

THE COALITION FOR 21ST CENTURY PATENT REFORM

Protecting Innovation to Enhance American Competitiveness

In an article last Friday, February 25, in The Hill's Congress Blog, Henry R. Nothhaft, the Chairman and CEO of Tessera, wrote that pending legislation to amend the U.S. patent law to award patents to the first-inventor-to-file rather than to the first person to make an invention is "the most dramatic of the 'patent reform' provisions Congress is now considering." Mr. Nothhaft is correct, but not for the reasons he espouses (that Congress doesn't know the impact this change will have on our economy). As outlined below, the change from the current first-to-invent system to a first-inventor-to-file system has been exhaustively studied and recommended by a succession of blue ribbon panels.

The impetus to adopt a first-inventor-to-file (FITF) system in the United States traces back to the report of the President's Commission on the Patent System issued in 1966. Following several years of intensive investigation and study, the first and overarching of the thirty-five recommendations of the President's Commission was for the United States to issue patents to the first-inventor-to-file a patent application rather than to the first inventor to make an invention. This recommendation was the key to achieving the six objectives set forth in the report:

1. To raise the quality and reliability of the U.S. patent.
2. To shorten the period of pendency of a patent application from filing to final disposition by the Patent Office.
3. To accelerate the public disclosure of technological advances.
4. To reduce the expense of obtaining and litigating a patent.
5. To make U.S. patent practice more compatible with that of other major countries, wherever consistent with the objectives of the U.S. patent system.
6. To prepare the patent system to cope with the exploding technology foreseeable in the decades ahead.

Nearly twenty-five years later, then Secretary of Commerce, Robert Mosbacher, established "The Advisory Commission on Patent Law Reform," a blue-ribbon panel of corporate, private, and academic leaders, to advise him on the state of and need for any reform of the United States patent system. Following an intensive two-year study of issues ranging from patent harmonization to methods for reducing the cost and complexity of patent litigation, the Advisory Commission submitted its report containing fifteen recommendations. The very first recommendation of the Mosbacher Commission was to:

"Change the U.S. patent system to award patents to the first party to file a patent application, as opposed to the first party to invent, as a necessary part of a global

harmonization package which provides, on the whole, advantages to U.S. inventors ...”

Another twenty-five years later, in 2004, the National Research Council of the National Academy of Sciences (NAS) issued a report on the current state of the U.S. patent system following a comprehensive four year study. NAS found that while the patent system was working well and did not require fundamental changes, economic and legal changes were putting new strains on the system. To address these concerns, NAS offered seven recommendations for achieving a 21st Century patent system, again including the recommendation that the US adopt a first-inventor-to-file system.

Congress launched a top-to-bottom review of the nation’s patent laws in 2005 following the NAS study and report. Since 2005, the House and Senate have held more than ten hearings and have heard from more than 50 witnesses – from large and small businesses, independent inventors, universities, and trade and IP bar associations. These hearings thoroughly explored the strengths and weaknesses of five bills to reform the patent laws in the House and an additional five different bills in the Senate. All of these bills proposed transitioning the United States from a first-to-invent system to a first-inventor-to-file system. Thus, any implication that Congress is poised to pass a bill with ramifications it doesn’t understand is blatantly incorrect.

There are good practical and legal reasons why a first-inventor-to-file system is right for the United States. The recommendations for the United States to move to a FITF system were grounded on the serious concerns of many experts regarding the delays and uncertainties built into the existing first-to-invent system and the inherent unfairness to the least resourceful inventors of a very expensive “patent interference” system which often awards priority to the best documented inventions, not those that were truly made first.

Indeed, the current first-to-invent system requires inventors to keep complex proofs concerning the origins of their inventions, placing independent inventors and small entities at a practical disadvantage. Too often, the expense and complexity of the first-to-invent system mean that the inventor who first made the invention nonetheless loses the right to a patent to a well-funded adversary simply because the inventor cannot sustain the cost of the “proof of invention” system. These facts are corroborated in several independent studies. In one compiled by former USPTO Commissioner Gerald J. Mossinghoff, empirical data demonstrates that independent inventors, whose right to patent their inventions depended on their ability to prove that they were ‘first to invent,’ more often than not lost contests to determine who was first-to-invent.¹ In a follow-up paper, Mossinghoff found that the rate of loss by independent inventors has accelerated.² An analysis by Professors Mark A. Lemley and Colleen V. Chien suggested that the current first-to-invent contests are more often used by large entities

¹ Gerald J. Mossinghoff, *The First-to-Invent System Has Provided No Advantage to Small Entities*, 88 J. Pat & Trademark Off. Soc’y 425 (2002).

² Gerald J. Mossinghoff, *Small Entities and the ‘First to Invent’ System: An Empirical Analysis*, Washington Legal Foundation (April 15, 2005) <http://www.wlf.org/upload/MossinghoffWP.pdf>).

to challenge the priority of small entities, not the reverse.³ This evidence further supports Mossinghoff's conclusion that the first to invent system is not working to the benefit of small entities as many incorrectly believe.

Several other benefits would flow from the adoption of the FITF principle. It would allow the United States to join the world patent community and make patentability determinations on objective criteria using publicly available information. The public could then more readily assess the patentability of granted patents and avoid costly litigation. Moreover, adoption of first-inventor-to-file would encourage US inventors to file for patents more quickly, thereby preserving rightful priority for their inventions, both in the United States and in countries around the world where priority is determined solely by who reaches the patent office first.

While Mr. Nothhaft contends (without any explanation) that changing to a FITF system "will cripple job creation in the United States and lead to even more economic advancement from our overseas competitors," the contrary is more likely the result. The current system lulls America's inventors into a false sense of security that once invented, there is no need to promptly file for patent protection. Yet with FITF systems in place elsewhere, our overseas competitors promptly file and thus gain, as the Mossinghoff study demonstrates, a clear advantage in any contest in this country to determine who was first to invent. Moreover, American inventors who delay filing in the United States, in reliance on the possibility that they can always prove that they were first to invent, risk losing the opportunity to patent their inventions in the rest of the world.

Mr. Nothhaft also alleges that when Canada shifted to a first-inventor-to-file system in 1989, it "skewed the ownership structure of patented inventions toward large corporations and away from small businesses." However, an independent analysis of the Canadian transition conducted a decade after that transition by Robin Coster leads to a very different conclusion. Examining the Canadian change from the standpoint of both fairness and efficiency, Mr. Coster concluded that "the adoption of a first to file system has not fundamentally or detrimentally altered Canadian patent practice" and the "evidence is that Canada grants more and more patents every year, evidence of a strong environment for innovation and successful patent law."

See *From First-to-Invent to First-to-File: The Canadian Experience*,
(<http://www.torlys.com/Publications/Documents/Publication%20PDFs/ARTech-19T.pdf>).

Not surprisingly, several respected independent inventors have lent their voice to support adoption of a FITF system by the United States. Louis Foreman, holder of ten U.S. patents and a participant in the development of an additional 400 patent applications, knows the difficulties facing independent inventors. In a letter to the Chairman and Ranking Member of the Senate Judiciary Committee, Mr. Foreman states that the pending Senate bill, S. 23, helps independent inventors across the country by strengthening the current system for entrepreneurs and small businesses by including

³ Are the U.S. Patent Priority Rules Really Necessary?, 54 *Hastings Law Journal* 1 (2003)

“First-Inventor-to-File protections to harmonize U.S. law with our competitors abroad while providing independent inventors with certainty.”

Another well known independent inventor who holds some 250 U.S. patents and over 950 applications and patents throughout the world, Dr. Gary Michelson, recently stated in a letter to Congress:

“[F]irst to invent versus first to file is the proverbial tempest in a teacup (smaller than a teapot). All sound and fury signifying nothing. The low cost and ease of filing a provisional patent application (a placeholder for the first to invent) should render any discussion of fairness moot. I believe that first to file is both fair and beneficial to all inventors; and is an important change to correctly position the U.S.P.T.O. as the leader in what will become a worldwide patent system.”

The situation was perhaps best summed-up by an editorial in the Friday, February 25, edition of the Washington Post (“Why the patent process should be overhauled,” <http://www.washingtonpost.com/wp-dyn/content/article/2011/02/25/AR2011022507163.html>):

“The Patent Reform Act...would recognize the "first inventor to file" standard, creating a bright line - the date on which a patent application was filed - and bringing certainty to the process. Yet the bill is not inflexible and wisely keeps in place protections for academics who share their ideas with outside colleagues or preview them in public seminars.

Mr. Nothhaft is correct that there is a very bad outcome possible here, but not the one he foresees. The truly tragic bad outcome would be the failure of the Senate to approve a first-inventor-to file system for the United States.