

## Obama Passes New Patent Law

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You may have heard about the Leahy-Smith America Invents Act (or the AIA) in the news. The United States government has made several attempts in the last 10 years to reform their patent laws. The latest attempt, the AIA, resulted in new law being passed on 16 September 2011<sup>1</sup>. The new law aims to reduce litigation over patent rights, improve patent quality by reducing the number of invalid patents, and encourage innovation by small-scale inventors. Here we discuss one of the major changes it will implement.

### The current system

Occasionally two (or more) parties will come up with the same invention independently of each other at about the same time. If they both apply for a patent to cover the same invention, under the current system in the USA, the person that came up with the invention first takes precedence even if the other person filed their patent application first (at least in theory). This is usually referred to as the *first-to-invent* system.

Under the AIA this system will be changed to a *first-to-file* system. As the name implies, under this system the patent application rights would go to the person that filed the patent application first. The rest of the World uses this system.

This change has generated controversy among inventors and corporations in the US. The current system appears to afford small companies longer to file patent applications and this delay may be beneficial by allowing the company to assess the invention and allocate funding for the application if necessary. Additionally, small companies or individuals may be unfamiliar with the patent system and the lack of access to a dedicated IP department may mean the application is delayed.

Adding to the suspicion that the new system will serve corporate interests is the fact that the likes of IBM have supported the change. IBM has filed the largest number of patents every year for the last 18 years and David Kappos, the current Director of the US Patent and Trademark Office (USPTO), was IBM's former Vice-President and Chief Patent Attorney.

In the rare event of a concurrent invention, independently conceived by two parties at about the same time, it could also be argued that it is fair that the first party to take action by applying for a patent should prevail.

### The reasons for the change

While it would seem to be fairer and more logical to award the patent application rights to the person that came up with the invention first, the problem is how to determine who that was.

Disputes about who invented first are currently decided by *interference proceedings* at the USPTO (unless both patents have already been granted). Each of the parties must prove the date they conceived the invention and the date they put it into practice, for example made a prototype. Alternatively, the date of putting into practice can be the date of filing a patent application.

This requirement to prove the date of invention is one of the reasons it is important to keep detailed lab books which are dated, signed and counter signed.

In reality, interference proceedings are lengthy and extremely costly affairs. Therefore, this system hardly seems to favour the small business either.

### Why are the large companies supporting the change?

The United States is the only country to have the first-to-invent system. All other major jurisdictions currently use the first-to-file system. This type of inconsistency between countries results in uncertainty. There can also be higher costs associated with these inconsistencies owing to the need to take different strategies in different countries rather than having the same approach for all countries. Harmonisation of laws between countries would likely result in lower patenting costs for companies with large patent portfolios. This is likely to be the main reason most of the large companies have supported this change.

While there may seem to be some inherent injustice in the first-to-file system, it provides more certainty to the users and ultimately appears to be a more workable system.

The first-to-file system will be implemented in the United States on 16 March 2013.

### Patent fee discounts for micro-entities

In another change to the law, the interests of small-scale inventors have been addressed directly by offering a 75% reduction in patent office fees to *micro-entities*. A micro-entity includes an independent inventor or small company with an income below a certain level and no more than four previous patent applications, or alternatively a US-based university. This change seems likely to be welcomed with open arms by small businesses. Unfortunately, for everyone else the fees are going up.

If you have any queries regarding intellectual property related matters (including patents, trademarks, copyright or licensing), please contact:

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### *References*

1. Leahy-Smith America Invents Act signed into law by President Barack Obama on September 16, 2011.



Katherine Hebditch and Tim Stirrup of Baldwins Intellectual Property in Auckland specialise in chemistry and biotechnology patents. Katherine obtained her PhD in organic chemistry from the University of Manchester in the UK in 2004. She is currently working towards registration as a patent attorney. Tim obtained his PhD in molecular biology from the University of Southampton in the UK in 2007. He is also working towards registration as a patent attorney.

