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# Two steps forward, one step back

🌐 *Is the US serious about international patent harmonisation?*

**Justin Simpson and Jeff Sweetman of Inovia examine the international aspects of the US Patent Reform Act of 2009 and how it contradicts the US's own push to reform the PCT**

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**W**ith international patent harmonisation, it appears to be a case of two steps forward, one step back. The United States is currently debating the Patent Reform Act (PRA) of 2009, the third generation of a reform bill that began its journey into law in 2005. Most of the controversy of the latest version concerns the calculation of damages in infringement suits. As Australian patent attorneys, we will leave the US patent litigation issues to the US attorneys and concentrate on the effect of the bill on international patent law harmonisation.

**International patent law harmonisation**

The goal of international patent law harmonisation is to reduce the formal

and substantive differences between the patent laws and practices of all countries. The ultimate aim – which appears theoretical for the time being – is to achieve in the patent field what has been achieved in the trademark field by the Madrid Protocol, namely a world-wide patent.

In practical terms, harmonisation is a long process of give and take. In some areas a negotiated compromise is reached; alternatively, individual countries adopt the law or practice of the majority.

However, there are some areas where a negotiated solution doesn't really work, yet the majority doesn't end up ruling. Take the first-to-file vs first-to-invent issue as an example.

## First-to-file vs first-to-invent (two steps forward)

One issue that sets the US apart from every other country in the world is the issue of first-to-file vs first-to-invent. In the US, what ultimately counts – assuming some other hurdles are cleared when determining substantive patentability issues – is the date the invention was invented (first-to-invent). In other countries, the relevant date is that upon which the first patent application directed to the invention was filed (first-to-file).

The US Patent Reform Act proposes to bring the US into line with the rest of the world in adopting a first-to-file system. We support this because it brings predictability and transparency to assessing patent rights.

With first-to-file, applicants that have applications and patents directed to the same or similar inventions can view publicly-available records and immediately determine their relative patent position with relative certainty. With first-to-invent, a potential competitor could have a date of invention months or even years before the first filing date of an application. Without costly actions before the USPTO and courts, it can be impossible to determine which invention has precedence.

We once acted for an Australian client who filed a suite of patent applications three days before a competitor in Sweden. Coincidentally, both parties had secretly invented very similar technologies on opposite sides of the world and filed their priority applications three days apart. As both Australia and Sweden are first-to-file countries, my client had certainty that they had a superior patent position in both those countries (and many others where they had filed).

However, in the US my client would have had difficulty determining which party had invented the invention first and may have had to commence expensive and unpredictable interference proceedings to determine who had the rights in the US. Incidentally, rumour had it that the Swedish company's CEO invented their technology while he was in the bath, so the interference action may have involved an unusual cross-examination about the inventor's bathing habits.

The main argument made against first-to-file is that individual inventors are at a disadvantage to large, sophisticated, well-funded corporations with in-house attorneys (or expensive outside counsel) that can act quickly to prepare and file applications as soon as inventions are made.

However, this perception overlooks the onerous burden of proving you were first to invent something. A full explanation of the evidentiary requirements to prove a date of

invention and subsequent diligence would be an article on its own, but the key points include:

- Meticulous contemporaneous notes must be kept of all activities leading to the invention and its subsequent development
- The notes must be kept in a bound notebook, and should be dated and signed on each page by the inventor and witnessed by someone who understands the technology.

The unsophisticated inventors that are said to need protection from well-funded corporations are by definition less knowledgeable about patent law and procedures. They are therefore considerably less likely to be aware of the evidentiary requirements to show they were the first to invent something. They are also likely to find it more difficult to maintain the level of evidence required.

A related point is that most corporations are not the efficient, agile filers of patent applications they are made out to be by proponents of first to invent. In private practice we have worked for a number of large multinational organisations. The overwhelming impression we have of most of them is that they can be slow and cumbersome when it comes to intellectual property (although it must be said that not all large companies are like this). Their size and ponderousness is a disadvantage the smaller company or sole inventor can use to stay ahead.

Another point worth considering is that the process for determining who was the first to invent something under the current system is itself arcane and very expensive (more arcane and expensive, even, than having a patent application prepared and filed by an experienced patent attorney!)

What's more, only a vanishingly small number (less than half a percent) of patent applications are actually made the subject of interference proceedings. This may be because interference proceedings are too expensive (in which case there goes the alleged financial advantage first-to-invent gives the notional penniless inventor) or unpredictable.

Alternatively, it may be that genuine disputes about who was first to invent simply don't arise that often, or at least don't arise very often in situations where the patented product or process is commercially significant enough to warrant the cost and effort. Either way, the possible financial advantage to the occasional small company or inventor that is able to successfully win patent rights through interference proceedings must be outweighed by the negative impact of unpredictability that

clouds all patents and applications in a first-to-invent system.

A significant advantage of moving to first-to-file is that it helps applicants avoid shooting themselves in the foot when it comes to pursuing patent protection overseas. Applicants are encouraged to file sooner rather than sitting in their lab (or shed) for months or years perfecting the minor details of an invention, knowing they can file whenever they feel like it and still get full protection. Waiting is fine for the USA, but every month or year that passes after the invention has been made but not filed increases the chance of someone elsewhere inventing it and getting protection in other countries.

In our opinion, the proposed US move to first-to-file is therefore two steps forward in patent law harmonisation.

## Linking first-to-file to the 12-month grace period (one step back)

The US Patent Reform Act retains the 12-month grace period allowed to US inventors who publicly disclose their invention before they file their patent applications. Under this grace period, the inventor's prior disclosure does not invalidate their US patent.

Although we have concerns about the existence of grace periods generally, our main concern is the proposal in the House counterpart bill to make the US's move to a first-to-file system contingent upon 'major patenting authorities' adopting a one-year grace period.

While some countries do have some sort of grace period (eg Australia, South Korea, Taiwan, Canada, Mexico, Brazil and Russia), the specific conditions and time periods vary widely. Some cover only specific types of disclosure, such as at conventions or in academic publications. Grace periods are absent in the large majority of patent jurisdictions, including Europe and Japan – after the US, the largest patent destinations by number of filings.

It is very unlikely that the patent authorities in Europe and Japan (and other countries) will agree to implement grace periods. By linking the US adoption of a first-to-file system (which every other country in the world already uses), to the rest of the world adopting a 12-month grace period (which has at best mixed support amongst the world's patent authorities), the US therefore risks progress towards patent harmonisation in the important area of first-to-file.

Hopefully US legislators will allow themselves to take two steps forward to a first-to-file system, without making it conditional upon the rest of the world taking one step back to a 12-month grace period. 