

The Metropolitan Corporate Counsel

www.metrocorpcounsel.com

Volume 19, No. 6

© 2011 The Metropolitan Corporate Counsel, Inc.

June 2011

Patent Reform – The Fuss About First-To-File

Dawn-Marie Bey

KING & SPALDING LLP

The 112th Congress is currently considering legislation that would result in substantial revisions to the statutes and regulations governing patent procurement and enforcement. As with any major revision to long-standing laws, the full impact of the changes is not always readily apparent. The following provides a brief overview of the status of the pending legislation and provides some additional detailed analysis around the fairly controversial provision that would take the United States from a first-to-invent (FTI) patent system to a first-to-file (FTF) patent system.

The America Invents Act, originally titled the Patent Reform Act of 2011, was considered and passed by the Senate on March 8, 2011 (S.23). The similarly titled House bill, H.R. 1249, was introduced on March 30, 2011 and ordered reported from the House Committee on the Judiciary on April 14, 2011. H.R. 1249 includes many identical or similarly worded provisions to that of S.23, including language directed to FTF, assignee filing, USPTO fee-setting authority, and post-issuance review.

More particularly, the pending FTF provisions significantly alter Sections 102 and 103 of Title 35 which set the framework for determining patentability. The changes would essentially move the United States from a system that awards

Dawn-Marie Bey is a Partner in the Intellectual Property group of King & Spalding LLP and resident in the firm's Washington, DC office. A former patent examiner, her practice focuses on patent procurement in the electrical and computer-related arts.



Dawn-Marie Bey

a patent to the first person to invent to a system that awards a patent to the first inventor to file for a patent application.¹ The revised statutes no longer define patentability with respect to “invention thereof” and “the time the invention was made” pursuant to the current statutory language. Instead, the test for patentability is judged in accordance with the newly defined “effective filing date.” An obvious effect of this change is that it no longer affords the first inventor an opportunity to swear behind a reference since patentability is judged from “effective filing date” and not time of invention.

Under proposed amendments, the universe of applicable prior art is significantly expanded temporally. More particularly, the one-year grace period is abolished with respect to third-party prior art, remaining in effect only for the inventor’s own disclosures and derivations therefrom. The fact that any sort of grace period remains intact is a departure from a number of major non-U.S. FTF

patent systems that require absolute novelty at the time of filing. Under absolute novelty all prior disclosures, including those of the inventor, are a bar to patentability. Further, there are no remaining territorial restrictions on eligible disclosures. There is no longer any requirement that acts of disclosure be performed in the United States to qualify as prior art.

The concept of an FTF patent system is not new. In fact, the U.S. patent system is the only sophisticated patent system in the world that is not FTF. Primary supporters of FTF are large, well-established, multinational companies. Supporters submit that FTF simplifies the patenting process and removes the need for expensive interference proceedings to establish first to invent. Additionally, supporters also submit that moving to FTF will bring the U.S. in-line with the rest of the world.

Primary opponents generally include small businesses, universities, research institutions and individual inventors. Opponents of FTF submit, *inter alia*, that the economic burden on small inventors will be too great to compete with the well-funded and well-oiled patent procurement machines at large companies and that the influx of patent filings will overburden the resources of an already stressed U.S. Patent and Trademark Office (USPTO). On a more fundamental level, opponents submit that enactment of FTF legislation would be unconstitutional. More particularly, Article I, Section 8, Clause 8 of the U.S. Constitution provides that “The Congress Shall Have Power ... To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries....” The argument is that this requires that exclusivity is

Please email the author at dbey@kslaw.com with questions about this article.

intended for the first inventor. Constitutional scholars counter that given that the clause does not limit awarding exclusive rights to the first inventor, requiring only that the recipient be an inventor, the Constitution does not stand in the way of establishing a FTF patent system.

Supporters submit that the proposed FTF system will simplify and reduce costs associated with the patenting process in certain respects, e.g., by removing the necessity for interference proceedings and by the availability to swear-behind references. But it also creates new and potentially expensive proof-intensive processes. For example, the modified grace period creates prior art exceptions for inventor disclosures made within a year or disclosures made by others who obtained the disclosure directly or indirectly from an inventor disclosure within a year of the effective filing date. Similarly, a new process for determining if and when an invention in an earlier filed application was derived from an inventor of a later filed application is necessarily created by the proposed legislation. One can easily see how the prior art exception and new derivation process can turn into intensive and expensive fact-finding missions. As such, supporters are likely overstating simplification and cost reduction.

Supporter emphasis on cost savings related to abolishing interference proceedings is misplaced. The number of interference proceedings declared each year at the USPTO is few and far between and tend to be clustered in a few technology areas. For example, as of April 2011, there were only 39 interferences pending before the USPTO, and of this 39, more than a third (14) are in Technology Center 1600 Biochemistry and Organic Chemistry. It would seem that the resources required to prove derivation may quite likely exceed those currently expended in interference proceedings and swear-behind situations.

Further, if enacted, substantial time and money will necessarily be spent to ascertain how and when the new laws affect existing patent portfolios and to establish a plan for proceeding with patent procurement efforts going forward. With respect to the latter, it is anticipated that an immediate reaction will be a race to the Patent Office, likely

in the form of a barrage of provisional patent application filings, to establish the all-important “effective filing date.” While current best practice in patent procurement is to get your stake in the ground as soon as possible, failure to do so does not carry with it the same risk of loss of rights that flows from the pending FTF provisions. Under current law, other independent inventors can file first, but the first to invent may still be awarded the patent (assuming certain proofs are met). Not so if the FTF legislation is enacted as written. There is little question in the author’s mind that a substantial increase in patent filings will follow enactment of the FTF legislation as currently presented.

Importantly, just as there must be written description and enablement support (35 U.S.C. § 112 requirements) to sustain a priority filing date for a claimed invention under current law, this requirement remains in place for proving an “effective filing date” as well. It is imperative under an FTF system that the requirements for written description and enablement support is met in the initial filing, be it provisional or utility. The written description and enablement requirements are being closely scrutinized under the current FTI system, and such scrutiny will only be heightened under an FTF system where “effective filing date” is critical to determining patent rights. Patentees will want to invest more resources on the front end to have the specification completely fleshed out rather than filing shot-gun applications that fail to explicitly provide the necessary support, e.g., rely too heavily on skill in the art to fill gaps.

Accordingly, while some of the expenses related to enactment of FTF legislation may be viewed as start-up costs, e.g., determining immediate portfolio impact and filing for protection of current inventions, others, such as those related to derivation proceedings and proof of inventor prior disclosure, will be perpetual and potentially quite costly. It would seem that any savings resulting from abolishment of interference proceedings and swear-behind situations is outweighed by new proof-intensive derivation processes.

While the proposed legislation might be more in line with the FTF patent sys-

tems of major non-U.S. jurisdictions, it still does not embrace absolute novelty. Even constitutional scholars would likely agree that moving from a system that rewards the first person to invent to a system that rewards whoever can get an application describing someone else’s invention in the door first would be unconstitutional. The proposed FTF legislation protects inventors from non-inventors and gives some measure of protection to the first inventor. As such, fears that there will be mass filings by a large corporation for the inventions of others would seem to be misplaced. In fact, early publication of the invention by an inventor, such as often happens in the research institution and university context, may end up preserving patent rights of the disclosing inventor in the United States, assuming filing of a patent application commensurate in scope within a year of disclosure (though it may bar protection in other absolute novelty jurisdictions).

“... if enacted, substantial time and money will necessarily be spent to ascertain how and when the new laws affect existing patent portfolios and to establish a plan for proceeding with patent procurement efforts going forward.”

Importantly, the proposed statutory changes discussed herein have not been enacted. Experts speculate that H.R. 1249 could be brought to the House floor for a vote in mid-June 2011. The differences between H.R. 1249 and S.23 will need to be reconciled before a final bill is presented. But, it is possible that patent reform legislation, including FTF, could pass before the August 2011 recess.

¹ Importantly, the proposed language has not yet been enacted into law and is subject to continued revision and mark-up. The current text of S.23 and H.R. 1249 can be found at <http://www.opencongress.org/bill/112-s23/text> and <http://www.opencongress.org/bill/112-h1249/text>.