

PATENT LAW

SWEEPING PATENT LAW REFORM IS COMING: WILL YOU BE READY?

by Christopher A. Mitchell
September 2011

Patent reform legislation marking, in some respects, the most significant change to US patent law since the 1800's, is all but certain to be enacted this year. Will you be ready?

While there isn't room in this brief note to canvass all of the impending changes, below is an overview of some of the most notable amendments contemplated by H.R. 1249:

The most talked about change is fundamental: Movement of the US from a "first-to-invent" to a "first-to-file" country. Historically, patent grants in the US have gone to the first to invent the claimed subject matter. Where separate inventors were working on similar inventions at the same time, the "first-to-invent" system could sometimes result in proceedings at the US Patent and Trademark Office ("USPTO") to determine who was the first to come up with the claimed invention. By contrast, the practice outside of the US is to award patents to the first inventor to file his or her patent application. In an effort at harmonizing US practice with the rest of the world, the US will now become a "first-to-file" country, meaning that the first of multiple inventors to file a patent application for the same invention will be the one entitled to a patent (if the invention is otherwise patentable). Fortunately, the law guards against earlier-filed applications the subject matter of which was obtained from the later-filing inventor. Relatedly, the law permits a second-filing inventor to institute a "derivation proceeding" in the USPTO against an earlier-filing inventor who derived his or her invention from the former, or to bring a comparable civil action in case two applicants are awarded patents for the same invention.

"Absolute novelty" provisions: The revised novelty provisions of Section 102 restructure the prior language to create an absolute bar to patentability if the claimed invention of a patent application was "patented, described in a printed publication, or in public use, on sale, or otherwise available to the public" anywhere in the world before the patent application's effective filing date. This is a marked change from the old Section 102, which limited foreign prior art to patents and printed publications. For those familiar with the one-year grace period for filing patent applications in the US, it is still there, albeit in a different form. Now, the grace period will apply to applications made within a year of "disclosures" made anywhere by the inventor or others who obtained the disclosed information from him or her. Interestingly, a further aspect of the one-year grace period provides that any third party disclosure or patent application for the same subject invention within that one-year grace period will not act as a bar to patent if, within the grace period, the invention was earlier disclosed by the inventor or someone who obtained it from him or her.

New post-grant review process: Presently, the validity of issued patents can be challenged in litigation, as well as reexamination

proceedings in the USPTO. The pending legislation will create a European-style post-grant review as a further vehicle to challenge validity. Under these proceedings, it will be possible to challenge a patent within 9 months of its grant (or issuance in the case of a reissue patent).

Expanded "business method" defense: Under existing law, there is a personal defense to patent infringement charges based on a business method patent when the accused defendant had reduced to practice and commercially used the accused subject matter at least one year before the effective filing date of the asserted patent. The pending legislation will expand this defense to comprehend accused subject matter "consisting of a process, machine, manufacture or composition of matter used in manufacturing or other commercial process." 35 USC Section 273 (as amended by H.R. 1249).

More flexible citation of prior art: Generally speaking, the patent examination process is a two-way street involving the applicant and the USPTO. Any third party seeking to be involved is limited to either submitting certain kinds of prior art materials to the USPTO within 2 months after a patent application is published, or sending such materials to the patent applicant in the hopes that he or she will send the same to the USPTO in satisfaction of the duty to disclose material prior art. The ability to cite prior art to the USPTO will be expanded under the new law to allow, at any time, submissions of prior art as well as relevant statements of the patent owner made during USPTO or federal court proceedings.

Introducing "micro entity" fees: The USPTO is a fee-driven institution and, presently, there are essentially two price structures: One for "large entities" and one for "small entities," a category that generally includes small businesses, educational institutions and individual inventors. The latter fees are 1/2 the amount of the former. The pending legislation introduces a new "micro entity" category which will lower these fees even further for qualifying small entities. Among others, this new price structure will benefit a great many individual inventors.

Elimination of the "best mode" defense: One long-standing requirement for obtaining a patent in the US is that the patent disclose the "best mode" known to the inventor for practicing his or her invention at the time the patent application is filed. In subsequent patent infringement litigation, a defendant could challenge the patent's validity on the grounds that the best mode was known but insufficiently disclosed in the patent. While not often invoked, the "best mode" defense could be a potent weapon in a defendant's arsenal. When the pending legislation goes into effect, the "best mode" requirement will remain but the defense will be abolished. While not welcome news to future patent infringement defendants, abolition of this defense should be well-received by foreign inventors whose US patent applications originate overseas in countries where there is no corresponding "best mode" requirement. Such foreign-originated applications may unwittingly fail to disclose the "best mode."

"Virtual marking": One recent hotbed of patent litigation has been "false marking." Existing patent law encourages patented products to be physically marked with the numbers of applicable patents. On the other hand, the law can penalize those who don't remove those markings when the patent expires. Because the patent grant is for 20 years from the earliest filing date, it's easy for manufacturers to lose sight of the connection between their products and patents, and so be subject to monetary liability for "false marking." When the new law comes into effect, patentees will be able to "virtually mark" their products. No longer will physical marking be a requirement. Instead, patentees can provide markings that direct the public to websites where patented products are associated with the numbers of applicable patents. It will thus be possible to provide a single, generic type of marking for all patented products, and to easily manage marking electronically. To encourage virtual marking, the law will also exempt participating patent owners from liability for false marking.

Satellite Patent Offices: Currently, all patent-related business is transacted with the USPTO in Alexandria, Virginia. While a lot of this business can be conducted electronically, activities such as interviews and searching are still best conducted at the USPTO. Under the new law, at least 3 satellite Patent Offices must be established within 3 years. By implication, at least one of these will be the Elijah J. McCoy USPTO in Detroit, Michigan. It remains to be seen how these satellite offices will be staffed and equipped. However, the potential for transacting business with the USPTO so near to many of Dickinson Wright's offices is a hopeful development for innovators.

New categorical exclusions of patentable subject matter: Perhaps unsurprisingly, the new patent legislation picks up on the recent spate of USPTO and court decisions regarding patentable subject matter by categorically excluding from patenting "any strategy for reducing, avoiding or deferring tax liability..." H.R. 1249, Section 14. More controversially, given the lack of any established definition for "human organism," the law upon enactment will also prohibit patenting any invention "directed to or encompassing" a human organism. H.R. 1249, Section 33.

Supplemental examination: Under a procedure yet to be worked out in the USPTO's rule-making process, patentees will be able to request supplemental examination of their patents "to consider, reconsider or correct information believed to be relevant to the patent..." 35 USC Section 257 (as implemented by H.R. 1249).

These and many other changes contemplated by this legislation will go into effect 12 months after the date of enactment, and will apply to any patent issued on or after that date. While the full scope and impact of many of these changes will take years to clarify through litigation, innovators can't afford to be reactive at that pace.

What can you do now to be ready?

1. For starters, implementation of the first-to-file system counsels in favor of an early intellectual property audit to determine what projects

may be candidates for patent application filings now, while the US remains a first-to-invent jurisdiction. After we switch to first-to-file, there will be no chance to "go back" if it turns out that a competitor is working on, and is the first to publicly disclose or file an application for the same invention.

2. The first-to-file changes should also encourage filing patent applications sooner rather than later. Innovators should also consider making more liberal use of the US provisional patent application to secure filing dates beginning with the earliest stages of product development and continuing thereafter.

3. The new novelty provisions may in some instances encourage -- and will at the very least protect -- public invention disclosures as soon as possible within a year prior to filing a patent application for such invention. In effect, the new one-year grace period creates an incentive to file a patent application for, or publicly disclose, an invention before anyone else does the same. However, innovators are cautioned against rushing to publicly disclose incomplete inventions, as the disclosure may not be considered sufficiently enabling to justify application of the grace period.

4. The first-to-file changes may also warrant more strategic consideration of early public disclosures of products and systems not deemed patent-worthy, in order to create bars to competitors seeking patent protection for the same inventions.

5. The new post-review process provides another avenue to challenge patents, but it demands an up-front familiarity with the law in order to understand how it fits into a larger strategy of defending against competitors' patents.

6. The "virtual marking" provisions certainly encourage transition to the new system in order to avoid liability for "false marking," to say nothing of the cost-savings many manufacturers will realize in not having to provide notice of particular patent numbers on their products.

7. As the USPTO develops its procedures for supplemental examination, proactive innovators may want to work with counsel to examine their existing patent portfolios to determine whether the process can be used to strengthen those patents.

These and other important issues will soon face innovators as H.R. 1249 is enacted and implemented. Make sure you're ready to maximize the value of your intellectual property by building your strategy around this watershed legislation before it goes into effect.



Christopher A. Mitchell is a member in Dickinson Wright's Ann Arbor office and can be reached at 734.623.1906 or cmitchell@dickinsonwright.com.