



POSITION STATEMENT

PRESERVING THE DEFINITION OF PATENT PRIOR ART

*Adopted by the IEEE-USA
Board of Directors, 24 June 2011*

IEEE USA urges Congress to leave the long-established, carefully-balanced definition of “prior art” codified at 35 U.S.C. § 102(a)-(f) and 35 U.S.C. § 103(c) unchanged. This position statement does not address the issues of first-to-file vs. first-to-invent, as currently embodied in 35 U.S.C. § 102(g).

IEEE-USA encourages a patent system that promotes equally the protection of innovative ideas by both market leaders, as well as fledgling start-up companies and individuals. Proposals in Congress would change the long-established American definition of “prior art” and weaken the strong one-year grace period (which currently gives companies a relatively secure period of time to develop and test their inventions, and to publicly use or offer it for sale before filing a patent application) to a broader definition of “prior art” – which includes art dated after the invention date – and a narrower definition of the grace period. These changes sharply limit the time that inventors have to fully develop their inventions and fully disclose them. The proposed changes also put inventors under immense pressure to file premature patent applications with sharply increased cost and administrative burdens, and reduce the utility of the patent system.

The United States patent system has a century-long record of being the most successful in the world at encouraging innovation. Changing the American definition of “prior art” and weakening the grace period will be especially harmful to start-up companies, some small companies and individual inventors, because it takes away the options that these entities use and need. This harm is of significant concern because start-up companies play the primary role in increasing the number of technology sector jobs in the United States. Proposed wholesale change to the U.S. patent law will induce decades of legal uncertainty. The change to a broader definition of “prior art” is likely to further backlog the already overwhelmed U.S. Patent & Trademark Office (PTO).

This statement was developed by the IEEE-USA Intellectual Property Policy Committee and represents the considered judgment of a group of U.S. IEEE members with expertise in the subject field. IEEE-USA advances the public good and promotes the careers and public policy interest of more than 210,000 engineers, scientists and allied professionals who are U.S. members of IEEE. The positions taken by IEEE-USA do not necessarily reflect the views of IEEE or its other organizational units.

BACKGROUND

U.S. patent law provides that an inventor who diligently works to test and perfect an invention, and files a patent application, is entitled to a patent—unless another person invented the invention first, put the invention in public use, offered it for sale, or published a description of the invention before the applicant invented; or the invention was put in public use, offered for sale, or published more than a year before the applicant filed a patent application.¹

Currently pending legislation proposes to replace the long established definition of “prior art” with a far broader one (and the scope of the grace period with a much narrower one) that will render many more inventions unpatentable. Any disclosure by any third party before the first inventor’s filing date would irretrievably destroy patent rights, unless the inventor could trace the flow of information to show that the third party’s disclosure was obtained from the inventor. Any public use or on-sale event of an invention that is not easily reverse-engineered before filing an application would bar a patent. There are other exceptions, but they are commercially unusable and thus irrelevant. Thus, the new law will put inventors under immense pressure to file hastily, before any meaningful testing or development of the invention. The legislative change would impose substantial economic costs—\$5,000 to \$15,000 in attorneys’ fees, plus time drained from inventors, before an inventor can even begin talking to investors, or meaningfully test the invention.

Two recent studies by the Kauffman Foundation and economists at the U.S. Census Bureau tell us that, “Startups aren’t everything when it comes to job growth. They’re the only thing.” Startups are responsible for all net job creation since 1977, and the U.S. patent system is key to startup formation. Startups have greater risk appetite for entirely new technologies that create entire new industries, more so than established businesses, but only because the patent system affords protection for the profits that flow from that risk. Investors depend on strong patent protection for assurance that “the next big thing” will generate profits for the innovator who wants to turn a raw idea into a marketable product, and that large competitors will not appropriate those ideas. Without strong patent protection, the risks of doing something new simply will not be worth it, and formation of the startups that create all new jobs in the United States will be sharply reduced. Investors have thousands of investment opportunities and if the features of our patent system that are most important to startups are changed, then those investors, and the new industries they fund, may go outside the United States.

Current U.S. patent law gives companies a reasonably secure opportunity to raise capital, to assemble strategic partners, and to field test before filing a patent application. Current U.S. patent law allows companies time to sort good inventions from bad before significant resources must be committed to the patent process. The American definition of “prior art” allows companies time to make good business, patenting, and investment decisions during the most difficult part of an invention’s lifetime—the early stage transition from the lab to commercialization. In contrast, the proposed broader definition of “prior art” would force early and likely multiple filings, before good information is available.

Congressional proposals to amend U.S. patent law give an option to publish an invention to obtain a one-year grace period. Most startups cannot, and do not, risk publishing their inventions

¹ The current grace period is set out in 35 U.S.C. § 102(a), (b), (d), (e) and (f).

right after they conceive them, as such public disclosure would undermine their competitive market lead, and rob them of their exclusive ability to retain, improve and develop their invention prior to filing a mature patent application. Start-ups privately disclose inventions selectively only to potential investors or strategic partners, with the confidence that their documented prior inventive activities firmly establish their ownership rights in the inventions. Proposed amendments allow no protection for start-ups under such private disclosures to third parties (although an express exemption is proposed for all intra-company disclosures). Proposed amendments promote the interests of large multinational corporations at the expense of American small enterprises and the jobs they create.

The pressure for early filing will likely result in a flood of applications at the PTO. Proponents of changes to U.S. patent law do not provide any evidence for the purported benefits of their proposals,² and none can be found in the legislative history. IEEE-USA knows of only two analyses of real empirical data, data from the Canadian and European patent offices. These two analyses found that under “prior art” definitions broader than the traditional American definition, applicants would need to flood the PTO with approximately 50,000 to 100,000 more applications per year, many of which would likely be abandoned after first examination action. The additional applications would impose substantial economic costs, including attorney costs and time drained from inventors.

Proposed amendments redefine important terminology at the core of the Patent Act, “public use” and “on sale,” which have been stable for 150 years, and introduce the new term “disclosure,” without defining it. This change to established legal terms, and introduction of a new term with no definition, will create decades of legal uncertainty while the courts interpret the new meanings.

Even taken on its own terms, the proposed amendments do not achieve stated goals. For example, public testing of an invention, where the invention is not sufficiently understandable by an observer to “disclose” the invention, would not trigger the grace period of proposed § 102(b). Finally, the proposed changes to U.S. patent law do not move the U.S. sufficiently close to any other known jurisdiction to create any meaningful savings or benefit. A partial “harmonization,” that maintains significant variations in national laws and practice, which are interpreted and applied differently in different legal venues, would not provide meaningful opportunities for cost savings.

² Except for the change to interference practice, currently in § 102(g). The proponents acknowledge that this benefit accrues to less than 100 patent applicants per year. The proponents have come forward with no evidence whatsoever to evaluate the effect on the 100,000 or more inventions per year (most before an application is filed) affected by the entire loss of the § 102(a) and (e) prongs of the grace period, and the sharp limiting of the § 102(b) prong.