



# Client Memorandum

February 28, 2013

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## Patent Update: Grace Period, Prior Art and New Patent Fees

### INTRODUCTION

The last of the historic changes to U.S. patent law mandated by the America Invents Act (AIA) will be implemented on March 16, 2013. For new applications filed on or after that date, these changes include the move to a first-inventor-to-file system and the broadening of prior art citable against new applications. In addition to the new laws, many new patent fees charged by the U.S. Patent and Trademark Office (USPTO) will take effect on March 19, 2013.

To implement the procedural changes, on February 14, 2013, the USPTO released its final rules and examination guidelines explaining how it will interpret several important provisions of the AIA, including the inventor's "grace period" and the scope of certain prior art.

### INVENTOR'S GRACE PERIOD

The grace period allows an inventor to publicly disclose an invention and thereafter take up to one year to file a U.S. patent application. Many foreign countries do not permit a grace period, so rights in those countries typically are lost by a pre-filing public disclosure. For inventors interested in obtaining a U.S. patent, a grace period can be quite beneficial.

The grace period under both the AIA and the current law has two components:

1. The first is personal to the inventor, permitting time to file a patent application after the inventor's own disclosure. In this aspect the AIA grace period is the same as the current grace period.
2. The second relates to shielding an inventor from an intervening public disclosure by a third party that occurs prior to the inventor's filing date.
  - Under current law, for applications filed until March 15, 2013, an inventor need only prove an earlier date of invention to antedate the subject matter disclosed by the third party. Thus, the shield of the grace period provided under present law can be broadly applied.
  - Under the AIA, the examination guidelines outline a much narrower interpretation of the shield afforded to an inventor as it relates to prior art created by a third party's disclosure. According to the USPTO, the inventor's disclosure and the third party's disclosure must be to the "same subject matter" for the inventor to be shielded from the third party's disclosure. The disclosures need not be identical, and they can be presented in different modes, such as a slide show at a scientific conference and an article in a journal. However, features that are disclosed by the third party and not by the inventor's earlier disclosure may be cited as prior art against the inventor's later-filed patent application.

The USPTO illustrated how it will apply the new rule.

Example:

If an inventor first discloses a species and an intervening third party later discloses a genus (i.e., provides a more general description of the first species) before the inventor files, the grace period will apply and the third party's general disclosure is not citable against the inventor's species. Conversely, if the inventor publicly discloses first the genus, and the third party then discloses a species before the inventor files, the third party's species is citable as prior art against the inventor's application. Or, if the inventor first discloses one species, and the third party discloses an alternative species before the inventor files, the alternative species is prior art against the inventor's application and may defeat the inventor's claims to the first species and to a genus.

## **BROADENED PRIOR ART**

For patent applications filed on or after March 16, 2013, the AIA expands the definition of prior art to include, among other things, disclosures anywhere in the world. Previously, certain types of prior art, such as sales, offers for sale, or in public use, were geographically limited to activities occurring in the United States.

Although there will be no geographical limitation to prior art, the new examination guidelines make clear the USPTO will not include as prior art any sales or offers for sale that are not public; i.e., those sales or offers among individuals or entities having an agreement of confidentiality to the inventor. In contrast, under current law, "on sale" prior art activity included secret commercial activity as long as it occurred in the United States.

The examination guidelines also clarify how the USPTO interprets the AIA's new catch-all phrase for prior art, that which is "otherwise available to the public before the effective filing date of the invention." (35 U.S.C 102(a)(1)) The USPTO instructs its examiners to focus on whether the disclosure was available to the public, rather than on the means by which it became available to the public. Thus, for example, even though a posting on the internet may not be a printed publication, the USPTO believes it is sufficiently available to the public to constitute prior art within this new definition.

## **NEW FEES EFFECTIVE MARCH 19, 2013**

Under the AIA, the USPTO has authority to set new fees in amounts sufficient to recover its aggregate cost of patent operations. The USPTO recently announced it had set or changed a total of 351 different patent fees for large, small and micro entities. Some of the larger changes for frequently used fees are exemplified below, but this is by no means an exhaustive list of all the changes. See a complete list of the patent fee changes at "[USPTO Section 10 Fee Setting.](#)"

The fee for filing a new non-provisional utility patent application (combined basic filing, search and exam fees) will increase from \$1260 to \$1600. Fees for excess claims are being increased to deter applicants from routinely presenting a copious number of claims. Thus, each independent claim in excess of three will increase from \$250 to \$420, each claim in excess of 20 will increase from \$62 to \$80, and a multiple dependent claim will increase from \$460 to \$780.

A commonly used procedure to continue prosecution before an examiner is a request for continued examination (RCE), which comprises about 30 percent of all applications filed. Under the new fees, a first RCE will increase from \$930 to \$1200, and in an effort to reduce patent application pendency, second and subsequent RCEs will almost double, from \$930 to \$1700.

Some of the most significant increases are in patent maintenance fees that are due at 3.5 years, 7.5 and 11.5 years after grant, which will increase from \$1150 to \$1600; \$2900 to \$3600; and \$4810 to \$7400, respectively.

Most of the new fees take effect March 19, 2013. A handful of fees which decrease substantially will not take effect until January 1, 2014. These include the combined patent issuance/publication fees (decreasing from \$2070 to \$960), and extending small and micro entity discounts to international (PCT) filing, processing and search fees. One fee the USPTO has completely eliminated is the patent assignment electronic recordation fee (decreasing from \$40 to \$0), which is intended to encourage complete recordation of patent ownership information. By deferring these decreases the USPTO believes it can better meet its fiscal year 2013 operating expenses.

Micro entity is a new category created by the AIA which benefits qualified entities with a 75 percent discount from many of the fees. In general, micro entities include, (1) applicants employed by institutions of higher education, and (2) applicants which have not been named on more than four previous patent applications; did not have a gross income exceeding three times the U.S. median household gross income (3x \$50,054 = \$150,162); and are not under an obligation to convey rights to an entity that would not itself qualify as a micro entity. Individuals and entities which qualify for small entity status will continue to enjoy a 50 percent discount from the standard fees.

## CONCLUSION

We do not know how the courts will interpret the AIA and until then, the USPTO will operate according to its rules and examination guidelines. Individuals and businesses should think carefully about disclosing their inventions before filing a patent application. Non-disclosure agreements should be used whenever possible.

The best practice is to file patent applications prior to any public disclosure. Developing procedures to rapidly file provisional applications for urgent situations is strongly recommended. Because of the narrow interpretation of the new grace period, monitoring the activities of both collaborators and competitors is even more important than it was pre-AIA.

For more information, please visit COJK's [America Invents Act](#) page.

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