

# Small firms wary of first-to-file provision

## Patent reform legislation could have large impact on innovative companies

By [Jared Kaltwasser](#)

A landmark patent reform law passed last year is ushering in a new paradigm, and plenty of questions, for innovative companies.

The America Invents Act of 2011 began taking effect Sept. 16, but its key change — a switch to a "first-to-file" patenting system — won't take effect until March 16.

Until now, patents were granted to inventors who could prove they were the first to conceive of an invention. The new system will instead give priority to the first inventor to file a patent application with the U.S. Patent and Trademark Office.

Andrea Hence Evans, an intellectual property attorney and former patent examiner, said businesses need to pay attention.

"The first-to-file system will definitely make an impact on large and small businesses, simply because it is a complicated law — and right now, there are mixed interpretations of how they will implement the new rules," she said.

In one sense, the law doesn't represent a major switch, because it always made sense for businesses to file patent applications as soon as possible, said Robert J. Paradiso, a member at Lowenstein Sandler P.C.

"The way the existing system works, you still had to get your patent filing in as soon as you were able, you needed to have a quality patent filing, and you still needed to do that whether you're a large or small company," he said. "The only difference is you'd be better served to get it on file sooner than later, because you can't rely on first-to-invent provisions."

But Maxine Ballen, president of the New Jersey Technology Council, said the change could have major implications for small companies and startups, and she's worried many small firms will be caught unaware.

"They are definitely going to be at a disadvantage," she said. "They don't have the financial wherewithal to run to D.C. (to file patents). In many cases, they don't know about the changes."

Ballen said she's also concerned about so-called patent trolls — firms that buy up patents for the express purpose of suing infringers. A first-to-file system could make it easier for trolls to steal ideas, she said, "because they can just grab what's already out there, already been invented, and run quicker than anybody else to the patent office."

There are some potential benefits for smaller companies, however, according to Jeffrey M.

Weinick, a member at Wolff & Samson P.C.

"What they're losing in time they're gaining in more certainty," he said. "If a small business files a patent earlier, it's easier for investors to know they were the first to file."

Under the current system, Weinick said, investors always had to worry in the back of their minds that a prior inventor would step forward and challenge the patent.

Larger businesses likely have little to worry about, said Ralph Dengler, counsel at Gibbons P.C.

"The shift or movement toward a first-to-file system probably will be looked upon favorably by large businesses, for example, if they are better financed, have deeper pockets and might be more prone to file an early application — even if it's only a preliminary application," he said.

International companies also will benefit, because the U.S. system will now be in line with that of most of Europe and Asia, which all have first-to-file systems. That the United States is now following suit could decrease the likelihood of a company ending up having patent protection for a product only in certain countries, Dengler said.

One of the major outstanding questions is how exactly the federal patent office will implement "derivation proceedings," which generally amount to hearings where the patent office will resolve charges that a first-to-file inventor actually derived the invention from a later patent filer.

Evans said it remains unclear exactly what type of evidence inventors will need to have to prove that they were the first inventor. Typically, inventors are required to keep daily logs during their development process, but she said the new requirements will be stiffer.

"The problem will be this system will require more documentation than has ever been required before," she said. "There's a really strict standard on the part of the inventor to be able to show if he truly missed filing it first that he's actually the inventor."

Ballen said inventors need to start thinking about these changes, and consulting with qualified IP professionals, as soon as possible.

That's not always cheap, she said, but it can pay dividends in the long run: "You get what you pay for," she said.

Weinick said his top advice for small companies would be to analyze their assets to find out what technology will differentiate them from their competitors over the next one to five years.

"I think they should focus on that and really try to get a sense of what that is, and try to get patents filed on that core technology certainly quickly," he said.

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