The America Invents Act: A Race to the Patent Office

9/15/2011 Matthew L. Goska

The ramifications of the America Invents Act, the patent reform legislation that passed the U.S. House and Senate this summer, are open to great debate.

House Judiciary Chairman Lamar Smith said it is “one of the most significant job creation bills enacted by Congress this year;” and Jim Greenwood, President and CEO of the Biotechnology Industry Organization, said the Act “will benefit all sectors of the national economy by enhancing patent quality and the efficiency, objectivity, predictability and transparency of the U.S. patent system.”

In contrast, Senator Maria Cantwell described the Act as a “big corporation patent giveaway that tramples on the rights of small inventors.” Similarly, the advocacy group American Innovators for Patent Reform (AIPR) said the Act would “stifle innovation in the U.S.” and that it was “bought and paid for by large corporations which see being forced to pay royalties for technology invented by others as an unfair business practice.”

So who is right? Or, more importantly, what does the Act mean for you and your business?

While the Act makes many changes to the current patent system, one of the most significant is the change from a first-to-invent patent system to a first-to-file patent system, which means speed in patent filings will now be of utmost importance.

Under the current system – which will be replaced after President Obama signs the Act as soon as this week -- whoever invents an idea first is entitled to a patent, regardless of whether or not they are the first person to file a patent application for the idea.

So if one of your employees thinks of a great idea today but your firm’s patent committee doesn’t give the green light for filing a patent application until January of 2012, you have little to worry about if your competitor happens to think of the same idea in late October of this year and files a patent application one month later.

But that is all going to change. Under the America Invents Act, the rewards of patent ownership will be decided not on the question of who thinks of an idea first, but rather who races to the Patent Office first.

The new patent rules are akin to the 19th Century timber industry’s race to file land claims. In the mid to late 1800s, the Michigan timber industry employed land-lookers to locate choice acres of white pine and other valuable timber and then file claims at the nearest land office. Occasionally, two land-lookers from competing companies would locate the same desired acres at roughly the same time. At that point, the race to the nearest land office would be on, which in some cases was more than a

hundred miles away. The party who became legally entitled to the valuable timberland was the party who arrived at the land office first.

Under the America Invents Act, we now have a similar 19th Century style legal regime in which the fleet-footed, not necessarily the fleet-minded, are granted the legal rewards of exclusive ownership.

Being the first to think of an idea will now be the legal equivalent of our timber-seeking ancestors who were the first to discover valuable timber — it just gives you bragging rights, not legal rights. If you want legal protection, you need to win the race to the government agency. Luckily, that race no longer involves the physical challenge of hiking hundreds of miles through undeveloped lands and over unbridged rivers to a land office; it now merely involves filing the appropriate paperwork at the Patent Office.

Of course, filing that paperwork in a timely manner takes money and resources, and the question that business owners and managers now need to ask is whether their current patent protection strategy is suitably fast for the new patent laws.

If you currently have quarterly meetings to decide on what patent protection to pursue, are you pursing patent protection fast enough? Are you willing to risk losing out on the race to the patent office because it took two months for your employee to fill out the company's internal invention disclosure form, three more months for the company's patent committee to approve filing a patent application for the idea, and yet another two months for the company's patent law firm to write and file the patent application?

Maybe this seven-month delay in filing will be acceptable to you. But maybe not. Near-simultaneous invention is not as uncommon as it might seem. Currently, the U.S. Patent Office declares a new patent interference — a proceeding to determine who has priority when two people seek patent protection for the same invention — about once every week.

While that number may be small compared to the nearly 10,000 patent applications the Patent Office receives on average each week, one needs to keep in mind that this underestimates the likelihood of a competitor preventing you from getting a patent due to your delay in filing. This is because patent interferences only deal with two people patenting the same invention. It does not deal with the question of obviousness.

The two main criteria for obtaining a patent are that the invention must be both new and nonobvious with respect to the prior art. Under the new America Invents Act, a competitor's earlier patent application can thwart your own later-filed patent application even if it is not for the same exact invention. If it is merely similar enough so that it renders your idea obvious, then you'll still be blocked from getting a patent.

Ultimately, the best strategy for a company today is to re-evaluate its patent procurement process and determine the correct balance between the risks of losing patent rights and the costs of expediting the filing of patent applications.

In 1854, a famous race to the Land Office in Ionia took place between a land-looker named David Ward and another named Addison Brewer. The land was located near the headwaters of the Manistee and Au Sable rivers. After properly surveying the land, Ward hiked 80 miles to the Tobacco River, canoed another 80 miles to Saginaw, and then rode a train and horses to Detroit, where he picked up the money to purchase the land. After that, he took an 18-hour stage coach ride to the land office in Ionia. In the end, his race to Ionia took over a week, but he ended up beating his rival to the land office by only three or four hours.

In today's world, where patent applications are filed electronically and time stamped to the nearest second, it is conceivable that a race to the Patent Office might be won by mere seconds. It won't involve sleepless nights spent hiking and canoeing, but it may take motivated inventors, speedy corporate decisions and late nights for your company's patent attorneys. Are your patent procurement logistics up for such challenges?

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