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Re.: Patent Reform and the America Invents Act (H.R. 1249, S. 23)

Dear Congressman Smith, Congressman Goodlatte, Congresswoman Lofgren, Senator Hatch and Senator Leahy:

On April 10, I sent a letter to Congressmen Smith, Goodlatte, and Coble on the patent reform bill passed in the Senate, S.23, and the counterpart bill in the House, H.R. 1249. In part, that letter addressed amendments to sections 102 and 103 of the Patent Act. Section 102(a)(1) of these bills says a person is entitled to a patent unless "the claimed invention was patented, described in a printed publication, or in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention" and provides some "exceptions" in section 102(b)(1). In that letter, I urged that Congress not employ the "in public use or on sale" standard of current section 102(b) to define the events that give rise to prior art either for novelty or nonobviousness purposes. Instead, I advised continuing to use the time-honored, well-understood "known or used by others" standard of current section 102(a).

On April 14, Congressman Smith proposed a manager's amendments to section 102(a)(1) in H.R. 1249 so that it would read "the claimed invention was patented, described in a printed publication, or otherwise disclosed to the public before the effective filing date of the claimed invention" with some corresponding amendments to section 102(b)(1). Those amendments were not passed based on concerns about this language expressed by Representatives Goodlatte and Lofgren (Transcript pages 50-59). Congresswoman Lofgren mentioned Senator Leahy's and Senator Hatch's comments. After writing my letter, I read the remarks by Senator Leahy and

Senator Hatch regarding the meaning of section 102(a)(1) of the Senate bill (reported in the March 9, Congressional Record) that I assume were those alluded to by Congresswoman Lofgren.

I write again to discuss and suggest ways to deal with these issues.

Senator Leahy's and Hatch's Remarks. Senator Leahy's and Hatch's remarks were addressed primarily to whether the exemptions in section 102(b)(1) are broad enough to prevent an inventor's own activities within one year before it files an application from operating as prior art for purposes of determining the novelty and nonobviousness of that invention. Senator Leahy's and perhaps Senator Hatch's comments also indicate that they intend to change the law on the activities that place an invention "in public use or on sale."

Senator Hatch said "But, the important point is that if an inventor's disclosure triggers the 102(a) bar with respect to an invention, which can only be done by a disclosure that is both made available to the public and enabled, then he or she has thereby also triggered the grace period under 102(b)." It is unclear to me that Senator Hatch was talking about the types of uses and sales of products and processes that create prior art, because the question of whether something contains an enabling disclosure applies only to the adequacy of a patent application under section 112. There are somewhat similar requirements for determining whether the descriptions of inventions in prior art patents and publications are sufficient to prevent a patent.

Senator Leahy said, "One of the implications of the point we are making is that subsection 102(a) was drafted in part to do away with precedent under current law that private offers for sale or private uses or secret processes practiced in the United States that result in a product or service that is then made public may be deemed patent-defeating prior art. That will no longer be the case. In effect, the new paragraph 102(a)(1) imposes an overarching requirement for availability to the public, that is a public disclosure, which will limit paragraph 102(a)(1) prior art to subject matter meeting the public accessibility standard that is well-settled in current law, especially case law of the Federal Circuit." Senator Leahy's comments could mean two very different things.

First, Senator Leahy's remark about a public accessibility standard seems to refer to the law governing current section 102(a), not section 102(b). Senator Leahy seems to intend that new section 102(a)(1) be governed by the rules developed under the "known or used by others" standard of existing section 102(a) and not the "in public use and on sale" standard of existing section 102(b). If that is Senator Leahy's intent, I quite agree.

The difficulty is that section 102(a)(1) of these bills does not contain the section 102(a) standard. Instead, the language in new section 102(a)(1) is identical to the language in current section 102(b) and the language of section 102(a) disappears. The only difference between existing section 102(b) and new section 102(a)(1) is that section 102(b) refers to an invention being "in public use and on sale" and section 102(a)(1) refers to an invention "in public use and on sale, or otherwise available to the public." When I read that bill, I assumed the intent of the new "or otherwise available to the public" language was to specify an additional category of activities that could give rise to prior art, namely any activity that in any other way made some invention "available to the public." Until I read Senator Leahy's remarks, it did not occur to me that Congress was attempting to change the law on activities that place some invention "in public

use or on sale.” Senator Leahy’s remarks suggest that the Senate bill is intended to mean that an invention is “in public use or on sale” only when those activities would also make the invention “available to the public” in some sense. Senator Leahy’s remarks also imply that the new language “, or otherwise available to the public” does not create a separate, stand-alone category of events. The language of the bills hardly compels either of those interpretations and the history of patent law shows convincingly that the language of the Patent Act takes on a life of its own and the intent of Congress is quickly forgotten or ignored.

I will not be the least bit surprised that, notwithstanding Senator Leahy’s apparent intent, many will argue (and perhaps successfully) that the language “, or otherwise available to the public” establishes a separate category of prior art activities or events. The argument will be that the intent of the bills is to “harmonize” United States patent law with, among others, European patent law (meaning that the United States adopts features of foreign law) and European law specifies the nature of prior art in this general way. For example, the European Patent Convention Article 54(1) and (2) says, “(1)An invention shall be considered to be new if it does not form part of the state of the art. (2)The state of the art shall be held to comprise everything made available to the public by means of a written or oral description, by use, or in any other way, before the date of filing of the European patent application.”

Senator Leahy’s comments could also have a second different meaning. Senator Leahy says that the change would prevent “private offers for sale or private uses or secret processes practiced in the United States that result in a product or service that is then made public” from being “patent-defeating prior art.” This could mean that Senator Leahy wishes section 102(b) to continue to control the incentives to make and use inventions in United States in its current fashion. However, Senator Leahy does not want inventions that have been placed in public use or on sale for more than one year to constitute prior art for the purpose of determining the nonobviousness of different inventions. This would be a highly desirable change.

Until the 1970s, section 102(b) operated so that the only effect of an invention being placed in public use or on sale was that no one could obtain a patent on that particular invention. Inventions that had been placed in public use and on sale did not constitute prior art for purposes of applying the nonobviousness requirement of section 103 to other different inventions. Beginning around 1970s, this situation slowly changed under a variety of doctrinal formulas. It has long appeared to me that it made no sense as a matter of law and policy to treat events defined by section 102(b) as prior art for purposes of section 103. If Senator Leahy intends to change that rule, this change would be very productive. However, it is entirely unclear that the Senate bill would achieve that purpose because the Senate bill expressly incorporates the “in public use or on sale” language in the new section 102(a), and that section is titled “Prior Art.” Therefore, the Senate bill is likely to have exactly the opposite effect that Senator Leahy may intend.

These two possible views of Senator Leahy’s intent are not mutually exclusive. He might wish to achieve both of them. The following comments address only the first possible purpose.

The Effects of Senator Leahy’s Interpretation. However, let us assume Senator Leahy intent will prevail in any dispute over the meaning of the new section and the language of new section 102(a)(1) means that activities that place an invention “in public use or on sale” under

current section 102(b) will do so under new section 102(a)(1) only when those activities also make some invention “available to the public.”

If the Senate bill added that language to existing section 102(b) so that it said a person may obtain a patent unless the invention was “in public use or on sale in a manner that made the invention available to the public”, the law would certainly change. The nature of the change would depend on the courts’ perceptions of the meaning and purpose of this additional language.

The Two Meanings of Available to the Public. An invention may be made “available to the public” in two different senses.

One meaning is that a use or sale of some product or process makes the invention available to the public in the sense that producers and consumers in the United States obtain the tangible benefits of the invention. They have products embodying some new invention to use or have products made at lower cost due to manufacturing processes embodying some invention. If understood in that sense, this additional language would change the law in two ways.

On Sale. Under current law, when an inventor seeking a patent offers to sell a product or contracts to sell a product, those activities will prevent that inventor from obtaining a patent even if no product is actually sold and delivered of that public. In those situations, the public obtains no benefit from the invention. By this language, that result would presumably change. Offers and contracts that did not result in actual delivery of a product for use at all or more than one year before filing would not prevent a patent.

In Public Use. Under current law, an inventor who uses some process or machine secretly in a secure facility to make products that it sells to the public places the invention in public use. In that situation, the public does benefit from the value of the process or machine. The new language would presumably not change the result if understood in this sense. However, this language could be understood to change the result for uses by third parties, that is, people other than the person seeking a patent. When a third person uses a machine or process in secret, those activities do not prevent another inventor from obtaining a patent. In that situation, the public again obtains the benefit of the value of the invention. If this language is intended to mean that any use of a machine or process, even in secret, by a third party places an invention in public use, just as it does for use by the person seeking a patent, this language would change the law. Third party secret uses would prevent a patent to another inventor.

That “available to the public” language could have a second different meaning, namely that a use or sale make an invention “available to the public” only when those activities make knowledge of the invention available to the public. Understood in that way, this language would be a major change in the law.

In Public Use and On Sale. As discussed in my earlier letter, the use of some product, machine or process or the sale, offer to sell, or contract to sell some product or machine by a person seeking a patent more than one year before filing will prevent the patent, even when those activities were carried out in a way that would prevent anyone other than the person seeking the patent from learning about the invention. If the law is changed so that no patent may properly issue in that situation, the historical function of section 102(b) has been eliminated from the Patent Act. An inventor would be entirely free to commercially exploit some invention for many

years in a way that did not reveal the nature of the invention to the public and file for and obtain a patent only when competition appeared. Under that rule, an inventor might indeed capture far more of the value some invention than it would have if it sold or used the invention only during the term of one patent plus one year. The public would pay more for use of those inventions than it would under current law.

It seems almost inconceivable to me that Congress has consciously decided to make such a dramatic change. Since 1830, the United State economy has operated on the principle that, if some person begins commercially exploiting some invention, whether in secrecy or in public, that person will not be able to obtain a patent unless it files an application with the one year of commencing those activities. If that rule is changed, the potential value of inventing goes up and the costs the public bears due to patents goes up. Inventors will now be able to attempt to capture the value of some invention for much longer than the term of one patent.

On Sale. The other way this language would change the law if understood in this second sense involves products that do not reveal the inventions embodied in them, no matter how much people test and study them. Today, if a person seeking a patent or a third party sells a product, the invention is on sale, even if studying the product would not reveal the invention to anyone. If this language was interpreted to mean that a sale of some product places the invention on sale only where knowledge of the invention can be acquired by studying the product, this rule would change. Under this change, some inventions may be embodied in products and sold for years without those sales preventing by the person making those sales or anyone else from obtaining a patent. The effect again would be inventing has increased value, and the public bears increased costs.

Suggested Amendments to S.23 and H.R. 1249.

Since it is unclear to me in many respects what Congress intends to achieve by these amendments, it is difficult for me to write amendments to achieve them. As I said in my earlier letter, I would not make many of these changes. However, I will put those differences aside and assume it is desirable to (1) award a patent to the first person to file an application rather than the first person to do the R&D needed to make some invention, (2) base the novelty and nonobviousness requirements for a patent on patents, publications and uses and, perhaps, sales by others occurring before the filing date of a patent application rather than before the inventor's invention date, only when those uses and perhaps sales made the invention available to the public (meaning made knowledge of the invention available to the public), (3) judge the novelty and nonobviousness of some invention to some inventor based on the uses and, perhaps, sales of products and processes by others both in and outside the United States, (4) retain the basic principles of section 102(b) that an invention may not obtain a patent if the invention was described in a patent or publications by anyone anywhere or was (a) sold by that inventor or (b) used by that inventor, whether used in secret or in public view, or (c) sold by another person or (d) used by another person only when used in public view, in the United States (but not outside the United States) more than one year before the filing date of a patent application, (5) eliminate sections 102 (c) through (g), and (6) make the other changes reflected in these bills about whether another person obtained the invention from the inventor or another acted after the inventor did something to "disclose" the invention. With those general goals in mind, I would amend sections 102 and 103 to read as follows.

§ 102. Conditions for patentability; novelty and prior art (subsection (a), loss of right to patent (subsection (b),

A person shall be entitled to a patent unless -

(a)(1) the claimed invention was known and used in this country or a foreign country in a manner that made the invention available to the public in this country, or patented or described in a printed publication in this or a foreign country, (i) by another person more than one year before the effective filing date of the claimed invention or (ii) by another person who did not obtain knowledge of the invention directly or indirectly from the inventor or a joint inventor, within one year before the effective filing date of the claimed invention and before the invention was used or patented or described in a printed publication as provided in this section by the inventor or a joint inventor or another who obtained knowledge of the invention directly or indirectly from the inventor or a joint inventor.

(2) the claimed invention was described in a patent issued under section 151, or in an application for patent published under section 122(b), by another person (i) who did not obtain knowledge of the invention directly or indirectly from the inventor or a joint inventor, (ii) where the application for the patent or the application published was effectively filed before the effective filing date of the claimed invention and before the invention was used or described in a patent or publication as provided in section (a)(1) by the inventor or a joint inventor or another who obtained knowledge of the invention directly or indirectly from the inventor or a joint inventor, and (iii) where the subject matter described in the patent or application and the claimed invention, not later than the effective filing date of the claimed invention, were not owned by the same person or subject to an obligation of assignment to the same person.

(b) the claimed invention was patented or described in a printed publication in this or a foreign country, or used or sold in this country by the inventor or inventors of the application for patent or another person in a manner that made the invention available to the public more than one year before the effective filing date of the claimed invention.

Sec. 103. Conditions for patentability; nonobvious subject matter

A patent for a claimed invention may not be obtained, notwithstanding that the claimed invention is not identically described or otherwise made available to the public as set forth in section 102(a), if the differences between the claimed invention and the prior art are such that the claimed invention as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which the claimed invention pertains. Patentability shall not be negated by the manner in which the invention was made.

I would amend section 102 to retain its current structure and preserve many of the time-honored doctrines of patent law as possible given the changes Congress apparently wishes to make. As I have written it, section 102 would continue to have counterparts to current sections 102(a), 102(e), and 102(b). New section 102(a)(1) would incorporate old section 102(a) and section 102(a)(2) would incorporate old section 102(e) and would define the prior art for

purposes of novelty and nonobviousness. Section 102(b) would be old section 102(b) with some changes. Section 102(b) patents, publications and events would not be the prior art for purposes of nonobviousness.

New section 102(a)(1) would preserve the substance of the basic “know or used by others” standard for determining when uses of products or processes create prior art. Under current law, an invention is “know or used by others” when a product or process is used for its normal use rather than merely for experimentation and this use made knowledge of the invention accessible or available to the public. Accidental, unrecognized use of a product or process does not qualify. I have slightly changed the language to read “known and used” rather than “known or used” to reflect what the decisions actually show, namely that it is the use of a product or process that ultimately matters. This language would also make clear that there is no separate category of invention that were merely “known” in some fashion. New section 102(a)(1) like existing section 102(a) relates to uses by a person other than the inventor seeking a patent. If desired, this section could say “used or sold by others” without creating too much confusion. I have not done so, because it is meaningful to ask whether people could learn about some invention by observing a product or process in use and less meaningful to ask whether people could learn about the nature of some invention by observing a “sale”, that is, the transfer of a product for a price.

I have rewritten amended section 102(a) to incorporate directly the “exceptions” found in the current bills. This makes the provision far easier to understand and accommodate with the current law. This also avoids the considerable risk that expressing the law as a general rule with some “exceptions” will be understood to mean that, when there is any doubt, the general rule controls, meaning there will be a bias to including more activities as prior art. This also eliminates the linguistic uncertainty about whether the “disclosures” of the exceptions apply to patents and publications or to other events as well, as Senators Leahy and Hatch and presumably Congressman Smith and others in the House intend.

New section 102(a)(1) would expressly require use “in this country or a foreign country in a manner that made the invention available to the public in this country.” This makes clear that the only uses that give rise to prior art are those that make the invention available to the public in the United States, meaning that knowledge of the invention was available to those in the United States who wanted to know about it for any purpose. This replaces the “or otherwise available to the public” language of the bills. This also makes clear that there is no separate category that includes as prior art any type of “other” activity that makes some invention “available to the public.”

I should note that a major difference between this section and section 102(a)(1) of the bills is that uses of an invention by the person seeking a patent in or outside the United States are not included, whether made before the effective filing date or made more than one year before the effective filing date. If Congress wishes to include those activities as “prior art”, when they occurred more than one year before filing (as in section 102(a)(1) of the bills), then a third category of activities is needed, “(iii) by the inventor or inventors more than one year before the effective filing date of the claimed invention.”

My assumption is that the Congress does not intend to eliminate the law developed under current section 102(b) entirely. My assumption is that section 102(b) disappears the statute only

because someone decided to restructure the Patent Act in the manner set out in the bills. My suggestion would be to retain section 102(b) as a separate section so that the law remains clear that the historical manner in which the United States patent system has operated since the 1830s has not changed.

I have retained Section 102(b) to play its current roles - prevent a patent when an inventor commercially exploits an invention in the United States by using a product or process other than for purposes of experiments or sells a product for a purpose other than experiments more than one year before filing. I have changed the language to say the invention was "used or sold" rather than "in public use or on sale." I have changed "on sale" to "sold" to eliminate the law that offers to sell and contacts to sell constitute commercial exploitation of an invention even when no sale occurs and someone hoping to sell in fact makes nothing or when some ultimate sale only takes place within one year of filing. I have expressly continued the current rule that prevents a patent when the use or sale was by another person, not the inventor seeking the patent. The purpose is to prevent a patent when others have started to make commercial use in the United States and done so for over one year, before some other inventor seeks a patent.

Based on Senator Leahy's apparent desire to eliminate at least some secret uses and offers and perhaps even secret sales from preventing a patent or creating prior art, I have added that same language requiring that when use is by another person, the use or sale must be "in a manner that made the invention available to the public." For this purpose, I have used the same phrase "made the invention available to the public" found in section 102(a)(1) on the assumption that the intent is the same, the events matter only when a use or sale makes knowledge of the invention available to people in the United States who might want to use it to make products, carry out processes, or make other inventions. I have assumed Senator Leahy does not wish to change the law on use or sales by the inventor. If I am incorrect about that (with the consequences mentioned earlier), this section would read "used or sold in this country in a manner that made the invention available to the public." Again, this is a major change in the law as applied to uses and sales by an inventor with the risks and costs mentioned earlier.

I have not included uses and sales outside the United States, because those uses and sales have nothing to do with the policy underlying this section. Including foreign uses and sales for this purpose would again be such a major change in the law that I assume Congress does not intend to make it.

I have also included the change made by new section 102(a)(1) and (b)(1) so that an invention may not be patented if the invention was "in public use or on sale" more than one year before the "effective filing date" of an application. "Effective filing date" has been defined to include an earlier foreign filing date. Under current section 102(b), an invention may not be patented only if it was in public use or on sale more than one year "prior to the date of the application for patent in the United States." Under this change, an inventor who files first in the United States may sell for only one year before filing its application. An inventor who files first in a foreign country may sell for two years before filing a United States application.

I have retained the amended version of section 102(e) in section 102(a)(2) except for the new concept that an application may be "deemed" published when it was not. I have also retained the expansion of the applications that may be prior art to include so-called foreign priority applications. Today, section 102(e) applies only to United States applications and Patent

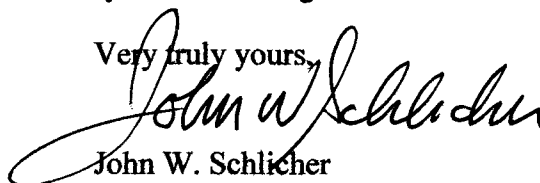
Cooperation Treaty applications that name the United States. Including foreign priority applications moves the dates of some applications to an earlier point in time, and thereby expands the prior art.

I have changed the language of section 103 in the bills to that "a patent for a claimed invention may not be obtained, notwithstanding that the claimed invention is not identically described or otherwise made available to the public as set forth in section 102(a) ...". The purpose is to make clear that the prior art for purposes of nonobviousness is the patents, publications and uses (and if desired uses and sales) of section 102(a). The prior art does not include uses or sales of section 102(b), because that section exists for an entirely different purpose and includes activities involving inventions embodied in products or processes that inventors generally could not possibly learn about and use as guides to making additional inventions. I have also retained the concept in these bills that the "prior art" for section 103 purposes includes the patents and applications specified in section 102(e) and new section 102(a)(2), even though I do not believe they should be used for this purpose, again because people trying to make inventions could not possibly have known about the information in those patents and publications at the time they were doing their work.

I have retained the current law that nonobviousness is to be determined as of the date some invention was made. I mentioned in my earlier letter the inherently adverse effect on incentives of determining the nonobviousness of an invention to a person of ordinary skill on a date after the inventor seeking a patent made some invention. People who make inventions that were new and nonobvious at the time they did their work (when the patent rights appeared to be available) should not be deprived of a patent because later and better information and later and better general skill became available. I should add that perhaps the most difficult practical problem in applying the nonobviousness standard is an almost unavoidable tendency to judge nonobviousness with the benefit of hindsight. While the law today requires that hindsight not be employed, it is enormously difficult to tell someone about some invention and then expect them to judge the ease or difficulty of making that invention based only on what was known before the invention was made and only on the level of skill others possessed before the invention was made. If section 103 commands that nonobviousness be judged as of the effective filing date, not the earlier date on which the invention was made, the problem of hindsight will be compounded since the law will appear to require use of hindsight.

Conclusion. The changes to the law in these bills are being made largely in the name of changing from a "first-to-invent" system to a "first-to-file" system. Those simple phrases hardly capture the nature and significance of the changes Congress is apparently about to make. As I said in my earlier letter, it is far from clear to me that these bills as currently written will provide the same or better incentives to invent with reduced costs and greater certainty, and may prove to have the opposite effects. In this letter, I tried to write these provisions in a way that accomplishes what Congress wants to do (to the extent I am able to understand it) with the least possible disruption of existing law and uncertainty about the intent and meaning of the new law. Again, I should be clear that I am not in favor of many of these changes.

Very truly yours,



John W. Schlicher