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AIA Changes Effective in March: First-to-File and New Fee Schedule

By Joseph D. Kuborn

On September 16, 2011, the Leahy-Smith American Invents Act (AIA) was enacted into law. The AIA is the most significant reform of U.S. patent law in the past 50 years, and the most significant changes to the patent system go into effect on March 16, 2013. On that date, the United States becomes a first-to-file country, like most of the world. This newsletter explains and discusses the change to first-to-file and how this differs from the current first-to-invent system. In conjunction with the change to a first-to-file system, the USPTO is implementing a new fee schedule that may have a significant effect on the patent process and the IP budgets of patent holders.

First-to-Invent – Old System

Under the old system, the United States awarded patents to the first inventor, rather than to the first inventor to file a patent application. The first-to-invent system allowed an inventor to fully develop an idea without having to race to the patent office to file an application. The old system continues to apply to applications filed before March 16, 2013, and includes a "first-to-invent" provision that allows an inventor who was second to file a patent application but first to invent to challenge another inventor who filed an earlier application covering the same invention. This challenge process is both complicated and time consuming and results in a quasi-litigation in the USPTO called an interference. For all patents filed before March 16, 2013, the first-to-invent provision will remain in effect for the life of those patents. For all patent applications filed on or after the transition date, the first inventor to file a patent application will be entitled to the patent. The practical effect of this change is the creation of a strong incentive to file patent applications as soon as possible.

First-to-File – New System

The first-to file system being implemented by the USPTO further harmonizes the U.S. patent laws with most of the rest of the world. Unlike most of the rest of the world, however, the U.S. patent laws will retain a one year grace period for an inventor to file an application after the inventor's own public disclosure. This one year grace period is only for the inventor's own disclosure and does not provide a grace period for disclosures by a third party. The new patent rules retain the historic grace period such that an inventor can market and/or sell their invention prior to filing an application. If an application is filed within one year of the public disclosure, the inventor's own public disclosure will not be a bar to patentability. Further, any third party applications or public disclosures that take place between the inventor's public disclosure and the inventor's filing will not bar patentability.

Although the new U.S. patent laws are referred to as a first-to-file system, a more accurate description may be a first-to-disclose system. The three scenarios set forth below illustrate how the new U.S. first-to-file/first-to-disclose system will work.

Scenario I

November 1, 2013	Inventor A invents a product but does not publicly disclose the product
December 1, 2013	Inventor B invents the same product
January 15, 2014	Inventor B files a patent application on the product
February 15, 2014	Inventor A files a patent application on the product

In this first scenario, Inventor B will be awarded the patent, since Inventor B was the first to file the application, even though Inventor A was the first to invent the product. Under the prior first-to-invent patent laws, Inventor A would have been awarded the patent.

Scenario II

November 1, 2013	Inventor A invents the product but does not publicly disclose the product
November 15, 2013	Inventor A publicly discloses product A at a trade show
December 1, 2013	Inventor B invents the same product but does not publicly disclose
January 15, 2014	Inventor B files a patent application on the product
February 15, 2014	Inventor A files a patent application on the product

In this second scenario, Inventor A will be awarded the patent since Inventor A disclosed the product before Inventor B filed a

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patent application and Inventor A filed within one year of the first public disclosure by Inventor A.

Scenario III

November 1, 2013	Inventor A invents the product but does not publicly disclose the product
December 1, 2013	Inventor B invents the same product
December 15, 2013	Inventor B publicly discloses the product at a trade show
February 15, 2014	Inventor A files a patent application on the product
March 15, 2014	Inventor B files a patent application on the product

In this third scenario, Inventor B will be awarded the patent. Even though Inventor A invented the product first, Inventor B disclosed the product before Inventor A either filed a patent application or disclosed the invention, and Inventor B filed an application within one year of the first public disclosure by Inventor B. In this case, the patent is not awarded to either the first to invent (Inventor A) or the first to file (Inventor A), but is instead awarded to the first to disclose (Inventor B)!

Please keep in mind that the one year grace period is not available in most foreign countries, including Europe. Thus, if foreign patent protection is desired, the U.S. application must still be filed before the public disclosure.

What to do?

As indicated above, if your company desires patent protection outside of the United States in addition to protection within the U.S., a patent application must be filed before the first public disclosure. However, if protection outside of the U.S. is not important, strong consideration should be given to publicly disclosing the invention as early as possible. A public disclosure of the invention will prevent third parties from obtaining patent protection for subsequently filed applications while still providing the disclosing party with the ability to file in the U.S. within one year of the disclosure. If your company intends to rely on the public disclosure to establish U.S. patent rights, the information disclosed must be sufficiently complete and detailed such that the disclosures supports the full scope of the invention you intend to claim. Failure to either file an application or publicly disclose the invention early can be costly under the new rules, since the U.S. will now award a patent to the first entity to either file the application or disclose the invention.

Patent Office Fees

In addition to the changes in the patent system, the USPTO recently announced a new fee schedule that will come into effect on March 19, 2013. Although most companies that routinely file applications have become accustomed to fee increases on a yearly basis, the new USPTO fee schedule includes some very significant increases, and a few reductions. A few of the most interesting changes are set forth below. The fees below are for a large entity; a small entity will typically pay half the fees listed:

- **Total Filing Fee** – Increases from $1,260 to $1,600 (27%)
- **Issue Fee** – Decreases from $1,770 to $960 (*effective Jan. 2014*)
- **Maintenance Fees**
  - **First fee at 3 ½ years** – Increases from $1,150 to $1,600 (39%)
  - **Second fee at 7 ½ years** – Increases from $2,900 to $3,600 (24%)
  - **Third fee at 11 ½ years** – Increases from $4,810 to $7,400 (54%)
- **RCE fees** – Increases from $930 to $1,200 (29%)
- **Independent Claim fees in excess of 3** – Increases from $250 to $420 (68%)
- **Total Claims in excess of 20** – Increases from $62 to $80 (29%)

Although many of the fee changes are relatively small, the change to the third maintenance fee is substantial and may affect many decisions on whether to keep a patent alive or let the patent expire due to the failure to pay this fee.

FIRM NEWS

Andrus Sponsors Autism Gala - For the second consecutive year, Andrus Intellectual Property Law is proud to be an Event Sponsor of the Autism Gala benefitting the Autism Society of Southeastern Wisconsin (ASSEW). ASSEW is an education and advocacy group dedicated to improving the lives of all those affected by autism. The 2013 Autism Gala will be held at the Pfister Hotel Grand Ballroom on March 23rd. If you'd like more information about the Autism Gala, please visit the Autism Society's website at http://www.assew.org/fundraising-events/ or contact Andrus Attorney Christopher Scherer.

100 East Wisconsin Avenue
Suite 1100
Milwaukee, Wisconsin 53202

ANDRUS. INTELLECTUAL PROPERTY LAW

p 414-271-7590
f 414-271-5770
w andruslaw.com