

First-To-File's Potential Impact On Internal IP Policies

Law360, New York (July 12, 2010) -- In light of pending patent reform, intellectual property policies may soon need to be revisited to ensure that companies retain patent rights to their inventions.

Currently, the United States is the only country that uses a first-to-invent priority system. Every other country employs a first-to-file system. There are two active bills working through Congress, however, that would transition the United States to a first-to-file system.

This transition will impact companies' intellectual property policies although if history repeats itself, the impact will not be severe.

One claimed benefit for transitioning to a first-to-file system is global harmonization. That is, a first-to-file system would allegedly bring the United States' patent laws in closer conformity with the patent laws of other countries.

While the change to a first-to-file system would be a step in that direction, a major difference will remain between the United States and the majority of other countries in regard to public disclosure of an invention. While most countries require absolute novelty and thus preclude obtaining a patent where there is any prior public disclosure, the United States will retain its current grace period.

This grace period allows an inventor to file an application up to one year after an invention has been publicly disclosed or offered for sale, an aspect of patent law most other countries do not share. In these foreign countries, if an inventor publicly discloses an invention before filing a patent application, the inventor will not be allowed a patent on the disclosed invention.

The switch to a first-to-file system has been seen as a bargaining chip for the United States to entice other countries to adopt a grace period. The U.S. House of Representatives bill retains this leverage by suspending the enactment of the first-to-file provision until Europe and Japan adopt a grace period.

The Senate bill, however, contains no such suspension and the first-to-file system would go into effect one year after the law is enacted. If the difference between the United States and the majority of other nations regarding the grace period persists, the goal of global patent harmonization will remain elusive.

Regardless of the uncertainty as to when or what version of the first-to-file system goes into effect, if the current patent reform is enacted companies will need to understand how a first-to-file system will impact their intellectual property policies.

Some good news is that the impact may be small. In 1989, Canada switched from a first-to-invent system to a first-to-file system. The transition was relatively uneventful and had minimal impact on Canadian companies.

One reason for the smooth transition may have been that Canada was already effectively operating under a first-to-file system. Canadian inventors, who typically wanted to assure that they had foreign as well as domestic patent protection, had to follow the foreign countries' patent laws.

Securing foreign patent rights in Japan or Europe, for example, meant that the inventors had to conform to a first-to-file regime. Thus, they were effectively already following a first-to-file system.

Inventors in the United States who are interested in foreign patent protection, therefore, are also effectively operating under a first-to-file system. Thus, a change to a first-to-file system will not have severe repercussions for these inventors.

Even for those inventors interested only in domestic patent rights, the impact will likely not be great.

One area that will change with the transition to a first-to-file system is interference proceedings. Interferences, however, are rare and most inventors have never been involved in interference proceedings.

The vast majority of inventors, therefore, will not be impacted by the elimination of interferences.

The current intellectual property environment also encourages inventors to file patents in a timely matter. Inventors typically derive revenue from inventions once they have been patented. As such, inventors already have a financial incentive to file applications relatively quickly.

Additionally and even if the impact is minimal, the change to a first-to-file system will affect a company's intellectual property policies. If the switch to a first-to-file system occurs, companies will need to prioritize the filing of patent applications as efficiently as possible.

Currently, common intellectual property policies focus on employees documenting their work in lab notebooks, those notebooks being reviewed by an intellectual property committee, and that committee determining if the invention warrants a patent application.

While this is still a suitable framework, companies should scrutinize their policies to streamline the process of filing a patent application.

Streamlining procedures to ensure that a patent is applied for as quickly as possible can be accomplished with some minor adjustments to commonly existing policies.

First, in training employees, it is critical for them to understand the importance of filing patent applications in a timely manner.

Further, it is important for employees to submit their new ideas to an intellectual property committee without delay. Waiting until the product is complete and ready to market before submitting an invention disclosure may be unnecessary and potentially costly. The intellectual property committee can also help minimize delays in filing an application by meeting regularly to discuss any outstanding invention disclosures.

Finally, a company should ask whoever is drafting the patent application to do so without delay.

In addition to adjusting common policies, a company should also consider other areas where a change to a first-to-file system can impact the company's intellectual property. One such area is monitoring patent applications that disclose inventions that might have originated from the company's own information.

While the first to file an application will normally receive patent rights, this is not the case if the first filer derived the claimed invention from a third party. In that case, the third party can contest the filing in a derivation proceeding and potentially be awarded the patent rights.

To prevail in a derivation proceeding, a company must show that the earlier-filing party derived its invention from information originating with the company. Derivation proceedings do have an important limitation: A party must bring a derivation proceeding within 12 months after the first publication of the application. Accordingly, companies will need to proactively monitor published applications to ensure that any required derivation proceeding is timely initiated.

Companies should also consider how an employee's departure impacts its decision to file a patent application. Such an event may warrant immediate review of any outstanding invention disclosures. This review protects the company from two different potential issues.

First, if an ex-employee goes to work for a competitor, the competitor may already be working on inventions similar to those of the original company. If this is the case, the ex-employee could tip off the new employer as to what patents should be filed as soon as possible to try and file the patent before the original company. If the competitor had independently invented the invention, the competitor would be legally granted patent rights in the invention.

Second, filing any desired patent applications quickly reduces the chance of becoming embattled in an unnecessary derivation proceeding if the ex-employee were to provide his new employer with the company's information regarding an invention. While derivation proceedings are a failsafe against these types of fraudulent filings, they would undoubtedly cost significantly more than proactively filing any applications before a competitor does so.

Reviewing any outstanding invention disclosures soon after an employee leaves protects a company, by ensuring that any patent application filed by that company is done quickly and potentially avoids the expense of a derivation proceeding.

Companies may also want to review their policies regarding what intellectual property information they make available to the public. If a company is willing to publicly disclose its invention, this disclosure will bar any other entity from gaining patent rights on the disclosed invention.

Companies may consider publication of its invention as a defensive measure. Publication of an invention will ensure that another inventor will be unable to be awarded a patent in the disclosed invention. After publication, the company would have one year in which to file a patent application. This gives companies one year to determine if a patent application should be filed.

While there are benefits to publicly disclosing an invention before filing, these benefits come at a cost. Companies will have to consider that such public disclosure will result in the loss of foreign patent rights, unless a foreign application is filed before the public disclosure.

In addition, if a patent application is not filed within a year, the company will lose all patent rights to that invention.

Finally, if the company decides not to file a patent application, the invention will have been disclosed to the public. As such, the company will not be able to rely on trade secret law to protect its disclosed invention.

If the United States moves to a first-to-file system, instead of filing a single patent application after the invention is finalized, companies should consider filing an application as soon as an “initial” or “base” invention is complete, and then a patent application for each further iteration of development.

While the later patent applications will not give the company an earlier filing date for any newly disclosed improvements to the invention, they will ensure the earliest filing date for each of the iteration of inventions. And obtaining the earliest filing date is what effectively wins the race to the patent office.

If the patent laws are reformed based on currently pending legislation and the United States adopts a first-to-file system, companies will need to revisit their intellectual property policies.

While a vast overhaul of policies will likely not be needed, minimizing the time between invention and the filing of a patent application becomes essential. Companies may also want to revisit policies regarding departing employees, patent application monitoring, making information publicly available, and the use of provisional and continuation-in-part applications to supplement base applications.

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