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To: Gongola, Janet; aia_implementation; IP Policy
Subject: Prior User Rights

The "prior user rights" provision was put in AIA to benefit big corporations at the expense of small inventors and businesses. Prior user rights will encourage big companies to pursue and preserve trade secrets.

To qualify as a "prior user right," an invention has to be used "commercially in secret" for at least a year. While big established companies can use many machines, processes, and compositions "commercially" in secret for at least a year, by definition, most startups never do. How many small inventors are in a position to use a biotechnology process, a chemical composition or process, a computer process or algorithm commercially for over a year, in secret? Only a small, small fraction.

Prior user rights will be totally useless for start ups, as many small inventors haven't even set up a business by which to practice their invention at the time they make their discovery.

In addition, many small inventors plan to sell their inventions to big companies to commercially exploit it, so they will not normally plan to practice the invention "commercially" at all.

In short, the prior user right defense is of essentially no value to small companies and startups. On the other hand, it creates costs and disadvantages for small companies and startups, and will tend to lead to entrenchment of market incumbents, and make the entire economy poorer:

- For the reasons discussed above, the most likely scenarios for "prior user rights" to affect outcomes involves a small company plaintiff and a large company defendant. Prior user rights will preferentially harm small companies that seek to enforce their patents.
- "Prior user rights" diminish the value of all patents. By their very nature trade secrets will dramatically add to the tremendous uncertainty already surrounding patents.
- "Prior user rights" will open up a whole new arena for endless litigation, on facts that are as complex as an interference. In addition, to all the legal challenges which patents, this will open up a Pandora's Box of new litigation.
- As a result, capital investors will discount the value of patents even more in making investment decisions, which will discourage business formation and job creation in America.
- Prior user rights shift economic incentives from patents to trade secrets. By encouraging more companies to hold their best technology as trade secrets rather than to disclose as patents, the AIA will reduce sharing of valuable technical information publicly .

When you consider that all net new jobs in America are created by small businesses, the consequences could be devastating. See, The Importance of Startups in Job Creation and Job Destruction, July 2010, by Tim Kane, Ewing Marion Kauffman Foundation;

http://www.kauffman.org/uploadedFiles/firm_formation_importance_of_startups.pdf

Further, there is a question of scope of prior user rights that flow from practice of a trade secret. For example, where a smaller company practices a trade secret, and the smaller company is sold or merges with a larger company, what is the scope of prior user right now held by the acquirer?

Further, trade secrets can often go on for years and years, and under the new § 102 of the AIA, be patented years later. Take for example Coke-a-Cola's "secret formula" which has been maintained for

nearly 100 years. That might not be so bad because the public can still enjoy a Coke, but it could be devastating in America's progress in science, manufacturing, computing technology, etc.

It should be pointed out that there is a huge cost advantage for maintaining a trade secret compared to the cost of obtaining and enforcing a patent. A trade secret costs essentially nothing, whereas obtaining and enforcing a patent is time consuming and can often cost \$100s thousands and even \$10s millions. A trade secret is a cheap form of protection.

More importantly, there appears to be a strong constitutional question raised by AIA's "prior user rights" provision. The prior user rights provision seems to fly directly in the face of Art. 1, Sec. 8, because the whole intent of the Founding Fathers was to encourage disclosure to society of *new* "discoveries" by granting *exclusive* rights, so society could share and benefit as a whole from new discoveries over time. Prior user rights will have exactly the *opposite* effect. It will greatly encourage big companies to keep trade secrets to the prejudice of small inventors and America's creativity and economic well-being.

It should be pointed out that no other countries have provisions equivalent to Art. 1, Sec. 8 in their constitutions.

Though I have no empirical data to contribute, my personal experience as an inventor, and the anecdotal experience I have from many other small inventors, assures me that prior user rights will disadvantage small companies, startups, and individual inventors, and will tend to benefit large companies and to entrench market incumbents. The USPTO study should recommend *strongly* to Congress that "prior user rights" be repealed.

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