

How To Protect Inventions Under New Novelty Statute

Law360, New York (September 20, 2012, 1:18 PM ET) -- Under current statute, the public use of an invention or an offer for sale within one year of filing a patent application does not serve as a bar to novelty. Under the America Invents Act, enacted by the U.S. Congress in 2011, new provisions related to novelty will take effect on March 16, 2013. With these provisions, companies will need additional safeguards on their intellectual property, including experimental or prototype products, until their associated inventions are fully described in filed patent applications.

Unlike previous patent law, the AIA does not expressly provide an eligibility exception for inventions that are within the public use or on sale prior to the effective filing date of a patent application. While the AIA provides an exception for disclosures by the inventor within a year of filing, it is not clear whether this exception covers the sale of an invention by the inventor or his employer. Therefore, under the new statute, a patent applicant likely will not have a grace period for a claimed invention that is in public use or on sale prior to the effective filing date of the claimed invention.

Accordingly, companies should consider adopting some or all of the following approaches in managing the risk of losing future patent protection.

First, the risk of an unwanted public sale or disclosure may arise when distributing experimental materials or prototypes that are not yet described in a filed patent application. Ideally, the recipient of such experimental materials or prototypes — in particular, a potential customer — should be informed that the materials are being supplied for a nonpublic and experimental use only, and not being offered for sale. Therefore, such distributions should be clearly marked: the material or prototype, as well as its packaging, should be labeled as “Experimental” or “Experimental, Not for Sale — For Testing Purposes Only.”

In addition, potential customers can be provided advance notice in the form of a memorandum stating that any experimental or prototype materials are of a confidential, nonpublic nature. The notice should indicate that the company’s sales representatives do not have authority to sell experimental materials or prototypes, or that potential sales of experimental materials require approval of a sales manager and/or IP counsel at the company providing the materials. Such notice may help remove any confusion on the part of customers who may see sales representatives as having authority to sell experimental or prototype materials.

Secondly, the advance notice approach may reduce the risk of an unwanted public use, but does not entirely eliminate such risk. For example, risks of public use or offers for sale may still arise during on-site visits. Representatives who make such visits might need to exert more visual and physical control over any experimental prototypes and remain proactive in maintaining their confidentiality. Companies should consider providing training seminars for sales representatives, as well as memoranda outlining changes to company practices relating to providing prototypes.

Another potential avenue to protecting the patentability of prototypes or experimental materials before they are commercialized would include having a customer sign a nondisclosure agreement during the sales representative's on-site visit, stating that any prototypes tested during the visit are experimental in nature, and not for sale. Still other potential changes include providing written notice of the experimental nature of the prototypes to customers and destroying such prototypes after the testing is completed. While some of these new practices may seem onerous, sales representatives may be more motivated to adopt them in their practice if they understand how accidental sales and public uses may jeopardize the company's intellectual property and their associated future revenue stream.

Third is a more extreme approach to protecting intellectual property rights: that is, to limit any experimental testing to the facilities of the company or inventor. Such on-site testing may clarify that a sale is not occurring and can allow for greater control of the experimental materials. Clearly this approach has disadvantages, including requiring potential customers to visit the company's or inventor's facilities and potentially having to pay for associated travel. Thus, the on-site customer testing approach may be limited to the most valuable intellectual property.

Finally, as a safeguard, it may be beneficial to file a provisional application prior to conducting any inspection or experimental testing with a potential customer. A company may want to consider routinely filing short provisional patent applications that describe its experimental materials, particularly if the company does not want to interfere with its ongoing customer relations by adopting the above practices.

Such provisional patent applications — which do not need to be lengthy or complete, and will not automatically be published — may provide protection in the form of patent priority dates that predate any customer contact with such materials.

Of course, the provisional application may not be sufficient to fully describe the invention and thus the applicant would need to follow up with a more substantial filing. A company or inventor will need to routinely audit provisional patent filings to determine whether to file updated provisional, nonprovisional or foreign applications. However, a timely filing of a short provisional application before allowing any experimental materials to leave a company's premises may provide substantial protection against the on-sale or public use novelty bar.

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