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## ADJUSTING TO FIRST TO FILE UNDER THE AMERICA INVENTS ACT

*by Jill N. Link*

The time is here. On March 16, 2013 the most talked about provision of the "patent reform" act known as the Leahy-Smith America Invents Act (AIA) will take effect. As of this date the U.S. will largely "harmonize" with the international community in becoming a first-to-file patent system. Aimed at modernizing the American patent system, the change from a first-to-invent system to a first-to-file system represents the most significant "reform" taking place.

So what does a first-to-file system entail? Most describe this change as creating a "race" to the U.S. Patent Office. Under the first-to-file system, simply put the first inventor to file an application on an invention "wins" (assuming all other aspects of patentability are met).

Does this affect all U.S. applications pending and/or filed after March 16, 2013? No. The first-to-file rules only apply when an application contains (or contained at any time) a claimed invention that has an "effective" filing date of March 16, 2013 or later. This means that all patent applications filed before March 16, 2013 will continue to be examined under the first-to-invent system (i.e. the "old" rules), so long as all claims are supported by the pending application. You and your patent attorney will determine the best strategy to ensure your claims remain supported by the pre-March 16, 2013 application.

The first-to-file system will clearly apply to new applications (without a priority claim pre-March 16, 2013). Continuation-in-part applications will also be subject to the new first-to-file system (as long as they contain claimed subject matter with an effective filing date of March 16, 2013 or later). The same will result for any U.S. national stage, non-provisional, continuation applications and/or divisional applications that include new subject matter and/or claim priority to applications filed after March 16, 2013.

Under the first-to-file system, the only situation in which an inventor who files an application later in time may contest an earlier-filed application is if they believe the inventorship of a previously-filed application was in fact derived from their work (i.e. the first inventor to file derived their work from the later-filing inventor). This is now referred to as a "derivation proceeding" (replacing interference proceedings).

Inventors may still take advantage of a one year grace period. This "grace period" ensures that the inventor's own disclosure and/or disclosures of others deriving their invention from the inventor are not used as prior art against the inventor; so long as they occur within one year of the effective filing date of the invention. However, such disclosure will still preclude the inventor from seeking foreign protection (as most countries will not recognize this "grace period").

Under these new rules, there is also an expanded scope of what constitutes "prior art" (disclosures, use and/or publications that can be used to reject your claims during prosecution and/or invalidate claims during litigation). Public uses, publications, sales, offers for sale and/or other disclosures which are included within the definition of prior art will expand to include any such foreign uses and/or disclosures. Previously, use and sale of the invention by another outside of the U.S. were not considered to be prior art, so this represents an expansion on the definition of prior art.

The expanded scope of prior art also results from the now inability to "swear behind" or "antedate" a third party reference. Any third party disclosure or use that occurred before your filing date (albeit after your invention date) remains as prior art - hence the "race" to the Patent Office. In some limited circumstances, in a scenario when an inventor has disclosed their invention to utilize the "grace" period, this may be used to swear behind references, but only those having dates after your disclosure and before your filing date (potentially representing a more narrow time frame). This is further evidence that your "invention" date is largely irrelevant from the U.S. Patent Office's perspective under the first-to-file rules.

In addition, any third party public disclosure (such as a publication or offer for sale) becomes available as prior art as of the date of the disclosure, regardless of the filing date of the application.

*continued...*

## The Secret's Finally Out!



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This includes published U.S. patent applications and PCT applications that designate the U.S. which become citable prior art against first-to-file applications as of the earliest priority date associated with the disclosure at issue, instead of only as of the earliest effective U.S. filing date. Again, this represents an expansion on the scope of what is considered prior art.

There are also potentially increased risks of patents being invalidated under the first-to-file system, as a result of new post-grant review mechanisms. This includes first-to-file patents being subject to patent challenge in the first nine months after issuance under the new post-grant review proceedings. These proceedings allow anyone to challenge your patent's validity on any ground (at a lower cost than litigation). Therefore, once your patent issues you will want to understand what new grounds of challenge are available to your competitors.

Fear not, we will all be adapting to the first-to-file system over the next few years. To end on a positive note, there may also be some circumstances when it may be beneficial to have an application filed under the new first-to-file laws. For example, if an inventor was not first to invent, but was first to file, the new system may still enable the later in time inventor to obtain a patent, as long as the first inventor did not publicly disclose the invention before the application was filed. An additional benefit is a potentially defensive strategy: an inventor makes a public disclosure of their invention to effectively prevent anyone else from filing such a patent, while still preserving their right to file within one year under the "grace period." The "grace period" gives you a defensive tool, that while precluding foreign filing in any countries that have an absolute novelty requirement, still allows an inventor to remove any later third-party disclosures from becoming prior art to the inventor's application that is filed within one year of the disclosure.

In sum, the first-to-file rules will expand the scope of prior art that can be used to reject your claims during prosecution and/or invalidate claims during litigation. In addition, the first-to-file creates a true "race" to the Patent Office. So get ready. Get set. Go! The first-to-file system has finally arrived in the U.S.

## MICRO ENTITY STATUS DISCOUNTS CERTAIN USPTO FEES BY 75%, BUT DOES MY UNIVERSITY QUALIFY?

On December 19, 2012 the USPTO published final rules for Micro Entity fee status affecting "institutions of higher education." In addition to each "applicant" qualifying as a "Small Entity" each "applicant" must also meet one of the requirements under 35 USC § 123(d)(1) or 123(d)(2) to receive Micro Entity status. The requirements are based on each applicant's: (i) "income" and (ii) employer being an "institution of higher education," or (i) "assignment or license" of the application to an "institution of higher education." Decrypting the statutory language requires further inspection of the operative terms that qualification hinges upon.

Does my "income" qualify? The Micro Entity provisions state that a majority of "applicant's income" has to be obtained from an "institution of higher education" to qualify.

Do I qualify as an "applicant?" The definition of an "applicant" traditionally has been viewed as being synonymous with

"inventor." However, an "applicant" for Micro Entity status includes anyone named as an "applicant" whether a "natural person" or a "juristic entity."

Is my university an "institution of higher education?" Section 101(a) of the Higher Educational Act of 1965 (see 20 USC § 1001(a)) define an "institution of higher education" as an educational institution in any State that—(1) admits as regular students only persons having a certificate of graduation from a school providing secondary education, or the recognized equivalent of such a certificate, or persons who meet the requirements of section 1091 (d) of this title; (2) is legally authorized within such State to provide a program of education beyond secondary education; (3) provides an educational program for which the institution awards a bachelor's degree or provides not less than a 2-year program that is acceptable for full credit toward such a degree, or awards a degree that is acceptable for admission to a graduate or professional degree program, subject to review and approval by the Secretary; (4) is a public or other nonprofit institution; and (5) is accredited by a nationally recognized accrediting agency or association, or if not so accredited, is an institution that has been granted pre-accreditation status by such an agency or association that has been recognized by the Secretary for the granting of pre-accreditation status, and the Secretary has determined that there is satisfactory assurance that the institution will meet the accreditation standards of such an agency or association within a reasonable time.

Does my university technology transfer office qualify as an "institution of higher education?" The relevant comment indicates that, although possibly related, a legally separate institution, such as a "non-profit corporation, research foundation, technology transfer organization, Federal Government research laboratory, other non-profit scientific or educational organization" is not an "institution of higher education."

Will an "assignment or license" of an application to an "institution of higher education" that is a Small Entity disqualify me for Micro Entity fee status? Under 35 CFR § 1.29(h), each "applicant" must qualify for Micro Entity status, and each other party (e.g., any non-applicant assignee or licensee) holding rights in the invention must qualify for Small Entity status. Although not expressly stated, the language of § 1.29(h) does appear to suggest that an "applicant" can assign or license the application to a Small Entity and still claim Micro Entity fee status.

Will an application qualify for Micro Entity fee status if I'm named as an applicant by an "institution of higher education" that employs me? As long as the application is not assigned or licensed to an entity that does not qualify for Small Entity status and the "applicant" obtains a majority of his/her income from the institution, it appears that Micro Entity fee status can be claimed.

Will an application qualify for Micro Entity fee status if I'm listed as an applicant by an "institution of higher education," but a majority of my income does not come from the institution? It appears that Micro Entity fee status can be claimed as long as the inventor has assigned or licensed or is obligated to assign or license the application to the institution and the application is not assigned or licensed to an entity that does not qualify for Small Entity status.

I have an obligation to assign ownership of an application to a university that is an "institution of higher education;" will the application qualify for Micro Entity fee status if I'm not a university-inventor? As long as the inventor of the application is named

as an “applicant” and the application is not assigned or licensed to an entity that does not qualify for Small Entity status, it appears that the application can qualify for Micro Entity fee status.

My technology transfer office has an obligation to assign all applications it’s named as an applicant on to the university; will the application qualify for Micro Entity fee status? The application appears to be eligible as long as the university is an “institution of higher education” and the application is not assigned or licensed to an entity that does not qualify for Small Entity fee status.

The procedures for claiming Micro Entity fee status require the filing of a certification of entitlement to Micro Entity status. The USPTO is currently developing forms to provide a certification of Micro Entity status. These forms are expected to be available in March. If these or other Micro Entity fee questions are of concern to you, please contact your attorney for specific legal advice based on your particular situation.

## LOST AND FOUND: THE “ORPHAN WORKS” DEBATE IS BACK

*by Luke C. Holst*

During my time working on Capitol Hill in Washington, D.C., our legislative office was aggressively lobbied over “The Orphan Works Act” of both 2006 and 2008. Handling this issue for Congressman Steve King (R-IA), I appreciated sitting down with advocates on both sides of the debate while learning all about the problems surrounding “orphan works.” Orphan works are “original work[s] of authorship for which a good faith, prospective user cannot readily identify and/or locate the copyright owner(s) in a situation where permission from the copyright owner(s) is necessary as a matter of law.” See U.S. Copyright Office, Report on Orphan Works (2006). The problems stem from the fact that anyone who uses an orphan work runs a significant risk that the copyright owner might one day surface and bring an infringement lawsuit for substantial damages, attorneys’ fees, and/or injunctive relief. Consequently, a productive and beneficial use of the orphan work is inhibited simply because the user cannot locate the copyright owner and ascertain whether he or she may make use of the work without running the

risk of infringement. Sadly in the end it is the public that loses out, as museums, libraries, and universities cannot publish or digitize millions of pages of archival documents, photographs, oral histories, and reels of film out of the inability to manage risk and liability when a copyright owner cannot be identified or located. This outcome is irreconcilable with the purpose of the U.S. copyright system, by instead withholding works that may be instrumental in research, education, documentary films, and the mainstream media.

### 2006 REPORT ON ORPHAN WORKS AND PROPOSED LEGISLATION

In January 2006, the U.S. Copyright Office published its “Orphan Works Report” at the request of Congress. The report analyzed legal issues surrounding orphan works; the experiences of users who were unable to find copyright owners, the kinds of projects hindered as a result, and proposed solutions. The report noted that the orphan works problem was exacerbated by the slow relaxation of U.S. copyright law by Congress over the past thirty years, eroding the obligations of copyright owners to assert and manage their rights. The ultimate result of these changes was that it diminished the public record of copyright ownership, thus, making it more difficult to locate true copyright owners. To overcome the problems surrounding orphan works, the U.S. Copyright Office recommended a limitation on remedies after a user had performed a reasonably diligent search for the owner and conditional upon the user providing attribution to the author whenever possible.

Building upon the U.S. Copyright Office’s recommendations in the report, both the 109th and 110th Congresses proposed orphan works legislation. The proposed legislation would have: (1) limited remedies available when a user is unable to locate the copyright owner after conducting a good faith reasonably diligent search; (2) be applicable on a case-by-case basis; (3) permitted the copyright owner to collect reasonable compensation from the user, but not statutory damages or attorneys’ fees. Despite orphan works legislation passing in the Senate, Congress could not come to a consensus and adjourned before enacting orphan works legislation in 2008.

### ONGOING LITIGATION: GOOGLE BOOKS

After the failure of Congress to enact orphan works legislation in 2008, several high-profile litigation cases surfaced in the United States. One case in particular,

Authors Guild, Inc. v. Google Inc., 770 F. Supp. 2d 666 (S.D.N.Y. 2011), raised additional concerns in the orphan works debate specifically relating to mass digitization. Pursuing an ambitious “Google Books” project, Google began scanning and digitizing millions of books preserved in major academic libraries. Google made digital copies of the scanned books available for online searching to partner libraries. Users were allowed to view portions of books still protected by copyright and download full copies already in the public domain. However, Google never obtained permission from relevant copyright owners for the “Google Books” project, resulting in a major class action lawsuit by a group of authors and publishers asserting willful copyright infringement. During settlement negotiations, the parties agreed to have copyright owners of out-of-print books be required to “opt out” of the settlement or have their works be scanned, digitized, and exploited by Google. Judge Chin of the U.S. District Court for the Southern District of New York rejected the settlement agreement, concluding that it would give Google a monopoly on the digital commercialization of millions of books while requiring authors of out-of-print books “opt out” of the settlement by objecting. The court also rejected the proposed settlement because it dealt with orphan works-related issues, which were “matters more appropriately decided by Congress than through an agreement among private, self-interested parties.” Id. at 677. Google eventually settled with five major publisher plaintiffs, although specific details of the settlement were not made public nor did the settlement agreement address claims related to orphan works.

### THE ORPHAN WORKS DEBATE IS BACK

Since the Google Books litigation, the issues surrounding orphan works and mass digitization has been left largely to the halls of academia and bar association symposiums. However, the U.S. Copyright Office has recently brought new life to the subject by seeking comments regarding the current state of play for orphan works. Although the initial comment period closed on February 4th, 2013, the U.S. Copyright Office posed questions to the public to determine what has changed in the legal and business environments over the past four years and what legislative solutions might now be available. It appears the U.S. Copyright Office is continuing its previous work advising Congress on the best approach to take in solving the problems surrounding orphan works and now, mass digitization. *continued...*

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Thus, in view of these issues it is clear that a properly maintained IP portfolio is of utmost importance to any author, musician, photographer, or film maker. Not only does it benefit the copyright owner, but protects potentially beneficial orphan works from being lost to the public - forever. Please contact your MVS attorney with any questions you may have concerning your IP portfolio.

## MVS OPENS SATELLITE OFFICE IN AUSTIN, TEXAS

MVS's Austin office is located at 106 East 6th Street and is led by Bruce A. Johnson. Bruce is a patent attorney with over 18 years of experience. Bruce is an Iowa native originally from West Liberty, Iowa and received his degree in electrical engineering from Iowa State University.

Bruce's practice areas include all areas of intellectual property law, with an emphasis on hardware and software patent prosecution, patent infringement analysis, and licensing. Exemplary areas of technology experience include software, analog and digital circuit design, semiconductor design and fabrication, telecommunications, e-commerce, medical devices, nanotechnology, video processing, GPS, antennas, seismic data analysis, and various energy and environmental technologies.

According to MVS's managing partner, Mark D. Hansing, "We have identified significant opportunities in the Texas market and are moving forward. Austin is a growing market for technology companies which we believe is under-served by intellectual property law firms." Hansing, continued, "Bruce Johnson is a great addition with 18 years of experience as a patent attorney with a strong background in electrical engineering which is a particularly good fit for the Austin market."

Bruce Johnson, explains, "I am very pleased to join MVS and to have access to the benefits of an intellectual property boutique of this size and experience." Johnson continued, "Some of the firm's assets include an experienced intellectual property litigation team, a licensing practice group, as well as groups of attorneys specializing in technologies outside of my expertise, all of which are needed in the Austin market."

MVS now includes 18 attorneys practicing in intellectual property matters. MVS has been recognized as a 2013 "Go-To Law Firm" in Corporate Counsel magazine's survey of general counsel at the top 500 U.S. companies as well as in Martindale-Hubbell's 2013 U.S. Top Ranked Law Firms™.

## WE'RE THERE

### January 29

Jeff Harty and Bruce Johnson attended the Austin Intellectual Property Law Association Spring Meeting in Austin, Texas.

### January 30

MVS hosted the SCORE Bozeman, Montana Small Business Association Open House in Bozeman, Montana.

### February 9

Jeff Harty participated in a one-hour live streaming of AM1450 KMMS news talk radio show on "IP and Changes to the Patent System."

### February 12-14

Heidi Nebel was the keynote speaker at the Wheat Quality Council 2013 Annual Meeting in Kansas City, Missouri.

### February 14-16

Kyle Coleman attended the J. Reuben Clark Law Society Annual Conference in Washington, D.C.

### February 20

Jill Link presented through the Bozeman, Montana SCORE Chapter on "Intellectual Property for Start-Ups and Small Businesses: A Top 10 and Q&A Series" that was held at the Bozeman Public Library.

### February 27 - March 2

Heidi Nebel, Bruce Johnson and Jill Link attended the Association of Technology Managers (AUTM) Annual meeting in San Antonio, TX. The firm also sponsored the Technology Valuation Course.

### March 4-6

Jeff Harty will attend the North American Society for Trenchless Technology (NASTT) No-Dig Show in Sacramento, California.

### March 15-17

Kirk Hartung will attend the LEGUS Spring meeting in St. Andrews, Scotland.

### March 28

Scott Johnson will speak at the National Business Institute seminar on "Applying the Rules of Evidence: What Every Attorney Needs to Know" in Des Moines.

### April 7-11

Jonathan Kennedy will speak at the American Chemical Society (ACS) National Meeting in New Orleans, LA.

### April 9

MVS attorneys will attend and the firm is an Excellence Award Sponsor at the Technology Association of Iowa Prometheus Awards held at Vets Auditorium in Des Moines.

### July 17-19

Heidi Nebel will attend the Association of Technology Managers (AUTM) Central Region Meeting in Indianapolis, IN where Heidi will be a speaker and the firm is a sponsor.

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