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Legislation: 18 Month Patent Application Publication ...it's just bad legislation for small IP-based businesses

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Legislation

The pending Senate Bill No. S. 507, the Senate version of, HR. 400 in the House of Representatives which was approved only with Congressman Kaptur's amendment, could dramatically change the Patent Pending rules U.S. inventors have enjoyed for almost 200 years. Patent strategy is as much a part of proprietary product based business as marketing strategy, and if the pending legislation is approved, it could have profound effects on businesses and independent inventors throughout the country. Before we try to understand the potential impact on the way foreign and domestic inventors might pursue United States Patents if these bills are approved, we need to cover a little background.

Patent Pending

"Patent Pending" is a 200 year old designation given to a patent application which is being reviewed by the United States Patent & Trademark Office (USPTO). During the pending period, or "pendency", the content of the application was held in the highest secrecy by the USPTO (unless National Security issues were at stake, even the President could not review a pending application). A competitor could not find out WHAT you were claiming in your invention during the pendency; they had to wait until the patent issued. At that time, the patent becomes information in the public domain. The advantages of keeping the competition in the dark while the inventor sells the patent pending product are obvious: if the competitor tooled up production of a similar product which infringed on the inventor's patent once it issued, s/he had the right to take appropriate action such as trying to collect royalties or filing for an injunction to stop the sale and distribution of the competitor's product.

Patent Terms

Prior to June 8, 1995, a patent would be issued for a period of 17 years after the patent was granted. After this time a patent would be issued for a period of 20 years after it was applied for. The effect of this change, if for instance a patent remained "pending" for a period of 4 years, would be to shorten the effective patent term once issued to 16 years. The life of the patent could be shorter under the new law if the applicant used certain strategies to keep the patent application in pendency. Although the patent life is shorter (which is of little consequence in high technology which evolves faster than the patent life) the strategy of keeping the competition wondering during a longer pendency remained a competitive business advantage. But that could all change now.

The 18 Month Publication Rule Is Bad Medicine

Under the proposed legislation, a patent application will be published in the public domain by the USPTO 18 months after the "earliest priority date", which will normally be the applicant's filing date. Although HR 400 "as proposed" was not ratified by the House at the April 17 vote, new amendments to HR 400 are being considered. From that point forward, the competition (yes, domestic AND foreign) will have the ability to learn, understand and possibly design around a new patent's claims, all but eliminating the competitive market opportunity for the original patent applicant. Understand that many patents do not issue within 18 months after application, so the effect of the competitive secrecy which has long been associated with "patent pending" until issuance is neutralized. Is this bad for the U.S. patent process?

Arguments against the legislation: Although there are some provisions in the proposed Bill, in its "entirety" S. 507 will destroy the strength of our current patent system, especially for small businesses and independent inventors. The U.S. the world leader in the creation and development of intellectual property. Should not the European and Japanese communities change their patent laws to come more in line with the United States? The U.S. must establish and maintain its position as the international IP policy leader.

Further, one must consider that the intellectual property base in the United States is not comprised solely of big corporations but of a very large contingent of independent inventors. These inventors many times are responsible for bringing paradigm changes to society. (Edison was not a big corporation when he invented the light bulb.) Large companies have the ability to allocate more resources to the development of a technology if they realize their competitive advantage will vanish after 18 months. Small entity inventors, individuals and small companies, which struggle with the leading edge intellectual property development run the risk of having the essence, and in fact the intimate details of the claims of their invention, disclosed to competitors before they have the ability to commercialize it. Imagine if NEC, Japan had the ability to study the details of the (Kilby/Norris) Texas Instrument patent application for the integrated circuit when Texas Instruments was just another small company with a vision. Would Japan now be the world leader in new IC technology instead of the United States?

We all have an obligation to understand the issues in the proposed legislation (the 18 month publication is only one of more than four major changes proposed) and to contact our congressmen and senators with our views. One way or another, new laws effecting the U.S. Patent system will be voted on and enacted; what is voted in depends on how loud the inventor's voice is.

Follow The Legislative Process

You can follow the debates and votes here on the Net by checking in with the following web sites: Alliance for American Innovation, or Inventor's Digest Magazine.