

## **Interlopers and Predators: How S. 23 Protects Small Businesses** *Protections the 1994 WTO Agreement Took Away, S. 23 Gives Back*

### **What is “interloping” and what is “predatory patenting”?**

“Interlopers” are entities that become aware of a competitor’s new product when the competitor publishes on its work or makes some other type of public disclosure of the new product. The interloper then proceeds to make its own patent filings, seeking patents that will cover some aspect of the competitor’s product or even the product itself.

Outside the United States, this type of interloping is simply barred by law. The publications (or other public disclosures), which in the United States spur an interloper into seeking patents for itself, operate under foreign patent laws to invalidate an interloper’s patents. Under U.S. law, however, interlopers can use their own “invention date” activities (*i.e.*, secret work done in their engineering laboratories) to “swear behind” the earlier public disclosures and remove them as patent-invalidating “prior art.”

Interloping can readily become predatory patenting in situations where the competitor elected not to seek patents or sought patents only on a few aspects of the new product that it had publicly disclosed. The interloper turns predator when it then seeks to use its dominating patent position to keep the competitor’s product off the market or demand substantial royalties in order for the product to stay on the market.

### **How did the Uruguay Round Agreements Act increase the specter of interloping?**

Under the World Trade Organization agreement reached in 1994, the United States was forced to change its patent law to benefit foreign-based entities seeking U.S. patents. One of these changes allowed foreign-based entities to take advantage of their secret activities, undertaken outside the United States, in order to establish “invention dates” that could be used under U.S. patent law to obtain valid patents. Specifically—and for the very first time—foreign-based inventors could seek U.S. patents on products that had already been publicly disclosed by their U.S.-based competitors. The Uruguay Round Agreements Act, which took effect in 1995, implemented this treaty obligation.

Thus, before this change in U.S. patent law, foreign-based entities could not use their secret activities outside the United States as a basis for interloping or predatory patenting strategies. Up until 1995, once a U.S. inventor published or other publicly disclosed a new product or new product idea, foreign-based entities were barred from obtaining U.S. patents on the disclosed product and any aspect of it, including trivial and obvious modifications.

### **What would S. 23 mean for interlopers and for predatory patenting?**

S. 23, if enacted, would put an end—once and for all—to interloping. It would, thus, end the ability for anyone to engage in a predatory patenting strategy.

For foreign-based entities, it would put them back into the position that they were in prior to 1995—once a U.S. inventor publishes or makes any other type of public disclosure of a new product, the ability for a foreign-based interloper to then file patent applications seeking to patent the disclosed product, or any trivial modifications of it, is totally cut off.

The same protection against interloping would also extend to patent filings made by interloping U.S.-based entities after a competitor had publicly disclosed a new product. Thus, S. 23 would provide 100% protection against any and all interloping and against any form of predatory patenting.

### **Why is it important for Congress to act now to end interloping, especially by foreign-based entities?**

With each passing year, the percentage of U.S. patent filings made by foreign-based entities increases. In 1966, 1 in 5 U.S. patent filings was by a foreign-based entity. That ratio became 1 in 4 in 1969 and 1 in 3 in 1974 before reaching 1 out of every 2 in 2008—when for the first time in U.S. history the majority of patent filings in the United States came from foreign-based entities. Given the rapid growth in patent filings by Asian (especially Chinese) inventors, this trend may well accelerate in the decade ahead.

As foreign-based entities become more sophisticated in their use of the U.S. patent system, U.S. inventors are put at an ever-greater risk that interloping and predatory patenting strategies by foreign-based entities will become more prevalent.

### **How exactly does S. 23 put a stop to interloping and patent predation?**

S. 23 puts an end to the use of “dates of invention” in determining whether or not a patent is valid. As a result, S. 23 enhances the effectiveness of the inventor’s one-year “grace period” (*i.e.*, the one year period after an inventor’s own publication or other public disclosure of an invention during which that disclosure cannot be used to invalidate the inventor’s patent).

In addition, S. 23 strips out of the U.S. patent law any grounds for invalidating a U.S. patent based on any other type of secret activity, such as secret offers for sale of the invention. Finally, it prevents the contemporaneous work of an inventor’s co-workers or research partners from being cited as a basis for barring the inventor from obtaining a patent.

The consequence of this collection of inventor-friendly features in S. 23 is that, for a U.S. small business that once it publishes or otherwise makes a public disclosure of its inventions, the potential for interloping is entirely removed and its ability to patent that invention is fully preserved during a 1-year “grace period.” The public disclosure by the small business is a bar to anyone else seeking a patent, not only on the publicly disclosed subject matter but on any trivial or obvious variations of it.

Similarly, once a U.S. inventor files a patent application—even a provisional one—that then publishes, the same bar to interloping and predation by someone else is created.

**How can Congress accomplish all of this good for the country? Enact S. 23!  
We can fix the interloper loophole and end the specter of patent predation!**