

ORANGE COUNTY BUSINESS JOURNAL

Patent Reform Act: Implications For Your Business

by Ketan S. Vakil, Partner; and Andrew S. Fior, Associate; Snell & Wilmer

What will be the impact of the Patent Reform Act on your business? In short, Congress crafted the Patent Reform Act to reward vigilant businesses who actively seek to protect their inventions and who track patent filings of competitors. Why did Congress do this? Congress wanted these vigilant businesses to keep intellectual property battles in the Patent Office and out of the courtroom. Such a shift will reduce legal costs associated with patent protection and litigation, to hopefully stimulate job creation and the rest of the economy.

The Patent Reform Act, also known as the America Invents Act ("AIA"), was signed into law on September 16, 2011, and constitutes the most sweeping change to patent law since 1836. The AIA provisions come into effect over a four-year period – many provisions have already come into effect, and more critical provisions will come into effect within the next nine months. So what are the new provisions and why do businesses need to be vigilant? The following describes some of the key provisions that put the onus on businesses to act:

First-to-File System (effective March 16, 2013)

This is the most publicized provision of the AIA. The first inventor to file a patent application at the Patent Office now has rights to the resulting patent. Under the old regime, the Patent Office granted patent rights to the first inventor to invent (a first-to-invent system). Since the time of Thomas Jefferson, the first to prove the spark of genius was awarded the patent. Those days end March 16, 2013.

Under the new regime, filing dates are critical. This is the regime already implemented in the rest of the world, and Congress sought to unify our laws with accepted foreign practice. Thus, if you invent a new widget tomorrow, and don't file a patent application, and your neighbor invents the same widget next week and files an application that day – then he has the rights to the patent. Of course, there are some exceptions, namely if your neighbor derived the invention from you (he is not a true inventor) or if you already disclosed the invention within a year of his filing (a provision Congress added to protect university professors), but otherwise it's now a race to the Patent Office.

What does this mean? Certainly, businesses need to be more vigilant about what constitutes a protectable invention and then take steps to get a patent application filed as soon as possible. Competitors in a rapidly growing market may develop the same technologies near or at the same time in response to market demand. The first business to assemble proper documentation that properly describes the invention, and gets that information on file, will succeed. As a caution though, it will remain the case that rapid and shoddy patent drafting will not result in a strong patent. Businesses will not succeed that throw together bare bones applications in a hope to beat competitors to the punch. Effective and frequent communication with patent counsel will be critical to quickly get quality patent applications on file.

Improved Third-Party Submission of Prior Art to Patent Examiners (effective September 16, 2012)

A third-party may now anonymously cite prior art to a patent examiner, with a brief explanation of how that prior art invalidates the application's claims. There are limited time frames for a third-party to do so however. This is an improvement over the old regime, in which third-parties could submit prior art to a patent examiner, but could not explain how it was pertinent to the application at hand. Thus, third-parties previously felt discouraged from submitting prior art, in fear that an examiner would simply disregard it, thus reducing that art's persuasive effect in a courtroom later on.

What does this mean? If a business knows a competitor filed a patent application with invalid claims, and the competitor has strong prior art to prove this point, it may be effective to submit this art directly to the examiner in charge of that application. The business, however, will need to be vigilant enough to track the competitor's applications and submit the art within the applicable time frame.

Post-Grant Review Proceeding (effective September 16, 2012)

This is a key provision for businesses in competitive markets. Within nine months of a patent's issuance, a third party may request a post-grant review of a patent claim's validity on virtually any ground – this is effectively a public opposition proceeding. The post-grant review takes place before the newly formed Patent Trial and Appeal Board. Current regulations allow for limited discovery and the possibility of an oral hearing before the Board.

Why is post-grant review important? Post-grant review uses a "preponderance of evidence" standard to invalidate a patent claim. This is a lesser standard than the District Court's "clear and convincing evidence" standard. Thus, a third-party may have an easier shot at getting bad patent claims eliminated at the Patent Office. In addition, post-grant review must be completed within one year of its initiation (unless a party raises good cause for an additional six months). Post-grant review therefore moves more quickly than typical District Court litigation. Further, parties may settle to end the post-grant review, removing the fear that the Patent Office may continue pursuing a post-grant review that neither party wants.

What does this mean? Vigilant businesses that track competitors' issued patents now have a rapid administrative procedure to strike down invalid claims. The businesses must act promptly enough to raise these issues within the nine-month window. Grounds of invalidity to be raised are not limited to invalidity based on a prior art disclosure, but also include ineligible subject matter, lack of written description,

lack of claim enablement, or indefinite claims – grounds that were typically only raised in District Court previously.

Inter Partes Review Proceeding (effective September 16, 2012)

The inter partes review proceeding is similar to the post-grant review proceeding, but is only available after the post-grant review's nine month window expires. In addition, inter partes review provides for fewer grounds to contest validity than post-grant review. Inter partes review only allows a third party to contest a patent claim's validity based on a prior art disclosure (namely, the claim should not have issued because the invention was already known or obvious from the disclosure of a patent or publication).

Under the old regime, there was a procedure called "inter partes reexamination," in which a third party could contest a patent's validity based on a prior art disclosure. However, under the old regime, a patent examiner reviewed the claims with limited written submissions by the interested parties. The new "inter partes review" procedure seeks to improve on the old procedure, by placing the review in the hands of the newly formed Patent Trial and Appeal Board. The Board may allow for evidence and oral argument, which will likely improve the quality of the review. In addition, an inter partes review must be completed within one year of its initiation, which improves upon the lengthy examination that sometimes occurred under the old regime.

What does this mean? Congress sought to streamline the old "inter partes reexamination" procedure to make it faster yet more thorough. Vigilant businesses now have a streamlined mechanism to strike competitor's bad claims before they reach the courtroom, even if the post-grant review's nine-month window has expired.

Conclusion

The AIA includes multiple other provisions which are not all discussed here. The Patent Office maintains an up-to-date blog on its website (www.uspto.gov/aia_implementation) of all the AIA provisions, with commentary regarding their implementation.

Some may wonder if the AIA stifles innovation by overly favoring big business. Big businesses have the resources to remain vigilant. However, as one may note, many of these provisions are not directed to big business or small business, but are rather directed to "bad" patents. "Bad" patents will suffer under the AIA, as they did under the old law. "Good" patents however, which are well-drafted and support strong inventive concepts, will continue to thrive.

And moreover, the Patent Office has strongly pushed in recent years to quickly output "good" patents. In the past two years, the Patent Office has added over 1,000 new examiners, has reduced the backlog of unexamined applications by about 100,000 applications, and has shaved off about two months of total application pendency, even though the number of new applications has steadily increased. The Patent Office also plans to open three new remote offices before October 2014. The Patent Office is in the business of issuing patents, and will continue to do so, to increase the value of your business's intellectual property portfolio.

Snell & Wilmer
L.L.P.
LAW OFFICES

Ketan Vakil

Ketan Vakil is a partner with Snell & Wilmer LLP. His practice is concentrated in intellectual property protection, litigation, counseling, and licensing including the procurement and litigation of patents, trademarks, copyrights and trade secrets. He has significant experience in preparing and prosecuting patents and trademarks, evaluating prior art for patentability, infringement and validity, preparing infringement and validity opinions, and counseling clients on intellectual property strategies, development, licensing and infringement. He can be reached at kvakil@swlaw.com or 714.427.7405.



Andrew Fior



Andrew Fior is an associate with Snell & Wilmer LLP. His practice is concentrated in intellectual property protection and litigation. He has experience in preparing and prosecuting patent applications in a variety of industries, including medical devices, software and business products, and mechanical devices. In addition, Andrew has experience in preparing and prosecuting trademarks, performing due diligence work related to the possible purchase of patents, preparing infringement and validity opinions, and has counseled clients on patent strategies

and how to best maximize a patent portfolio budget. He has litigation experience in patent and trademark matters at the U.S. District Court level, and in patent matters before the International Trade Commission. He can be reached at afior@swlaw.com or 714.427.7083.