

Post Position Can Clinch a Patent Race

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On Valentine's morning in 1876, Alexander Bell filed an application for the telephone – which was to become one of the most valuable patents ever issued. By incredible coincidence, Elisha Gray arrived at the patent office later that same day with his independently developed telephone invention. After years of litigation, Bell received the patent, launching the modern telecommunications industry. Gray slipped into relative obscurity.

Of the 170 or so countries that issue patents on new and useful inventions, nearly all but the United States and the Philippines award patents to the first inventor to file an application. Under U.S. law, patent ownership is granted to the first person to invent a new product or method, and not to the first to file the application. But don't be fooled by the letter of the law, like Elisha Gray, if you are late to the U.S. patent office, you will face an uphill battle to win ownership of the patent.

Recently, eBay was ordered to pay MercExchange a whopping \$29.5 million for infringement of a method patent for operating the equivalent of an online flea market. Inventor Thomas Woolston filed his first MercExchange patent application in April of 1995. eBay launched and filed for its own patents only a few months later. Woolston received the patent, and now, in addition to a large payday for past infringement, will either receive on-going royalties from eBay or will force eBay to change its business model.

The legal process for disputing competing patents is called an interference proceeding. The rules are arcane, the costs high, and the last person to file—called the junior party—starts this wrestling match from a truly inferior position. The essence of inventorship in the U.S. is that the patent is awarded to the inventor who can prove the first conception of the idea and the diligent reduction of the idea into practice. It is not enough to conceive of the idea first and subsequently sit on the idea for years or even months, while another inventor files an application. For most inventors, producing meaningful proof of idea conception is very difficult, and often the filing of the patent application is the first clear documentation of the invention.

The best advice for any entrepreneur then is to file early and to file often. Filing patent applications on developing ideas does not need to be expensive. A provisional patent application can be self-prepared and filed with the patent office for around the \$80 filing fee. Provisional applications can be thought of as place-holder applications, and while they are never examined by the patent office, they provide a filing priority date for invention details provisionally disclosed.