

Patent Protection

Businesses that fail to heed new provisions of the America Invents Act run the risk of losing their ideas to others. **BY JOHN M. HALAN**

The America Invents Act represents the most significant reform of the United States patent system in 60 years. Signed into law in the fall of 2011, a number of provisions impacting Michigan and the nation have recently, or will soon, become effective. Given Michigan's intellectual resources and the fact that the state is one of the top five filers of patent applications nationwide, it is important that businesses and industries be prepared to address the new provisions.

The most notable reform to the act will become effective on March 16 when the United States will join the rest of the world in switching from a first-to-invent system to a first-to-file system. Instead of awarding patents to the first who conceived an invention, patents will now be awarded to the first to file a patent application.

Businesses preparing for the upcoming reform are streamlining their processes to minimize the time required to: learn of new ideas for inventions (through regular think-tank meetings, for example); develop such ideas as viable inventions; disclose such inventions to patent counsel; and prepare and file the patent applications. Given the historical truism that two or more persons in different locations often conceive the same innovation at approximately the same time, such streamlining is critical in order to win the race to file.

Businesses not willing to restructure their invention development and patenting procedures will lose out. Studies reveal that when Canada switched from a first-to-invent system to a first-to-file system in 1989, a much lower number of patents were granted to small entities and individuals — those who were less prepared to move quickly.

The first-to-file system will benefit businesses in Michigan because it will be much easier to determine who owns the rights of an invention — one will only need to look to see who first filed a patent application. As a result, patents will no longer be subjected to ownership claims by others asserting prior inventorship. Such claims often burdened businesses with protracted litigation, or interference proceedings before the U.S. Patent Office, in order to determine the first inventor. In addition, because the ownership of patents will now be more certain, patent-based businesses should have an easier time in securing potential investors. Once this act is implemented, investors will not have to be concerned with the possibility of an outside challenge to such patents.

Despite the positives, there is a concern under the first-to-file system: the possibility that an employee or third party may steal an invention they learned about through legitimate means by being the first to file for

a patent. In order to counteract this possibility, a derivation proceeding will be available after March 16 in order to determine the actual inventor. Because such proceedings must be initiated in the Patent Office within a year after the first publication of the application, or in federal court within a year after patent issuance, businesses must be diligent in reviewing relevant applications and patents to determine whether derivation proceedings should be initiated.

Businesses whose products are based on trade secrets should also make sure they are using appropriate employee, visitor, and third-party confidentiality and assignment agreements in order to minimize the chance that such persons will steal and file patent applications on trade secrets, and to ensure a favorable outcome in the event of such an act.

Other key provisions of the act that have become effective:

As of last September, anyone can submit prior art — public information pertinent to the validity of an applied-for patent — and an analysis of such art to the Patent Office during a limited time period of the patent application process. Accordingly, businesses diligent in tracking patent applications filed on competitive technologies may now ask the Patent

Businesses not willing to restructure their invention development and patenting procedures will lose out.

Office to reject or limit such patent applications before they issue — a much cheaper alternative to incurring later litigation.

Likewise, a post-grant review procedure is now available regarding certain "business method" patents, and will be available as of March 16 to other patents. This procedure will allow anyone to challenge the validity of a new patent within nine months of issuance. Such reviews will be decided by a board of the U.S. Patent Office. In order to avoid costly patent infringement lawsuits based on patents that never should have been granted, diligent businesses should keep abreast of all competitive patent applications that are filed and granted, and may challenge such patents

within the nine-month window if they have sufficient grounds.

In summary, Michigan businesses and industries interested in protecting their intellectual property under the America Invents Act must be diligent and proactive. If not, they run the risk of losing their inventions to others. **db**



JOHN M. HALAN is an intellectual property attorney and shareholder at Brooks Kushman in Southfield.