

PHOENIX Business Journal

Racing for protection

Legal changes make it clearer who gets patents and when

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Inventors and entrepreneurs have a whole new world of patent laws to contend with in the U.S., one that could impact their businesses going forward.

The America Invents Act went into effect March 16, changing patent laws and influencing businesses across the United States. Reception to the multicomponent law has been positive in the legal community, while businesses still are determining how to handle it.

Kent Dicks is CEO of Scottsdale-based Alere Connect, a national health care company with more than 15 patents for wireless medical devices. He said businesses need to investigate the changes.

“As a company that relies on high-tech complex solution, our intellectual property is very important to us,” he said. “I don’t know the full extent of how the patent law will affect us, but I do know that we need to respond quicker to get our patentable ideas into a provisional patent, or a patent application.”

FIRST TO FILE

The new law changed the patent system from “first to invent” to “first to file.” Previously, patent applicants could claim an invention date based on when they conceived the idea in enough detail to build it or teach others how to use it. Now, the date the patent application is filed is the only one that matters.

“Before March 16, the U.S. was the only country in the world in which you were not stuck with the date you filed your patent; you could go back in time years. Now, you’re stuck with that file date,” said patent attorney David Rogers, a partner at Phoenix-based Snell & Wilmer LLP.

The law also changes how information about the item — known as “prior art” in patent cases — may be used to contest new or pending patents. Prior to the change, only items previously in use or for sale in the U.S. could be used to deny or challenge the validity of a patent. Now, anything in use or on sale in the world is considered prior art.

The law also expands the universe of what is considered to be prior information. Applications first filed in foreign countries were considered to be valid in this country as of their U.S. filing date. Now they are considered valid as of their foreign filing date, and that may be used to invalidate any U.S. patent filed after March 16.

“The takeaway is: If the foreign filing date beats your U.S. filing date, under the new law it is considered prior art and will invalidate your patent,” Rogers said.

The law also establishes a new administrative process for challenging patents once they are granted. The post-grant review process, available for all newly filed patents, can invalidate a patent on any reasonable grounds. The review must be brought against a patent within nine months after the patent is issued.

“The post-grant review process is a vehicle for getting rid of patents that should not have been issued in the first place,” Rogers said.

QUESTIONS LINGER

The review process is the most vague aspect of the new law, Rogers said.

“There’s no established case law on how this will play out,” he said. “Evidentiary standards have yet to be fleshed out.”



Kent Dicks, CEO of Alere Connect, is keeping a close eye on changes to patent law that now gives the first company or person to file a claim worldwide the potential advantage in legal fights.

JIM POULIN | PHOENIX BUSINESS JOURNAL

AMERICA INVENTS ACT

WHAT IT IS: A change in the U.S. patent process from a “first to invent” system to a “first to file” system. This means patents can no longer be backdated to when the applicant first had the idea. It also makes U.S. patent law match most of the global market.

EFFECTIVE DATE: March 16. Applications submitted before that date can follow the older first-to-invent rules. After March 16, the first to file an accepted patent gets the protection.

HOW IT’S DIFFERENT: Businesses often were able to get patents approved years after invention and get protection against competing claims if they could prove they had come up with some device or prototype prior to the filing date. Now, the first application filed and approved will get the patent protection.

GLOBAL INFLUENCE: The U.S. Patent and Trademark Office previously did not take into account patents in other countries. It now will take those into consideration, as well as any devices that may be for sale around the world, when trying to determine the validity of a U.S. patent.

CASE LAW: No lawsuits have been filed to date to challenge the new rules.

BEST PROTECTION: Inventors should consider getting provisional patents early in the process. This will protect their ideas for one year prior to submitting a full application, giving the inventor time to figure out whether a device is even worthwhile.

The process is predicted to cost \$250,000 to \$275,000 on each side of the litigation, Rogers said.

“Smaller individuals and businesses are more likely to be affected, as they are the more likely to wait to file a patent because it is cost-prohibitive,” he said. He estimated 80 percent of patent applications cost \$5,000 to \$15,000 to prepare.

Overall, legal experts expect the law may save companies money. Charles Runyan, a patent attorney with Phoenix-based Runyan Law, said he knew of one patent dispute between two large companies: One had filed first, but the other had invented first. After interference and litigation, each spent \$500 million.

“If we’d had the first-to-file system, one of the companies would have immediately won. So businesses get certainty by putting the stake in the ground with the first-to-file system,” Runyan said.

He said the first-to-invent system was implemented in 1952 based on ideas that now are obsolete.

“Congress was afraid a little individual inventor would be disadvantaged against a big company,” Runyan said. “Now, we’re not talking about building external combustion engines, but software. Back then, you almost had to build a working model to reduce your invention to practice, which could be very expensive.”

He said businesses should file provisional patent applications sooner.

“You couldn’t before, but now you can’t rely on the fact that you’re still working on an invention,” he said.

A \$100 provisional patent gives the inventor a year to file a full application, during which time their work is protected.

“The old first-to-invent standard created a lot of uncertainty, from a litigation standpoint, whereas the first-to-file law provides more clarity and a more streamlined process,” said Wojtek Karpuk, a corporate transactional attorney with Phoenix-based Jennings Strouss & Salmon PLC.

Still, Karpuk has heard concerns from clients that under the first-to-file system, a well-funded competitor might have a financial advantage and file a patent before others can.

The new laws will influence the way businesses strategize, Karpuk said.

“It will become important for a company to develop a strategy for pursuing patents, and create a timeline of things it wants to invent,” he said. “It will need to focus resources and prioritize products rather than plan to file patents down the road.”

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David Rogers

Partner, Snell & Wilmer LLP

Attorney David Rogers, who specializes in patent law, takes a look at some of the high-profile things businesses may need to know about the America Invents Act, which changes the way inventors are awarded patents.

What’s the biggest change businesses and inventors need to take note of in the “first to file” patent system? File early — as soon as the invention is ready to patent, which



is when it is conceived by the inventor in enough detail to make and use the invention. If you wait to perfect aspects, or to try to attract investors, someone may file before you and be entitled to a patent even though you were the first to invent.

How does the definition of foreign patents and published applications as “prior art” affect new filings? Before March 16, they were only considered prior art as of their first effective filing date in the U.S. Now they are considered prior art as of their first effective foreign filing

date, which is usually significantly earlier than the effective U.S. filing date. So, there is now more prior art because of the change of effective filing dates, and that additional prior art can be used to prevent one from getting a patent or to invalidate an issued patent.

How can provisional patents help smooth out the process? The new rules apply to applications based on provisional applications as well. The most important thing for inventors to understand about provisional applications is that they should be almost as thorough, or as thorough, as standard utility applications in order to form the basis for adequate patent protection.