior User Defense

For patents issued after September 26, 2011, if an alleged infringer was in good faith, commercially using subject matter in the U.S. more than one year before the effective filing date of the allegedly infringed patent or public disclosure of the subject matter, it can assert a prior commercial use defense. This comes into play if it turns out a company is already using a newly patented technology under trade secret protections. The new law is intended to prevent the "prior user" from being forced to pay royalties to the owner of the new patent – potentially decreasing the value of the patent. The defense is subject to the following restrictions:

- Personal to the entity that commercially used the subject matter and limited to the site locations where the prior use occurred and the particular claims that were in prior use may not be separately licensed, assigned or transferred; and
- The defense cannot be asserted if the prior use was abandoned, if the invention was derived from patentee or someone in privity with the patentee, or for inventions originating from universities, unless the reduction to practice excluded the use of federal funds.

Abandonment of the use eliminates the defense. In other words, commercial use must be continuous to assert the prior user defense. The burden of proof is on the defendant asserting the defense. The standard is clear and convincing. The patentee will be awarded attorneys' fees if an alleged infringer cannot show a reasonable basis for raising the prior commercial use defense.

Prior commercial use cannot be used to invalidate a patent (under Section 102 or 103).

Things that are deemed commercial use include regulatory review (such as, for example, FDA approval) and nonprofit noncommercial laboratory use where the public is the beneficiary (generally the nonprofit entity is a research laboratory, university or hospital).

Conclusion

One key thing to take away about the new patent laws:

Any public disclosure of your invention by anyone, anywhere in the world, including any sale or public use of a prototype or product containing the invention, will kill your getting any patent protection. There is no more *general* grace period, even in the U.S. The only remaining grace period is if your public disclosure date was before anyone else's public disclosure date or patent application date *AND* you file your U.S. patent application on that within one year. But even that will not save *foreign* patent rights.