

AMERICA INVENTS ACT

JUNE 1, 2011.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. SMITH of Texas, from the Committee on the Judiciary, submitted the following

R E P O R T

together with

DISSENTING VIEWS AND ADDITIONAL VIEWS

[To accompany H.R. 1249]

[Including cost estimate of the Congressional Budget Office]

The Committee on the Judiciary, to whom was referred the bill (H.R. 1249) to amend title 35, United States Code, to provide for patent reform, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

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should not have issued; and reducing unwarranted litigation costs and inconsistent damage awards.

The purpose of the “America Invents Act,” as reported by the Committee on the Judiciary, is to ensure that the patent system in the 21st century reflects the constitutional imperative. Congress must promote innovation by granting inventors temporally limited monopolies on their inventions in a manner that ultimately benefits the public through the disclosure of the invention to the public. The legislation is designed to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs.

If the United States is to maintain its competitive edge in the global economy, it needs a system that will support and reward all innovators with high quality patents. The Committee has taken testimony from and its members have held meetings with interested parties that have different and often conflicting perspectives on the patent system. The Committee has taken all of those views into consideration, and drafted and then amended the “America Invents Act” to balance the competing interests. The legislation ordered reported by the Committee on a vote of 32–3 is a consensus approach that will modernize the United States patent system in significant respects.

### **Background and Need for the Legislation**

#### *First Inventor to File*

The “America Invents Act” creates a new “first-inventor-to-file” system. Every industrialized nation other than the United States uses a patent priority system commonly referred to as “first-to-file.” In a first-to-file system, when more than one application claiming the same invention is filed, the priority of a right to a patent is based on the earlier-filed application. The United States, by contrast, currently uses a “first-to-invent” system, in which priority is established through a proceeding to determine which applicant actually invented the claimed invention first. Differences between the two systems arise in large part from the date that is most relevant to each respective system. In a first-to-file system, the filing date of the application is most relevant;<sup>10</sup> the filing date of an application is an objective date, simple to determine, for it is listed on the face of the patent. In contrast, in a first-to-invent system, the date the invention claimed in the application was actually invented is the determinative date. Unlike the objective date of filing, the date someone invents something is often uncertain, and, when disputed, typically requires corroborating evidence as part of an adjudication.

There are significant, practical differences between the two systems. Among them is the ease of determining the right to a claimed invention in the instance in which two different people file patent applications for the same invention. In a first-to-file system, the application with the earlier filing date prevails and will be awarded the patent, if one issues. In the first-to-invent system, a lengthy, complex and costly administrative proceeding (called an “interference proceeding”) must be conducted at the United States Patent and Trademark Office (“USPTO”) to determine who actually in-

<sup>10</sup>When the term “filing date” is used herein, it is also meant to include, when appropriate, the effective filing date, *i.e.*, the earliest date the claim in an application-claims priority.

vented first.<sup>11</sup> Interference proceedings can take years to complete (even if there is no appeal to the United States Court of Appeals for the Federal Circuit), cost hundreds of thousands of dollars, and require extensive discovery.<sup>12</sup> In addition, because it is always possible that an applicant could be involved in an interference proceeding, companies must maintain extensive recording and document retention systems in case they are later required to prove the date they invented the claimed invention.

Another important difference between the two systems is that in some first-to-file systems, prior art can include the inventor's own disclosure of his invention prior to the filing date of his application. Such systems do not provide the inventor any grace period during which time he is allowed to publish his invention without fear of its later being used against him as prior art. The Committee heard from universities and small inventors, in particular, about the importance of maintaining that grace period in our system.<sup>13</sup> They argued that the grace period affords the necessary time to prepare and file applications, and in some instances, to obtain the necessary funding that enables the inventor to prepare adequately the application. In addition, the grace period benefits the public by encouraging early disclosure of new inventions, regardless of whether an application may later be filed for a patent on it.

Numerous organizations, institutions, and companies have advocated that the U.S. adopt a first-to-file system similar to those used in the rest of the world.<sup>14</sup> The National Academy of Sciences made a similar recommendation after an extensive study of the patent system.<sup>15</sup> When the United States patent system was first adopted, inventors did not typically file in other countries. It is now common for inventors and companies to file for protection in several countries at the same time.<sup>16</sup> Thus, United States applicants, who also

<sup>11</sup> See 35 U.S.C. § 135.

<sup>12</sup> See, e.g., Robert W. Pritchard, *The Future is Now—The Case for Patent Harmonization*, 20 N.C. J. Int'l L. & Com. Reg. 291, 313 (1995).

<sup>13</sup> See, e.g., *Perspectives on Patents: Harmonization and Other Matters: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary*, 109th Cong. (2005) (statement of Charles E. Phelps, Provost, University of Rochester, on behalf of the Association of American Universities); *Patent Law Reform: Injunctions and Damages: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary*, 109th Cong. (2005) (statement of Carl Gulbrandsen, Managing Director, Wisconsin Alumni Research Foundation (WARF)); *Perspective on Patents: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary*, 109th Cong. (2005) (statement of William Parker, Diffraction, Ltd.).

<sup>14</sup> See, e.g., *Perspectives on Patents: Harmonization and Other Matters: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary*, 109th Cong. (2005) (statement of Gerald J. Mossinghoff, Former Assistant Secretary of Commerce and Commissioner of Patents and Trademarks); *Perspectives on Patents: Harmonization and Other Matters: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary*, 109th Cong. (2005) (statement of Q. Todd Dickinson, Former Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office); *Patent Law Reform: Injunctions and Damages: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary*, 109th Cong. (2005) (statement of Jeffrey P. Kushan, Partner, Sidley Austin Brown & Wood, LLP); *Patent Law Reform: Injunctions and Damages: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary*, 109th Cong. (2005) (statement of Mark A. Lemley, Professor, Stanford Law School); *Perspectives on Patents: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary*, 109th Cong. (2005) (statement of Robert A. Armitage, Senior Vice President and General Patent Counsel, Eli Lilly and Company); *Perspectives on Patents: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary*, 109th Cong. (2005) (statement of Michael K. Kirk, Executive Director, American Intellectual Property Law Association).

<sup>15</sup> See NAS Report at 124; see also *Perspectives on Patents: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary*, 109th Cong. (2005) (statement of Richard C. Levin, Yale University).

<sup>16</sup> See *Perspectives on Patents: Harmonization and Other Matters: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary*, 109th Cong. (2005) (state-

Continued

want to file abroad, are forced to follow and comply with two different filing systems. Maintaining a filing system so different from the rest of the world disadvantages United States applicants who, in most instances, also file in other countries.<sup>17</sup> A change is long overdue.<sup>18</sup>

Drawing on the best aspects of the two existing systems, the America Invents Act creates a new “first-inventor-to-file” system. This new system provides patent applicants in the United States the efficiency benefits of the first-to-file systems used in the rest of the world by moving the U.S. system much closer to a first-to-file system and making the filing date that which is most relevant in determining whether an application is patentable. The new system continues, however, to provide inventors the benefit of the 1-year grace period. As part of the transition to a simpler, more efficient first-inventor-to-file system, this provision eliminates costly, complex interference proceedings, because priority will be based on the first application. A new administrative proceeding—called a “derivation” proceeding—is created to ensure that the first person to file the application is actually a true inventor. This new proceeding will ensure that a person will not be able to obtain a patent for the invention that he did not actually invent. If a dispute arises as to which of two applicants is a true inventor (as opposed to who invented it first), it will be resolved through an administrative proceeding by the Patent Board. The Act also simplifies how prior art is determined, provides more certainty, and reduces the cost associated with filing and litigating patents.

The Act maintains a 1-year grace period for U.S. applicants. Applicants’ own publication or disclosure that occurs within 1 year prior to filing will not act as prior art against their applications. Similarly, disclosure by others during that time based on information obtained (directly or indirectly) from the inventor will not constitute prior art. This 1-year grace period should continue to give U.S. applicants the time they need to prepare and file their applications.

This provision also, and necessarily, modifies the prior-art sections of the patent law. Prior art will be measured from the filing date of the application and will typically include all art that publicly exists prior to the filing date, other than disclosures by the inventor within 1 year of filing. Prior art also will no longer have any geographic limitations. Thus, in section 102 the “in this country”

ment of Gerald J. Mossinghoff, Former Assistant Secretary of Commerce and Commissioner of Patents and Trademarks).

<sup>17</sup> See *Perspectives on Patents: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary*, 109th Cong. (2005) (statement of Richard C. Levin, President, Yale University, and Mark B. Meyers, Visiting Executive Professor, Management Department at the Wharton Business School, University of Pennsylvania), estimating that it costs as much as \$750,000 to \$1 million to obtain worldwide patent protection on an important invention, and the lack of harmonization regarding filing systems adds unnecessary cost and delay.

<sup>18</sup> The NAS recommended changing the U.S. to a first-to-file system, while maintaining a grace period. See NAS Report at 124–27. See also *Patent Reform in the 111th Congress: Legislation and Recent Court Decisions: Hearing Before the Senate Comm. on the Judiciary*, 111th Cong. (2009) (statement of Steven Appleton, Chairman and Chief Executive Officer, Micron Technologies, Inc.); *Patent Reform in the 111th Congress: Legislation and Recent Court Decisions: Hearing Before the Senate Comm. on the Judiciary*, 111th Cong. (2009) (statement of Philip S. Johnson, Chief Patent Counsel, Johnson & Johnson); *Patent Reform in the 111th Congress: Legislation and Recent Court Decisions: Hearing Before the Senate Comm. on the Judiciary*, 111th Cong. (2009) (statement of Herbert C. Wamsley, Executive Director, Intellectual Property Owners Association); *Patent Reform in the 111th Congress: Legislation and Recent Court Decisions: Hearing Before the Senate Comm. on the Judiciary*, 111th Cong. (2009) (statement of Mark A. Lemley, Professor, Stanford Law School).

limitation as applied to “public use” and “on sale” is removed, and the phrase “available to the public” is added to clarify the broad scope of relevant prior art, as well as to emphasize the fact that it must be publicly accessible. Prior art based on earlier-filed United States applications is maintained,<sup>19</sup> as is current law’s grace period, which will apply to all actions by the patent owner during the year prior to filing that would otherwise create § 102(a) prior art.<sup>20</sup> Sections (and subsections) of the existing statute are renumbered, modified, or deleted consistent with converting to a first-inventor-to-file system.<sup>21</sup> Finally, the intent behind the CREATE Act to promote joint research activities is preserved by including a prior art exception for subject matter invented by parties to a joint research agreement. The Act also provides that its enactment of new section 102(c) of title 35 is done with the same intent to promote joint research activities that was expressed in the Cooperative Research and Technology Enhancement Act of 2004 (Public Law 108–453), and that section 102(c) shall be administered in a manner consistent with such intent.

#### *Inventor’s oath or declaration*

The U.S. patent system, when first adopted in 1790, contemplated that individual inventors would file their own patent applications, or would have a patent practitioner do so on their behalf. It has become increasingly common for patent applications to be assigned to corporate entities, most commonly the employer of the inventor.<sup>22</sup> In fact, many employment contracts require employees to assign their inventions to their employer.<sup>23</sup>

Current law still reflects the antiquated notion that it is the inventor who files the application, not the company-assignee. For example, every inventor must sign an oath as part of the patent application stating that the inventor believes he or she is the true inventor of the invention claimed in the application.<sup>24</sup> By the time an application is eventually filed, however, the applicant filing as an assignee may have difficulty locating and obtaining every inventor’s signature for the statutorily required oath. Although the USPTO has adopted certain regulations to allow filing of an application when the inventor’s signature is unobtainable,<sup>25</sup> many have advocated that the statute be modernized to facilitate the filing of applications by assignees.<sup>26</sup>

The Act updates the patent system by facilitating the process by which an assignee may file and prosecute patent applications. It

<sup>19</sup> Compare current § 102(e) with new § 102(a)(2).

<sup>20</sup> See generally 157 Cong. Rec. S.1496–97 (daily ed. March 9, 2011), S. 1370–71 (daily ed. March 8, 2011).

<sup>21</sup> The Committee does not intend a substantive change by replacing the word “negated” in section 103 of title 35 with “negated.”

<sup>22</sup> See John R. Allison & Mark A. Lemley, *The Growing Complexity of the United States Patent System*, 82 B.U. L. Rev. 77, 97 (2002) (study showing that approximately 85% of the patents issued between 1996–98 were assigned by inventors to corporations; an increase from 79% during the period between 1976–78).

<sup>23</sup> See Jerry C. Liu, *Overview of Patent Ownership Considerations in Joint Technology Development*, 2005 Syracuse Sci. & Tech. L. Rep. 1 (2005).

<sup>24</sup> 35 U.S.C. § 115.

<sup>25</sup> See 37 C.F.R. § 1.47, which permits an applicant to petition the Director of the USPTO to have the application accepted without every inventor’s signature in limited circumstances, e.g., when the inventor cannot be found or refuses to participate in the application.

<sup>26</sup> See *Perspectives on Patents: Harmonization and Other Matters: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary*, 109th Cong. (2005) (statement of David Beier, Senior Vice President of Global Government Affairs, Amgen).

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