UNIVERSITY OF CALIFORNIA

OFFICE OF THE GENERAL COUNSEL

Legal Advisory

September 9, 2011

Charles F. Robinson
General Counsel
Vice President for Legal Affairs

www.ucop.edu/ogc

SUMMARY

Congress passes patent reform legislation, the Leahy-Smith America Invents Act, to promote innovation.

If you have any questions regarding the issues raised by the Leahy-Smith America Invents Act, please contact:

Marty Simpson
Managing Counsel
Business Transactions and Land Use

Marty.Simpson@ucop.edu

OGC Legal Advisories are issued by the Office of the General Counsel to provide updates regarding important legal and regulatory developments that affect the University. For additional information or assistance with a specific legal matter, please contact the Office of the General Counsel.

CONGRESS OVERHAULS PATENT LAW TO PROMOTE INNOVATION

The Leahy-Smith America Invents Act ("Act") passed by Congress on September 8, 2011 to promote innovation provides the most significant change to U.S. patent law in nearly 60 years. The Act represents a bipartisan compromise among major patent stakeholders. President Obama is expected to sign the Act into law shortly.

The Act:

- **Adopts a "first inventor to file" system to encourage early disclosure of new inventions and to harmonize the U.S. system with the rest of the world**

Under the Act, the patent office will now grant a patent to the first inventor who files a patent application. The "first inventor to file" system encourages early disclosure of new inventions and brings the U.S. more in line with other countries. The Act replaces the "first to invent" system that used an "interference" proceeding to resolve disputes. Also, the new "grace period" in the Act now limits the range of public activities that an inventor can engage in without losing the right to patent an invention. This narrower "grace period" still permits publication, but brings the U.S. more in line with other countries, which typically do not permit any public activities prior to filing for a patent.

- **Expands patent challenge procedures to provide lower-cost alternatives to litigation and to weed out weak patents earlier**

Under the Act, a pending patent application can now be challenged by submitting technical references (known as a "prior art submission") to the patent office. In addition, a new patent can be challenged within nine months after its issuance in a new "post-grant review" proceeding (also known as an "opposition"). After this nine-month period, the patent can be challenged in a newly-expanded "*inter partes* review" proceeding.

- **Expands the "prior user" defense to patent infringement to provide a readily available defense for a broader group of innovations**

The Act permits a party (known as a "prior user") who develops and uses an invention, but does not patent it, to assert a defense to patent infringement against the patent owner of the same invention. This "prior user" defense, formerly limited to business method innovations only, now is available to a broader range of innovations under the Act.

- **Creates a new funding model and fee-setting authority for the patent office to enhance capabilities and improve patent quality**

The Act gives the patent office more control over resources to address a backlog of 700,000 patent applications and to implement the new patent challenge procedures.

Impact of the Act on the University:

Although intended to promote innovation, these key changes may limit commercialization of University inventions for the benefit of the public. The new "first inventor to file" system may limit the University's ability to patent its inventions as University researchers are focused on education and research rather than a race to the patent office. The University often seeks a licensee to invest in an invention before committing to a costly patent filing, which can further delay the University's patent filing.

The expanded patent challenge procedures and "prior user" defense may also result in new "clouds" on University patents, thereby increasing the time and expense required to establish clear patent rights to inventions. If potential investors perceive an added risk due to such "clouds," they may be less inclined to invest in University inventions.

On a positive note, costly and time-consuming "interference" proceedings, although rare, will be discontinued. Also, the permitted activities under the narrower "grace period" are in line with University practices, which allow the University to patent what its researchers have published.