

THE COALITION FOR 21ST CENTURY PATENT REFORM

Protecting Innovation to Enhance American Competitiveness

S. 515 Will Benefit Small Businesses and Other Small Entities: A Rebuttal to the Contrary Allegations in

<http://www.connect.org/news/pdf/Coalition-Letter-to-SBA-Dec-15-09.pdf> and
<http://j.mp/Startup-FTF-Letter>

Introduction

The documents referenced above, which include a draft letter dated April 12, 2010 to Senators Reid and McConnell, have recently appeared on the Internet. These documents purport to provide an analysis of the impact on small businesses and other “small entities” of enacting S. 515, including the impact from moving the U.S. patent system to the first-inventor-to-file principle. Instead of laying out the facts, these Internet postings offer incomplete and demonstrably false statements about the impact of S. 515 on small businesses and other small entities.

The 21st Century Coalition has long supported enactment by Congress of the first-inventor-to-file principle. This includes the provisions for doing so contained in S. 515. It has done so in part *because of the disproportionate benefits this change to U.S. patent law would offer small businesses and other small entities*. This paper lays out what we see as the plain truth of the matter—S. 515 will significantly improve the U.S. patent system for small businesses and other small entities compared to current law.

S. 515 Enhances the One-Year “Grace Period” Beyond What Is Afforded Under Current Law

Among the many benefits of moving the U.S. patent system to the first-inventor-to-file principle is the significant *simplification* of the U.S. patent law it will bring. That simplification will lead to a *reduction in the costs* of obtaining and defending patents. It will provide *greater certainty* as to the enforceability of every issued U.S. patent. It will create the prospect for *more rapidly establishing patent rights*. All of these improvements, as compared to existing U.S. patent law, will provide disproportionate benefits to small businesses and other small entities making use of the U.S. patent system.

ALLEGATION: “We write today to draw renewed attention to a proposed rewrite of 35 U.S.C. §102, which effectively eliminates the American one-year grace period during which current law permits an inventor to test an invention, seek investors, and the like, before filing an application.”

FACT: *S. 515 would rewrite the U.S. patent law to enhance the existing one-year “grace period,” not diminish or destroy it. Any contention otherwise is demonstrably false.*

Recently, allegations have been made that these beneficial features of S. 515 will be offset because the “grace period” provided in S. 515 will be less beneficial for inventors compared to existing U.S. patent law. This is wrong. These allegations concerning S. 515’s “grace period” are simply not true. They are based upon an

apparent misunderstanding of both how the “grace period” operates under existing U.S. patent law and how S. 515 will actually *enhance* the value of the “grace period.” Moreover, the principal beneficiaries of the *enhanced* “grace period” under S. 515 will be small businesses and other small entities.

To understand how S. 515 enhances the one-year “grace period,” it is critical to understand exactly what the “grace period” is and what it is designed to accomplish. The one year “grace period” under existing U.S. patent law was designed to afford inventors a one-year period in which to proceed with the patenting process after making a public disclosure of an invention.

If a patent filing is completed during this one-year period, then the existing “grace period” provides the inventor’s own public disclosures will not represent “prior art” that can be used to deny a patent. It is “prior art” that is used to determine whether an invention meets the requirements for novelty and non-obviousness. The “grace period” provisions in today’s patent law—as well as the patent law that would apply under S. 515—wipe away the inventor’s own publications and other public disclosures, if made during the one-year pre-filing period, from being used to invalidate the patents they seek.

Under current law, the “grace period” provisions are, however, far from a perfect protection for an inventor making a public disclosure of an invention before seeking a patent. Indeed, as the U.S. “grace period” operates today, it has a massive loophole that hits small businesses and other small-entity inventors hard, especially if they have made full use of the “grace period” by holding off seeking a patent until the very end of the one-year “grace period.”

In simple terms, the U.S. “grace period” currently operates to encourage patent filings by *interlopers*, that is, patent filing by competitors who are able to lay claim to have made the same invention that the “grace period” inventor has publicly disclosed. These interlopers can be big companies whose employees read technical journals or attend seminars or trade shows where the “grace period” inventor has made a public disclosure of the invention. Seeing what the inventor has disclosed, interlopers can make their own patent filings on the same invention. *Nothing in current U.S. patent law prevents this type of interloping.* That is because nothing in current U.S. patent law bars such a competitor from seeking a patent on its own work after seeing a public disclosure made by a “grace period” inventor!

Under current law, a competitor of an inventor may be working on the same problem as the inventor – an inventor who may actually have made the invention earlier, but has not yet filed a patent application. If the competitor, the second inventor, learns of the first inventor’s work through a publication or other public disclosure, the competitor can race to the patent office and position itself as the first inventor to file for a patent on the publicly disclosed invention. Under today’s first to invent law, the competitor’s status as the first inventor to file for a patent on the invention means that it has the upper hand in obtaining a patent on the invention—only rarely under current U.S. patent law is anyone other than the first inventor to file for a patent ever successful in obtaining a patent on the invention.

Why does the actual operation of current U.S. patent law favor interlopers over inventors making use of the “grace period”?

When the “grace period” inventor then files for its own patent at the end of the one-year “grace period,” it will find itself the second inventor to file. A second inventor to file will not be issued a U.S. patent without first getting the patent office to declare a “patent interference.” If the interloper raced to the patent office and the “grace period” inventor has made use of the full one-year grace period, the patent office may refuse to begin the patent interference proceeding until after it has issued a U.S. patent to the interloper.

If the “grace period” inventor is ultimately able to get the patent office to declare a patent interference, decades of statistics show that the patent office will most typically rule against the “grace period” inventor and in favor of the interloper. This is especially true for small entities taking advantage of the “grace period” when their opponent in the patent interference is a big company.

This outcome is typical because the *presumptive* winner in a patent interference is an applicant who wins the race to the patent office. The first-filed patent application is named the “senior party” in the patent interference contest and a later-filing patent application cannot be issued a patent unless the later-to-file patent applicant has kept and can provide to the patent office fully and independently corroborated proofs of an earlier invention date than the invention date of the first inventor to file.

For the small businesses and other small entities attempting to make use of the “grace period” under existing law, the only way to beat out the interloper is if the required proofs have been properly maintained, in the meticulous manner in which the current law requires, and if the small entity can then afford the years of patent interference litigation and potentially millions of dollars in patent attorney fees needed to fight the patent interference to a successful conclusion.

What this all means is that inventors relying on the “grace period” of current law are exposed to losing the right to patent solely because their attempts to use the “grace period” have spurred a competitor to race to the patent office to secure the coveted “senior party” status in a patent interference. Given that this glaring deficiency has long been a part of the “grace period” under current U.S. patent law, what does S. 515 do to address it?

In a few words, S. 515 simply cuts off the interloper’s ability to take a patent away from the “grace-period” inventor. Even if the interloper races to the patent office, that race will be for naught. Once the “grace period” inventor has publicly disclosed an invention, S. 515 provides that only the “grace period” inventor can obtain a patent on the invention. If the interloper decides to seek a patent—and files for one before the “grace period” inventor gets its own patent application on file—the interloper’s patent application will simply be ignored in deciding whether the “grace period” inventor can obtain a patent.

Thus, S. 515 does not diminish the “grace period” as it exists under existing U.S. patent law. If anything, it further perfects that “grace period.” Not only does it provide—as current U.S. patent

law does—that an inventor’s own public disclosures will not bar an inventor from obtaining a valid U.S. patent, but new features of S. 515 provide further protection against a later inventing competitor racing to the patent office to secure a patent on an invention following its public disclosure – a disclosure which the earlier-inventing inventor thought was fully protected by the “grace period” of current law.

S. 515 Neither Creates a “Race to the Patent Office” Nor Requires More Patent Filings

The Internet postings referenced above contend that S. 515 will create a “race to the patent office” because of the impact of S. 515 on the “grace period.” It contends that a further consequence will be an increase in the number of patent filings—because inventors will seek patents sooner, they will need to file more patent applications in the course of securing a patent for an invention. These contentions are further tied to the adoption of the first-inventor-to-file principle under S. 515.

These contentions as to the number and timing of patent filings that will be needed, were S. 515 to become law, are false on both counts. For small businesses and other small entities, current U.S. patent law already makes it imperative to file for patents promptly—in order to secure the advantages of being the first inventor to file for a patent. This is because the overwhelming advantages under existing U.S. patent law to the inventor who is the first inventor to file are essentially unchanged under S. 515. Any perceived need to “race to the patent office” is already part and parcel of the patent filing strategies for inventors today and the advantages from promptly filing for patents will remain entirely unchanged under S. 515.

ALLEGATION: “Without the grace period, the patent system would become far more expensive and less effective for small companies. It would create the need to ‘race to the patent office’ more frequently and at great expense before every new idea is fully developed or vetted. The pressure for more filings will affect all American inventors”
FACT: *S. 515 enhances the “grace period”—any contrary assertion is false. Moreover, S. 515 does nothing to change the current advantages from promptly seeking a patent after an invention has been made nor does S. 515 otherwise pressure inventors to file more patent applications or file them more rapidly.*

The simple truth is that both the first-to-invent principle and the first-inventor-to-file principle provide equivalent advantages to inventors who promptly seek patents after their inventions are made and both systems provide equivalent disadvantages for inventors who do not. Whatever patent filings strategies inventors use today will be equally valid and effective—and pose the same potential risks—under the first-inventor-to-file principle. Indeed, by enhancing the “grace period, as S. 515 accomplishes by curing the interloper defect in the existing U.S. “grace period,” there will in fact be one fewer motive for anyone to race to file for a patent.

In addition, under both current U.S. patent law and S. 515, inventors who promptly seek patents once their respective inventions have been made benefit because every day of delay in seeking a patent means another day of new “prior art” will become available and must be addressed before the patent office will issue a patent. Waiting to file under today’s patent law creates the risk that an invention can no longer be regarded as novel or non-obviousness based on prior art that would

not have existed had the filing for a patent been more prompt. S. 515 does not change this reality.

For both of these reasons—garnering first-inventor-to-file status and avoiding an ever-growing body of “prior art”—there will be no meaningful difference in when and how patents are sought under S. 515 compared to current U.S. patent law. Promptly seeking patents once an invention has been made will continue to play a critical role for anyone seeking a reasonably secure prospect of obtaining a valid and defensible patent. To the extent that under S. 515 some inventors will elect to race to the patent office, it will be for the very same reasons—and to the very same extent—that such a race is made under current U.S. patent law. If anything, S. 515 removes one pernicious aspect of any race—by cutting off any benefit for an interloper in racing to the patent office.

Hence, relative to current U.S. patent law, there is no need for any inventor to file more patent applications, file them more rapidly, or change the timing or content of patent filings otherwise. Those who race today may continue to race; those whose filing strategies are more measured today will have no new reason to act otherwise.

S. 515 Does Not Create More Prior Art by Eliminating the Ability to Use “Invention Dates”

Another patently false contention that has recently emerged on the Internet with respect to S. 515 is that it will make it more difficult to obtain patents because it will expose inventors to more “prior art,” thereby making it more difficult to obtain a patent compared to current U.S. patent law. The allegation is that S. 515 does so by taking away the ability under current U.S. patent law to “swear behind” (i.e., remove as “prior art”) publications and other public disclosures that would otherwise be used to challenge the novelty and non-obviousness of the invention.

The truth of the matter is that S. 515 will make patenting more certain and more predictable by eliminating a form of prior art that exists under current U.S. patent law, so-called “prior invention prior art.” Existing U.S. patent law not only permits a public disclosure of an invention to be used as a form of prior art against a patent, but further recognizes the predicate, secret work on which the publication was based is also prior art, even if that predicate, secret work became public only after the patent was sought.

S. 515 simplifies this complex win-lose situation where inventors today can “win” in the sense of “swearing behind” a publication to remove the publication as prior art, but then “lose” when they later discover that the then-secret, predicate

ALLEGATION: “It should be clear that the only way for American inventors to continue to benefit from a grace period ... is to keep intact the current secret grace period that relies on invention date[s]...”
FACT: *Invention dates based on “prior inventions” of competitors operate under current U.S. patent law to create as much “secret prior art” that can be used to destroy patent rights as the ability of an inventor to rely on an invention date (the “secret grace period”) permits to be removed. This “zero-sum game” in which reference to invention dates both creates “secret prior art” and permits prior art to be removed provides inventors no net benefit, but instead infects U.S. patent law with tremendous costs and uncertainties that S. 515 simply washes away entirely.*

work on which the publication was based can reemerge as “prior invention prior art” and be used to invalidate the inventor’s patent. S. 515, in a symmetric simplification of U.S. patent law, eliminates both the “swearing behind” and the “prior invention prior art.” It simply eliminates both the ability to use a secret “prior invention” as a basis to attack the validity of a U.S. patent and the ability to use an “invention date” as a basis to eliminate a publication or other public disclosure of an invention as part of the prior art.

The ultimate effect, therefore, of eliminating the reliance on the “date of invention” for both the “win” and the “lose” is perfectly neutral in “prior art” terms—as much prior art is removed by eliminating “prior invention prior art” as is created by eliminating the ability to “swear behind.” The net difference for inventors, however, is overwhelmingly positive: a patent system with greater certainty and predictability in what is and is not prior art—and greater certainty and predictability that a patent once issued will be found valid and enforceable.

Again, removing both “secret prior art” and a “secret grace period” at the same time, as S. 515 accomplishes, simply improves the lot of the small business and other small entities compared to existing U.S. patent law.

Conclusions

S. 515 will improve the operation of the U.S. patent system, especially for small businesses and other small entities.

The U.S. “grace period” will be strengthened, not weakened. Indeed, a major deficiency in existing U.S. “grace period” law will be addressed and removed through S. 515. It will make the “grace period” more valuable, not less.

Nothing in S. 515 will force a “race to the patent office” or necessitate that patent filings take place earlier in the development of an invention or in greater numbers compared to current U.S. patent law. Indeed, existing U.S. patent law encourages prompt patent filings once an invention has been made. These rewards for prompt patent filings will be largely unchanged under S. 515. This means one and only one thing—the number and timing of patent filings need not be rethought after S. 515 is enacted.

Finally, S. 515 will not incrementally burden inventors with additional prior art by eliminating the use of invention dates to “swear behind” publications or other public disclosures because S. 515 will simultaneously remove all “prior invention prior art.” This is a zero-sum outcome in terms of the quantity of prior art. However, huge advantages will accrue for inventors because determining what is and is not prior art will become more predictable and more certain.

In sum, the Internet allegations to the contrary fail to withstand reasoned analysis. Enactment of S. 515 would be a major achievement for small businesses and other small entities wishing to see a patent system that would offer them the advantages of greater fairness, simplicity, certainty, economy, and timeliness in obtaining and enforcing patent rights.