

# THE DAILY RECORD

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## IP FRONTIERS

### The AIA: What you and your clients should know

Chances are you've either read or heard news and commentary about the new patent reform known as the America Invents Act (AIA) over the past few weeks. The AIA "constitutes the most significant overhaul of the American patent system in decades," according to the U.S. Patent and Trademark Office. Hearing this, you may be wondering what impact, if any, the AIA will have on your clients.

First, don't panic (yet). The AIA will be implemented over the next 18 months, with only a limited number of provisions taking effect immediately (i.e. fee increases). The biggest changes will not take effect until September 2012 (i.e. post-grant review) and March 2013 (i.e. first-to-file system).

On the other hand, it is critical that you and your clients be apprised of the potential implications, pitfalls and, yes, benefits the AIA may have for small businesses, start-ups and individual inventors over the next year and a half. This article highlights a few key aspects of the AIA that you and your clients should consider.

#### Fee-related provisions

An across-the-board 15 percent fee increase went into effect on Sept. 26.

In an attempt to lower the impact of these fee increases and give small businesses and individual inventors a fighting chance against the well-capitalized, the AIA creates a "Micro Entity" designation that adds to the current small entity designation (50 percent reduction in USPTO fees).

This new designation will impact individual inventors and startups in that it provides for a 75 percent reduction in most USPTO fees if you: a) qualify for small entity status; b) have four or fewer previously filed patent applications; and c) have a gross income less than three times the median household income (approximately \$150,000). It also applies to institutions of higher education.

Although the Micro Entity status went into effect on Sept. 26, as of the writing of this article, it has not been implemented by the USPTO and is not expected to for another year or so. However, careful monitoring of the availability of this new designation could assist your client with lower USPTO fees.

#### Expedited prosecution

On Sept. 26, the new Accelerated Examination Track 1 (Track 1) became available. Under this track, your client can move to the front of the queue for \$4,800 and its patent will be processed within 12 months. In contrast, the "regular" track still takes approximately three to four years.

The good news is that "Track 1" does not require relinquishment of

important procedural rights in exchange for accelerated examination. Also, the small entity 50 percent reduced fees apply to this program (\$2,400, instead of \$4,800) and so will the "Micro Entity" status (75 percent reduction), when it is eventually implemented.

Only a limited number of applications will be allowed into the Expedited Examination program, however, so if your client is seriously interested in this program, be sure to get your request in early. If they can afford it, this provision could be particularly beneficial to individual inventors and startups looking for investors, especially in fast-paced technologies, since one of the biggest hurdles to obtaining funding can be waiting three to four years for a patent to issue.

Also of interest, the USPTO will expedite a patent application at no cost for inventions that reduce greenhouse gas emissions or provide energy conservation.

#### 'First to file' system

Perhaps most notably, the AIA changes the U.S. from a "first-to-invent" system to a "first-to-file" system. The first to file provisions do not go into effect until March 16, 2013.

The goal of this provision is to bring the U.S. in line with the rest of the world. This change also eliminates interference proceedings, which are not often used, and the practice of "swearing behind" a reference.

Under the new law, priority is given to the inventor(s) who file a patent application first, unless it can be shown that the first-to-file derived the invention from another. Most concerns for small business and individual inventors stem from the fear that competitors or "big business" will be able to steal inventions by filing first, and the true inventor will be out of luck.

There are, however, a few protections in place for the independent inventor and small business. First, one still must be the "inventor" of an invention in order to obtain a patent. An entity cannot simply "steal" an idea, file a patent application, and win.

Relatedly, in order to apply for a patent, the applicant still needs to describe its invention with sufficient particularity. And, if it does happen that a competitor or other business steals an invention and files first, the AIA provides that the "stolen" application cannot be used against the true inventor (see below) and also provides for "derivation proceedings" that will allow the true inventor to challenge the first-filed application.

Finally, this new system does not take effect until March 2013. Therefore, small business and inventors have a little bit of time to

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work out a patent strategy that will best protect their interests without worrying that they will lose any rights if competitors start rushing to the USPTO to “file first.”

In the meantime, your clients should re-evaluate their current procedures for protecting and filing patents. This may include more frequent use of fully-enabled, provisional patent applications instead of relying on internal documents, such as lab notebooks.

Additionally, once the “first to file” provisions do take effect, startups and inventors should carefully consider the implications of making public presentations. Your client may also want to consider the pros and cons of using defensive disclosures.

For example, in some circumstances it may be beneficial to publicly disclose an invention prior to filing an application to prevent others from obtaining a patent on the same invention. If considering this strategy, however, it is extremely important to recognize that any public disclosure prior to filing with the USPTO will forfeit foreign patent rights. Thus, the business implications of losing foreign protection must be evaluated before engaging in defensive disclosures.

Finally, if at all possible, try to file before March 16, 2013, when the new first-to-file provisions take effect, as the new law is written with so many ambiguities and uncertainties that it will take several years for the courts to sort out what it really means. If you file before March 16, 2013, you are under the old law, which is well understood by most courts, patent practitioners and litigators.

## **Limited, one-year grace period**

Under a “true” first to file system, any public use or publication relating to an invention prior to filing a patent application will prevent an applicant from obtaining a patent. This is often called a “strict” novelty rule and is what the rest of the world follows. Under strict novelty, an inventor’s own public disclosure constitutes invalidating prior art.

The AIA’s first to file system provides for a limited, one-year grace period to file an application after public disclosure by the inventor or someone who obtained the disclosed information from the inventor. This means that an inventor’s public disclosure, or the disclosure by someone who derived from the inventor, cannot be used as prior art if they occurred within the one-year preceding the filing date.

Under the new law, however, any disclosure prior to the filing date by a third-party who independently arrived at the invention will be used against the inventor. This is perhaps one of the biggest deviations from the current law.

For example, if your client invents a new technology for an automobile that runs on water and a second inventor, Mr. Jones, invents the same new technology independently, but neither inventor discloses it publicly, your client will “win” the race to the USPTO if it files first.

However, now assume that your client files a patent with the USPTO first, but this time Mr. Jones publically discloses his inven-

tion before your client files with the USPTO and later files his application within one year. Under this scenario, Mr. Jones will be able to use his disclosure as prior art against your client’s application even though your client filed first, but it will not be considered prior art for his own application.

On the other hand, if your client can prove that Mr. Jones “derived” his invention from you, then Mr. Jones’ disclosure cannot be used as prior art against your client’s application and you can challenge Mr. Jones’ application.

## **Non-litigation opportunities for small businesses**

The AIA provides opportunities for small business and startups to challenge a third party patent, even after issuance. Applied properly, the new procedures could be used as an alternative to expensive litigation and provide a business incentive to monitor closely the published applications and issued patents of competitors or others within your technology area. These provisions become effective in one-year on Sept. 16, 2012. Two of the most significant are described herein.

Under the new law, third-parties can challenge the validity of a recently issued patent via a Post-Grant Review. This procedure is similar to the Opposition Proceedings before the European Patent Office. It provides that during the nine-month period following issuance of a U.S. patent, any third party has the opportunity to challenge the patent’s claims.

It is not certain yet what the fee for filing a post-grant review will be. However, if a small company can monitor its competitors closely, this type of review will be certain to be much less costly than engaging in protracted, expensive litigation before the federal courts.

The AIA also provides companies with the opportunity to anonymously submit prior art references to the USPTO during pendency of a patent application, provided that a concise description of the references is submitted that describes the relevance to the pending application. These submissions can only be made: a) within six months after of publication of the application; or b) more than six months from publication as long as neither a Notice of Allowance or first office action has issued.

For small businesses that are able to closely monitor the publication of patent applications by their competitors, this can be an important tool. On the other hand, should the USPTO find the pending claims to be allowable over the submitted prior art, the resulting patent will be that much stronger. These provisions become effective in one-year on Sept. 16, 2012.

At this early stage, it is difficult to tell if the impact of the AIA will be good or bad for your clients, and most likely, it will be somewhere in-between. Although it will take a few years or more to work itself out, your clients should start analyzing how the AIA may affect their current patent strategies and practices and thereby allow sufficient time to make any modifications or adjustments.

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