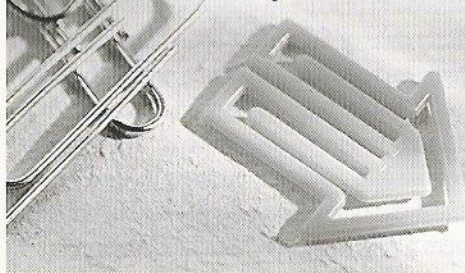


Changes that Strengthen the American Patent System



by John J. Connors

Introduction

THE AMERICAN PATENT SYSTEM has done an outstanding job in providing a climate that fosters investment in inventions, and there is a link between both the quantity and quality of inventions that originate within the United States and the American Patent System which protects these inventions. Recent developments over the last decade, and in particular *The American Inventors Protection Act of 1999*, have strengthened this system.

Origin and Theory Underlying the American Patent System

The American Patent System has its origin in the United States Constitution, Article I, Section 8, which states: "The Congress shall have the power . . . to promote the progress of . . . useful arts, by securing for limited times to . . . inventors, the exclusive rights to their . . . discoveries."

Presently, the term of a United States utility patent is twenty years from the filing date of the patent application. Under *The American Inventors Protection Act of 1999*, this term may be extended if the patent does not issue within three years of the filing date and the delay is due to the Patent Office.

Patents prevent those with vast economic resources and market power from simply copying the commercially successful inventions of others.

Large corporations frequently find patents a barrier that prevents them from entering markets they could easily dominate. Without a patent a start up company could not compete with such large corporations. Thus, the patent is the *vital asset* enabling a start up company to promise investors that, when the invention is proven successful in the marketplace, competitors can be stopped from copying the invention. The federal courts have exclusive jurisdiction to enforce patents.

Unique Characteristics of the American Patent System

The American Patent System has several unique features. First, the United States is the only industrialized nation that grants patents to a person who first makes the invention. In contrast, all the other industrialized countries grant patents to the person who first files the patent application.

In the United States, one perfects his or her right to a patent by actually making the invention work. By keeping good records properly witnessed and dated, and thereby proving they were the first to make the invention, an inventor can establish his or her right to a patent even when someone else files a United States patent application before them. Moreover, any publication after the date the invention was made which has not been published for more than one year prior to the filing date of the patent application, is not prior art against the invention. In the other industrialized countries, any publication prior to the date the application was filed is prior art and can prevent the granting of a valid patent.

The importance of awarding a patent to the first to invent is not a trivial difference. In the United States, the inventor is encouraged *by the law* to spend his or her time, effort, and money in making the invention work. There is no need to rush to the Patent Office. Limited resources are allocated to work that produces a practical result. Instead of working on a patent application describing how they thought their invention *might* work in order to be the first to file, the Wright Brothers built and flew their airplane.

Second, the American Patent System offers a one-year grace period. After there is a public use of the invention in the United States, a printed publication describing the invention, or an offer to sell the invention in the United States, the inventor has one year to file his or her patent application. Failure to do so within this one-year grace period will render any patent invalid. This grace period allows the inventor to offer the

invention for sale to test the market to see if there is a real demand for the invention. Most other countries do not have a one-year grace period.

Third, in most industrialized countries any public use of the invention anywhere in the world prior to the filing date of the application prevents the issuance of a valid patent. In contrast, only prior public use or offer to sell *within the United States* more than one year before the filing date of the application constitutes a bar to obtaining a valid United States patent. The United States law recognizes the difficulty in proving by credible evidence, in a cost effective way, public use or business transactions outside the United States.

Fourth, inventors are given the exclusive rights to their invention in return for disclosing the invention in the form of a patent. Under *The American Inventors Protection Act of 1999*, patent applications filed after November 29, 2000, will be published. If the inventor does not intend to file a counterpart application in foreign countries, publication can be prevented. By preventing publication, if the Patent Office denies the inventor a patent, the inventor can abandon the unpublished patent application. This enables the inventor to retain the information disclosed in the patent application as a "trade secret." Consequently, if the Patent Office does not grant the patent, the inventor nevertheless retains control of any property interest or rights he or she has in this unpublished information.

There is, however, an advantage to publication of the United States patent application. If the claims in the published application are *substantially identical* to the claims in the patent that issues based on this published application, the inventor will be entitled to a reasonable royalty from an infringer, provided the infringer had *actual* notice. A claim is the legal definition of the invention and determines the scope of protection afforded by the patent.

Prior to November 29, 2000, inventors could not obtain any compensation for infringing acts done prior to the issuance of their patent. If an invention has already been disclosed publicly, or will be shortly after filing the United States application, it may be advisable to request immediately early publication of the patent application and send copies of the published application to prospective licensees or possible infringers.

Provisional Applications

In 1995, the United States patent law was changed to permit the filing of provisional patent

applications. A provisional patent application only requires the inventor to file a disclosure document and pay the filing fee. No claims are required, and there is no examination of the disclosure document. Whatever is disclosed can be used to establish the date the disclosed invention was made, and the effective filing date of the patent application for purposes of determining prior art and establishing a priority date for filing patent applications in foreign countries. A counterpart foreign patent application filed within one year of the priority date will be treated as if filed in the foreign country on the priority date. The provisional application, however, only has a term of one year. The inventor must file a utility application meeting all the requirements of the law, including claims, within one year of the filing date of the provisional application. If the inventor fails to file this utility application, all rights terminate. The twenty year term of the United States patent application commences on the filing date of the utility patent application, not the filing date of the provisional application. Consequently, the inventor gets twenty-one years of protection, provided he or she follows up with a utility application within one year after filing the provisional application.

Don't be misled by the apparent simplicity of a provisional patent application. It is important to make a complete, enabling disclosure of the invention in the provisional application. The inventor may end up with an invalid patent if he or she fails to make such a disclosure. For example, in the United States the inventor has one year after a public use of the invention to file a patent application. Assume there is a public use prior to filing a provisional application, but an enabling disclosure of the invention in accordance with the required legal standards is not provided. Even though the inventor subsequently files a utility application within one year of filing the provisional application, his or her patent will nevertheless be invalid because of this inadequate disclosure. Moreover, public use anywhere prior to filing a patent application invalidates most foreign patents. Thus, an inadequate disclosure could result in loss of foreign patent rights.

Continuation Patent Applications

Prior to the issuance of a first patent, an inventor can file a continuation patent application submitting additional claims for consideration. This is an important tactic if the Patent Office only granted to narrow claims in the first

patent. This continuation application may contain broader, or at least different, claims than the first patent. When a second patent issues based on the continuation application, the inventor may be required to disclaim a portion of the term of the second patent so that the second patent expires on the same day as the first patent. Because of this continuation practice, which many industrialized countries do not follow, a United States patent's scope of protection can be modified over the entire term of the first patent to protect adequately the invention. For example, when the first patent issues, a competitor may design around the claims of this first patent. The inventor, if he or she filed a continuation application, will in many cases then be in a position to present claims that cover this competitor's new design. If these claims in the continuation application are granted, the second patent will be infringed. Moreover, as discussed above, concerning publication of patent applications, the competitor may be liable for a reasonable royalty prior to granting of the second patent and an injunction can be issued after this grant.

The Courts

With the advent of the Court of Appeals for the Federal Circuit (CAFC), all appeals from the Federal District Courts are now brought before this appellate court. Because of the CAFC's decisions in patent cases over the last two decades, there has been a more widespread use of juries and the issuance of preliminary injunctions. This has put more teeth into the United States patent laws, making it easier to enforce patents. There are even some law firms which take patent cases on a contingency fee basis (*Wall Street Journal*, "Patent Lawyers Forgo Sure Fees on a Bet," Andrea Gerlin, June 23, 1994).

Business Method Inventions

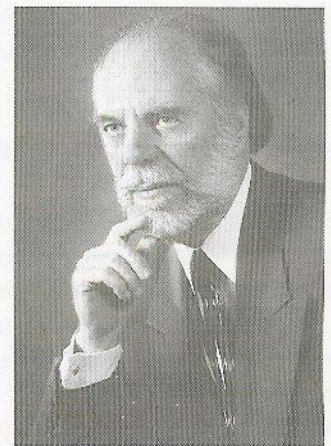
If someone makes an invention, but never obtains a patent and keeps the invention as a trade secret, a later inventor who independently makes the same invention may obtain a patent. Title 35 of the *United States Code*, §102 (g) provides that an inventor is entitled to a patent on his or her invention, unless "... before applicant's invention thereof the invention was made in this country by another who had not abandoned, suppressed, or concealed it." This means it is possible for the later inventor to enforce his or her patent even against a prior inventor who

has "... suppressed, or concealed ..." the same invention, assuming the later inventor finds out about the prior inventor's use of the invention.

The CAFC has recently recognized that business methods are entitled to patent protection the same as any other method. Many inventors did not file for patents on business methods, because such inventions were previously considered by the Patent Office to be unpatentable. This situation could create inequities, and *The American Inventors Protection Act of 1999* provides a special defense in such a case. If a prior user has actually reduced the business method to practice at least one year prior to the filing date of the patent application, and used commercially before the filing date of the application for the business method now patented by a later inventor, they have a defense. This defense only applies to business method patents and does not invalidate the patent, but only provides a defense for the "innocent" prior user.

Conclusion

The American Patent System is working well. Juries tend to favor patentees, and independent inventors and small companies are winning large judgments. So are the giant corporations. With recent court decisions and statutory changes, including *The American Inventors Protection Act of 1999*, the system has been substantially improved.



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