PATENT REFORM

US legislation aims to simplify rules for inventors

Bill aims to reduce costly lawsuits by changing how rights to innovations are awarded.

BY EUGENIE SAMUEL REICH

The US Congress is poised to enact the most sweeping overhaul of the country's patent legislation for almost 30 years. Advocates say that a law currently under consideration will make it easier for scientists to commercialize patents without getting caught up in costly litigation. "After more than six years, we have suddenly made rather important progress," says John Vaughn, executive vice-president of the Association of American Universities in Washington DC, who has spearheaded the organization's repeated efforts to bring patent reform to a vote.

The America Invents Act was introduced into the House of Representatives on 30 March and is scheduled to be taken up in committee this week; a similar bill enjoyed swift passage through the Senate on 8 March. The act is the culmination of a long campaign by universities and companies to change the US patent system to a first-to-file arrangement, in line with most of the rest of the world. At the moment, patents in the country are awarded on a first-to-invent basis, so that if two inventors file similar patent applications at around the same time they go into 'interference', in which a specialized division of the US Patent and Trademark Office attempts to decide who came up with the invention first. It costs an average of US$400,000–500,000 to fight an interference case — more than most academic start-ups can afford.

"Interferences are extremely expensive and rather uncertain," says Lita Nelsen, director of technology licensing at the Massachusetts Institute of Technology (MIT) in Cambridge. "I'd rather live with the certainty and lose quickly." She says that the new rule won't be a big adjustment for MIT, which routinely seeks patent rights outside the United States, in countries that are already following the first-to-file system.

Defenders of first-to-invent have argued that it benefits individual inventors who don't manage to file their patents quickly. But in testimony to Congress on 30 March, David Kappos, director of the US Patent and Trademark Office, said that only one of the three million inventions handled by the office over the past seven years had involved an individual inventor who was second to file but was able to demonstrate that he was first to invent, and was therefore awarded the patent. Others who prevailed through an interference were companies or groups of inventors.

"This has been a red herring used by people who have an interest in keeping the patent system as complicated as possible; that is, patent lawyers," says Josh Lerner, who studies innovation policy at Harvard Business School in Boston, Massachusetts.

But Gail Naughton, a dean of business administration at San Diego State University in California who served on a National Academies panel that recommended the shift to first-to-file in 2004, is now concerned that the change could trigger a surge of filings as inventors rush to cross the line first (see 'Patents pile up'). "If substantial funding to support many new hires at the patent office is not made available, the change could result in an even greater backlog," she says, adding that, under the new system, it would be important for universities to train academics in how to identify and obtain the data vital to describing an invention in a patent, so that they can file quickly but not prematurely.

Rob Merges, who studies patent law at the University of California, Berkeley, says that the new law could hurt academics because it weakens protections for inventors who start commercializing innovations before filing a patent. "I'm not thrilled with that," says Merges, who adds that scientists often need to send manufactured samples to contacts in industry to advance their work before they can formally seek a patent.

Universities are also uneasy with a provision in the House bill that would establish 'prior user rights'. These would protect parties who developed an innovation first, but failed to patent it themselves, against claims by other parties who later patented the same invention. "Prior user rights are essential to prevent foreign and non-practising entities from filing patents on American inventions," says Mark Chandler, general counsel of Cisco Systems in San Jose, California.

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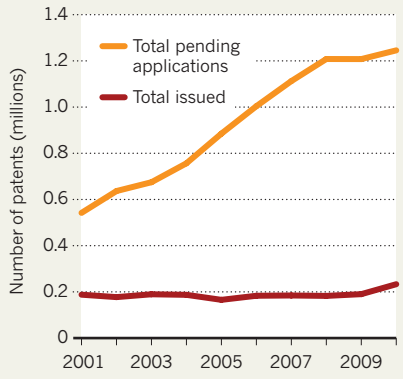
Vaughn, however, says that the provision could work against academics, by allowing companies who have independently developed university-patented technologies to use them without penalty. Furthermore, academics would not benefit from the rights, he says, because they tend to make money by licensing patented technology rather than by making products themselves. The House bill does contain an exemption that would prevent anyone from claiming prior user rights to inventions that are wholly university-funded. But Vaughn says that such precautions don't go far enough to protect universities' rights, because some university inventions are developed using private capital.

One provision of the law that has not been heavily disputed would introduce a post-grant review process to let outsiders challenge newly awarded patents without costly litigation. This would further bring the United States into line with the European patent office, which already has an opposition procedure to enable people to challenge new patents. "We think post-grant review is a quality check and we support that," says Gary Griswold of the Coalition for 21st Century Patent Reform, a group of nearly 50 US and multinational corporations from various industries, including several pharmaceutical companies. Lerner agrees. "The real secret is having people nip bad patents in the bud," he says. ■

PATENTS PILE UP

The number of US patent applications each year has doubled in a decade, causing a backlog.



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