

# **Possible Effects on University of California Patent Licensing Due to Moving to First Inventor to File as Part of Proposed Patent Law Reform**

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# Role of Patents in University Technology Transfer

- Vast majority of licenses each year are to small business, including startups focused on the licensed technology
- Patent rights are usually essential across technologies for these small businesses to be funded to invest in new technology
- Patent rights are essential to investment decisions in the life sciences no matter what the size of the prospective licensee due to large needed investment, long time to market, and risks
- Universities are increasingly a significant source of new technology to industry
- Universities are a publish-or-perish environment, so trade secret is normally not an option for technology transfer
- Universities depend heavily on grace period for delayed filing to ascertain commercial interest and funding for an application
  - Rush to file is not a good model for universities
  - Rush to file can greatly cut down on university technology available for licensing

# Grace Period in Patent Law Reform

- Original Reform proposal
  - First Inventor to file: Constitutionally needed
  - New Sec. 102(a)(1): patented, printed publication, in public use or on sale absolute novelty, except:
    - Only disclosures of inventor & those who “obtained” from inventor have an up to one year grace period
    - Absolute novelty with respect to third parties
  - New Sec. 102(a)(2): first inventor to file over another inventor – absolute novelty with no grace period
- Manager’s amendment both Houses
  - Sec 102(a)(1) – added “or otherwise available to the public” & (b)(1) grace period for “publicly disclosed”
  - New Sec 102(b)(2) exceptions to absolute novelty

# New Grace Period in Sec. 102

- 102(a)(1)(B) disclosures of inventor & those who “obtained” from inventor have an up to one year grace period for patents, printed publications, in public use, on sale, or otherwise made available
- 102(b)(1) adds protection for 3<sup>rd</sup> party disclosures if after “disclosure” under (a)(1) by inventor & those who “obtained” from inventor
- 102(b)(2) adds protection for 3<sup>rd</sup> party’s filing if inventor’s disclosure before 3<sup>rd</sup> party’s effective filing date in PTO
- 102(b)(2) adds derivation, commonly assigned or subject to such assignment obligation, CREATE ACT

# How Grace Period Would Work

- Inventor publishes (which may include on-line web sites) to establish disclosure date
- Inventor then has up to 1 year to file in PTO with intervening art and 3<sup>rd</sup> party PTO filings not counted as prior art to the extent of the inventor's disclosure
- Note same problem as in provisional filings – only as good as satisfies 112
  - EPO discourages US provisional practice

# Status of Patent Law Reform

- Senate Judiciary committee passed S. 1145
- If Senate passes different version than House, then either
  - House accepts Senate version, or
  - Conference Committee between two Houses to arrive at one version for both to pass
- House passed H.R. 1908 Sept 7, 2007
  - 220 aye to 175 nay

# University Concerns – Pending Bills

- Damages reform: patent should not be undervalued & be a dependable deterrent: value of claimed invention
  - Basis of investment in new technology vs no effective penalty to infringe
  - Over 80% licenses to small businesses annually – job creation
- Post-grant review should assure validity of patents while not exposing the patentee to repetitious, expensive procedures that unreasonably cloud patent effectiveness
- Venue reform should not force nonprofits/small businesses/individual inventors to sue at infringer's location: cost/witnesses availability/key employee distraction from business/cloud on seeking financing
- Not require "applicant quality submissions" – cost/time/exposure to inequitable conduct
- Reform inequitable conduct – patentability & asserted claims
- Note: unknown effects of recent US Supreme Court decisions
  - *KSR*: obviousness & *eBay*: injunctions (still evaluating *Festo* from 2002)

## University Concerns – cont.

- Not expand prior user rights defense to infringement
- Not expand PTO rulemaking authority – example of recent rules package
- Not limit damages to 2 years for method patents
- Support full funding of PTO – no fee diversion
- Keep effective estoppel in *inter partes* reexamination – at least “had actual knowledge of” instead of just “raised”

# Affects of New Court Cases

- *Quanta Computer inc. v. LG Electronics*
  - Patent exhaustion and contractual limits
  - Supreme Court – 1/16/08 oral argument
- *In re Bilski* Fed. Cir - En Banc/*Sua Sponte*
  - Patentable subject matter under 101 - 5/8/08 oral arg.
    - Must there be mental & physical steps
    - Overrule *State Street Bank*? – basis for business methods
- *Ex Parte Kubin* PTO Board – precedential 5/31/07 & part of a series in various technologies
  - Cites KSR to make DNA sequences obvious to try
  - “Overrules” *In re Deuel* & cites “expert” level in the art