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# Patent or Perish: How a Delay in Applying Can Seriously Hurt Your Chance of Getting a Patent

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Suppose one of your company's researchers discovers a cheaper method to make a drug which is already on the market. How quickly should the company apply for a patent on the new process?

Our question presumes that you've already decided to apply for a patent. We leave for another day the issue of whether, and under what circumstances, you might decide to keep the new process a trade secret instead of applying for a patent.

With a patent as the goal, important issues of timing arise. Can you avoid losing the company's right to a patent on the invention by commercializing the drug made by the new process before filing a patent application? Will the company's commercial activity help or hurt its chance of winning a priority contest with someone else who applies for a patent on the same process? These questions have traditionally been answered by determining on a case-by-case basis the extent to which the company's actions disclosed the new process to the public.

But, under a new rule proposed by the Patent and Trademark Office, the inventor — and his or her employer — who delays more than one year filing a patent application may lose out to a rival inventor in a priority contest called a patent interference (which we'll say more about later) if that delay can't be adequately explained.

To make the impact of this proposed change more understandable, let's consider the purpose of the patent system, the reasons why the timing of a patent application is so critical, and a few cases in which an inventor lost the right to a patent on account of delay.

## Why Does the Patent System Exist?

The patent laws of the United States are designed to encourage inventors to disclose their discoveries as soon as possible rather than keeping them secret. Patenting a new process benefits society by putting an invention into the public domain, and it benefits the inventor by granting him or her the right to exclude others from making, using, or selling products made using the patented invention.

Moreover, the patent laws discourage the secret use of an invention by penalizing an inventor who is found to "abandon, suppress, or conceal" a discovery. In fact, even an inventor who can prove that he was the first to actually "reduce to practice" (by making and testing) the conceived idea may nonetheless lose out to another, second, inventor if the first inventor did not make a reasonable effort to disclose the invention to the public. That effort can take the form of either filing a patent application (which will eventually become public) or, in the right circumstances, by putting a product embodying the invention into the market.

However, even putting an unpatented product on sale may not be enough to overcome the inference of concealment that the PTO or a court will draw from evidence that there was a considerable delay before filing a patent application.

Although an inventor isn't under any obligation to apply for a patent, that doesn't mean that the inventor's (and his or her employer's) right to practice your invention can be protected just by commercializing the product. Why?

The employer's commercial activity may not be adequate to put the invention itself into the hands of the public, and benefiting the public is the whole point of the patent system.

### Why Is Timing So Important?

In every country other than the United States, when two or more rival inventors contest the right to a patent, the dispute is resolved very simply — the first inventor to file a patent application wins. In the U.S., however, the PTO must determine who was the first to actually invent the disputed subject matter — *not* simply the first to file a patent application. That determination is typically made in a proceeding called a patent interference. (For more background on that topic, see *Demystifying The 'I' Word*, Intellectual Property Today, Vol. 10, No. 2 [February 2003]).

And it's in the context of an interference proceeding that the PTO proposes to establish by rule a presumption that even the first inventor can lose the right to a patent by waiting more than one year after reducing the invention to practice to file an application.

Another provision unique to U.S. law is that an inventor has a grace period of one year from the time his or her invention is disclosed, put into public use or put on sale to file an application without losing the right to obtain a United States patent on the invention. (In every other country, any public use or disclosure of the invention anywhere in the world before a patent application is filed will probably destroy the right to a patent.) And it is upon that one-year grace period that the proposed new rule is modeled.

A lengthy delay between the time of an actual reduction to practice and the time of filing a patent application in disclosing the invention could traditionally be justifiable under some circumstances, depending on what the inventor did during the time of the delay.

Courts have generally considered three factors when deciding whether an invention has been abandoned, suppressed or concealed: the length of the inactivity, the nature of the activity during the delay and the cause of the resumption of the activity.

Traditionally, there have been no hard rules about what length of delay constituted suppression or concealment; courts looked at each situation and decided whether the time taken to file a patent application or otherwise disclose the invention was reasonable.

In cases where an invention had been disclosed by commercializing a product, the reasonability of the delay was usually determined by whether the inventor followed reasonable business practices in trying to bring the product to the marketplace.

Letting a new invention sit idly without fully developing or disclosing it and then resuming activity before someone else has conceived the same invention would not necessarily have compromised an inventor's rights, as long as when he resumed his activity, he did so of his own accord and not because he was spurred into action by a competing inventor. But the courts rarely rescued an earlier inventor who would have kept his or her invention a secret but for the actions of a later independent inventor.

### How Can the First Inventor Lose His Rights?

Though a first inventor always ran a risk by delay in filing a patent application, it has traditionally been up to the later inventor to prove that the earlier inventor's delay was unreasonable. Now, however, the PTO's proposed rule will shift to the earlier inventor the burden of proving that any delay of more than one year was a reasonable one.

As we have noted, the patent laws are meant to encourage inventors to benefit the public by disclosing their inventions. The incentive for that disclosure is the right — via the grant of a patent — to exclude others from using their ideas. Applying for a patent is a sure way of preserving the knowledge of an invention in the public domain, while simply commercializing the invention might not be adequate.

So, when considering whether an inventor has been sufficiently diligent in disclosing his or her invention (so that it has not been suppressed or concealed), the question to ask is, "If the inventor died tomorrow, or if his or her employer went out of business, would the knowledge of the invention be sufficiently disclosed to the public to allow others to benefit from it?"

As we now explain by example, an insufficiently explained delay in applying for a patent has always put an inventor at risk of losing his rights in the invention, even if he or she (or the employer) was in the process of trying to commercialize it.

In one case, an inventor developed an expansible envelope, but the invention was not commercialized immediately because the company's machinery couldn't produce it. Instead of promptly filing a patent application, however, the inventor waited until the machines needed for commercial production were put into place.

It was nearly three years later — when the commercialization process was ready to begin — that the inventor applied for a patent. What neither the inventor nor the company knew, however, was that just two months before their application, another inventor had filed an application for a patent on the same invention. Because of the first inventor's delay in filing, the second inventor won a later interference between their patent applications.

When the first inventor appealed, the court ruled that the first inventor's delay in disclosing the invention, even though it was well on the way to being commercialized, amounted to "suppression or concealment." It therefore found that the PTO had correctly awarded the patent to the second inventor. Had the first inventor promptly applied for a patent, he could have worked to commercialize the product and still protected his right to exclude others.

The lesson here is that if an earlier inventor invents something new but conceals it from the public, a later inventor who diligently applied for a patent for the same invention may be awarded a patent while the earlier loses out — even if he or she had no knowledge of the later inventor's work.

Waiting to file until you've discovered that a competitor is working on a competing invention can be just as deadly. An inventor of an improvement in yarn manufacturing machinery decided not to apply for a patent on the device at the time he reduced it to practice.

Two years later, after the inventor's company had produced and sold yarn made with the new device (but kept the invention itself a secret), a second inventor independently conceived and reduced to practice the same device. When the first inventor's company discovered this fact, it rushed to file a patent application before the second inventor could file his, beating him to the filing by one week.

Thus, the original inventor of the new device was the first to conceive the idea, was the first to reduce it to practice, and was even the first to file a patent application. An open and shut case, right? Wrong. The second inventor was awarded the patent in a later interference proceeding. What happened? The court decided that the first inventor had forfeited his right to a patent by failing to make the invention public, either by filing a patent application or by otherwise disclosing the new yarn manufacturing device.

The fact that the yarn (the product of using the device) was sold to the public didn't sway the court, because the manufacturing device, not the yarn itself, was the invention, and because someone in the public who purchased the yarn couldn't possibly have figured out what device it had been made with.

According to the court, the existence of abandonment, suppression, or concealment "ought to be determined by asking whether the public has gained knowledge of the invention which will insure its preservation in the public domain." It observed that, if the first inventor's company had gone out of business and never revealed the new device to anyone outside the company, the public wouldn't have had the benefit of the new idea unless and until someone else independently conceived the same invention.

If the first inventor had instead applied for a patent within a reasonable time after making his invention, the device would have been in the public domain much earlier, and in return the company would have had the right to exclude anyone else from using that device for the life of the patent. But, it was the second inventor, who filed a patent application in a timely fashion after reducing the idea to practice, who received the benefit of the patent, including the right to exclude even the first inventor from practicing the invention.

The moral of this story: it has always been a risky proposition, at best, to keep a new invention a secret, even if the earlier inventor made commercial use of it. The PTO's proposed rule has now raised the stakes even more, and any delay of more than one year in filing a patent application will put the burden squarely on the earlier inventor to explain why that delay was reasonable.

If the explanation doesn't measure up, not only can the earlier inventor lose the right to a patent, the earlier inventor and his employer may find themselves having to pay someone else — even a competitor — for the right to use that invention.

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