



June 19, 2012

Hon. David J. Kappos
Under Secretary of Commerce for Intellectual Property
and Director of the U.S. Patent and Trademark Office
600 Dulany Street
P.O. Box 1450
Alexandria, VA 22313

Submitted via: SecrecyOrder.Comments@USPTO.gov

Re: IPO Response to the USPTO “Request for Comments on the Feasibility of Placing Economically Significant Patents Under a Secrecy Order and the Need To Review Criteria Used in Determining Secrecy Orders Related to National Security” 77 Fed. Reg. 23662 (April 20, 2012)

Intellectual Property Owners Association (IPO) appreciates the opportunity to provide comments to the U.S. Patent and Trademark Office (USPTO) in response to the “Request for Comments on the Feasibility of Placing Economically Significant Patents Under a Secrecy Order and the Need To Review Criteria Used in Determining Secrecy Orders Related to National Security” published in the Federal Register on April 20, 2012. IPO’s comments are directed to whether the United States should identify and bar from publication and issuance certain patent applications as detrimental to the nation’s economic security. IPO presently has no comments on whether changes should be made to the existing procedures for reviewing applications that might be detrimental to national security.

IPO is a trade association representing companies and individuals in all industries and fields of technology who own or are interested in intellectual property rights. IPO’s membership includes more than 200 companies and more than 12,000 individuals involved in the association either through their companies or as inventor, author, executive, or law firm members.

IPO opposes a program that would attempt to identify patent applications directed to economically significant inventions and bar them from publication and grant. The congressional inquiry at issue appears to stem from the perception that the lag between the publication of a patent application 18 months after filing and the grant of the corresponding patent gives competitors (including foreign competitors) an opportunity “to design around U.S. technologies and seize markets before the U.S. inventor is able to raise financing and secure a market.” To the extent that such a problem threatens the economic security of the United States, IPO does not believe that extension of the secrecy order program to economically significant patent applications would solve the problem. To the contrary, it would be difficult to administer, potentially unconstitutional, and would not foster domestic industry. Moreover, IPO believes that currently available, applicant-driven procedures for preventing publication before grant and for expediting examination are better solutions to

President
Richard F. Phillips
Exxon Mobil Corp.

Vice President
Philip S. Johnson
Johnson & Johnson

Treasurer
Carl B. Horton
General Electric Co.

Directors
Russell W. Binns, Jr.
Avaya, Inc.
Tina M. Chappell
Intel Corp.
Mark Costello
Xerox Corp.
William J. Coughlin
Ford Global Technologies LLC
Timothy Crean
SAP AG
Robert DeBerardine
Sanofi-Aventis
Bart Eppeneuer
Microsoft Corp.
Louis Foreman
Enventys
Scott M. Frank
AT&T
Darryl P. Frickey
Dow Chemical Co.
Bernard J. Graves, Jr.
Eastman Chemical Co.
Krish Gupta
EMC Corporation
Henry Hadad
Bristol-Myers Squibb Co.
Jack E. Haken
Koninklijke Philips Electronics N.V.
Dennis R. Hoerner, Jr.
Monsanto Co.
Michael Jaro
Medtronic, Inc.
George W. Johnston
Roche Inc.
Lisa Jorgenson
STMicroelectronics, Inc.
Charles M. Kinzig
GlaxoSmithKline
David J. Koris
Shell International B.V.
Mark Lauroesch
Corning Inc.
Allen Lo
Google Inc.
Scott McDonald
Mars Incorporated
Jonathan P. Meyer
Motorola Solutions, Inc.
Steven W. Miller
Procter & Gamble Co.
Douglas K. Norman
Eli Lilly and Co.
Elizabeth A. O'Brien
Covidien
Sean O'Brien
United Technologies, Corp.
Dana Rao
Adobe Systems Inc.
Kevin H. Rhodes
3M Innovative Properties Co.
Mark L. Rodgers
Air Products & Chemicals, Inc.
Curtis Rose
Hewlett-Packard Co.
Matthew Sarbaroria
Oracle USA, Inc.
Manny Schecter
IBM, Corp.
Steven Shapiro
Pitney Bowes Inc.
Dennis C. Skarvan
Caterpillar Inc.
Russ Slifer
Micon Technology, Inc.
Daniel J. Staudt
Siemens Corp.
Brian K. Stierwalt
ConocoPhillips
Thierry Sueur
Air Liquide
James J. Trussell
BP America, Inc.
Cheryl Tubach
J.M. Huber Corp.
Roy Waldron
Pfizer, Inc.
Michael Walker
DuPont
BJ Watrous
Apple Inc.
Stuart Watt
Amgen, Inc.
Paul D. Yasger
Abbott Laboratories

General Counsel
Michael D. Nolan
Milbank, Tweed, Hadley & McCloy, LLP

Executive Director
Herbert C. Wamsley

such congressional concerns. The economic security of the United States would be better served by solving this problem for all applicants by improving the efficiency of the patent examination process and reducing total application pendency time.

A. An Economic Security Secrecy Order Program Would Be Difficult to Administer

The congressional inquiry does not define “economically significant” inventions, but appears to be concerned with inventions that would support domestic manufacturing and domestic job growth. Still, it is not clear how any government agency would be able to develop and apply workable criteria for identifying patent applications directed to such inventions.

B. An Economic Security Secrecy Order Program Could Be Unconstitutional

An economic security secrecy order program could raise Fifth Amendment taking issues. Under the current national security secrecy order program, applicants whose patent applications are determined to be allowable but are withheld from grant may be able to seek reimbursement from the U.S. government under 35 USC § 183. Unless the economic security secrecy order program includes a mechanism for providing affected applicants with “just compensation,” it could be unconstitutional as effecting a taking of private property for public use.

C. An Economic Security Secrecy Order Program Would Not Foster Domestic Industry

Under existing national security provisions, a patent grant may be withheld in the interest of national security. Withholding the grant of an economically significant patent realizes no equivalent national interest. To the contrary, withholding grant would impede U.S. inventors from raising financing. Investors generally prefer to invest in technologies that are supported by patent protection and its concomitant right to exclude. Thus, a program that barred economically significant inventions from being patented could discourage the investment required to develop the inventions. Moreover, such a program could discourage applicants from developing their own inventions because they would not have any patent rights that they could assert to prevent copying. Further, an economic security secrecy order program could encourage companies to move research and development operations overseas to avoid being subject to the program, further undermining the U.S. economy.

In today’s business environment, global competition means that many different entities around the world are racing to develop new innovations and respond to customer needs. A program that would not protect U.S. inventions by patents would place U.S. inventors (and U.S. companies) at risk. Such a program would make U.S. applicants hesitant to introduce new, non-patented products into the market, particularly if those products are subject to copying or cannot be maintained as trade secrets. U.S. companies would be vulnerable to the risk that competitors (domestic and foreign) would develop alternatives that would capture the market first. If U.S. companies marketed their inventions without patent protection, they could be subject to immediate copying. Thus, in any given technical field, any delay or prevention of patenting would benefit others (including foreign competitors) at the expense of U.S. inventors, by giving competitors the option of copying unprotected U.S. inventions or capturing the market with alternatives.

D. An Economic Security Secrecy Program Would Not Prevent Foreign Competition

Under existing national security procedures, applications under secrecy orders may not be filed in foreign countries. In terms of economic security, preventing U.S. applicants from filing patent applications in other countries would not prevent foreign competition. Quite to the contrary, with no local patents, foreign entities would be free to practice the invention in their own countries.

E. Applicants Can Already Request Non-Publication to Prevent Publication Before Grant

Applicants who are concerned that publication of their patent applications before grant would give competitors too much of a “head start” on attacking their patent rights or designing around their patent claims can already file a request for non-publication under 35 USC § 122(b)(2)(B). While such a request requires applicants to forego foreign patent protection, it does permit applicants to obtain U.S. patents. Thus, non-publication of patent applications would better address congressional concerns than an economic secrecy order program.

F. Applicants Can Request Expedited Examination to Facilitate Early Grant

Applicants who need their patents to grant as quickly as possible can request expedited examination under several different USPTO programs, including the Accelerated Examination program, the Track I program, and the Patent Prosecution Highway programs. While these programs do not guarantee that the patent will issue before publication, they increase the likelihood that that will happen and at least shorten the time period between publication and grant. These programs do not require applicants to forego foreign patent protection, and so may be more appealing to many applicants.

IPO believes that the protection of “economically significant” inventions from potential premature foreign competition is best achieved by applicant driven procedures, such as non-publication and/or expedited examination. Applicants are also in the best position to determine on a case-by-case basis whether to use these procedures.

G. Expediting Grant Would Solve The Problem For All Applicants

Instead of designating a category of inventions that cannot be patented, Congress and the USPTO could address any problems that stem from the lag between 18-month publication and grant by shortening the time that it takes for all patent applications to be examined and granted. The real problem reflected in the congressional inquiry is not that economically significant inventions are patented, but that it can take many years to obtain a U.S. patent. The economic security of the United States would be better served by solving this problem for all applicants, by improving the efficiency of the patent examination process and reducing total application pendency time.

IPO’s position is further illustrated by the following responses the questions posed in the Federal Register Notice regarding economic security.

1. *Should the USPTO institute a plan to identify patent applications relating to critical technologies or technologies important to the United States economy to be placed under secrecy orders? No, for at least the reasons outlined above.*

2. *Which governmental body should be designated by the President to provide the USPTO with the final determination as to which applications should receive this treatment? **IPO does not support an economic security secrecy order program.***
3. *Which mechanisms should a governmental body use, at the time a patent application is filed, to determine that publication at 18-months of that particular application would be detrimental to national economic security? **IPO does not support an economic security secrecy order program.***
4. *What criteria should be used in determining that dissemination of a patent application would be detrimental to national economic security such that an application should be placed under a secrecy order? **IPO does not support an economic security secrecy order program.***
5. *Would regulations authorizing economic security orders be covered by the current statutory authority provided to the USPTO, or would such orders require a new statutory framework? **The current statutory scheme does not give the USPTO any authority to bar inventions from patenting on the ground that they are “economically significant,” and so a new statutory framework would be required to implement an economic security secrecy order program.***
6. *What would be the effect of establishing a new regulatory scheme based on economic security on businesses, industries, and the economy? **An economic security secrecy order program is likely to stifle innovation, discourage investment, and hamper development, by denying inventors the incentives and protections unique to patents.***
7. *How could Government agencies best perform such a determination while remaining in compliance with applicable laws and treaty obligations? **IPO believes that it would be difficult to administer an economic security secrecy order program while remaining in compliance with applicable laws and treaty obligations.***
8. *How would such a policy affect the public notice function that underlies the policy of publication, including the ability of United States inventors and innovators to timely access the newest technical information upon which to build and stay ahead? **Further to the comments IPO submitted August 31, 2011, to the proposal to publish only patent application abstracts in order to promote U.S. economic security, any step back from full 18-month publication would undermine the public notice function of patent application publication and reintroduce uncertainty surrounding freedom-to-operate. This would have a chilling effect on those seeking to innovate in the same field or design around pending patent applications, and could stifle innovation by preventing timely publication of technical information.***

INTELLECTUAL PROPERTY OWNERS ASSOCIATION

9. *What would be the impact on United States innovators, companies, and employers? How would such a secrecy order affect United States businesses that currently have substantial business operations or sales in foreign countries? **An economic security secrecy order program could discourage investment in U.S. companies, dampen development and hamper job growth. An economic security secrecy order program could encourage international companies to move research and development operations overseas to avoid being subject to the program, further undermining the U.S. economy.***
10. *Are the procedures currently available before the USPTO, such as nonpublication requests and prioritized examination, sufficient to minimize risks to applicants and allay concerns with 18-month publication of their invention? If not, why? **As outlined above, IPO believes that currently available procedures are better suited to minimize any risks associated with 18 month publication of patent applications.***
11. *What are the risks that an economic secrecy order regime would influence other nations to implement similar laws? Would the global implementation of an economic secrecy order regime benefit or hinder the progress of innovation in the United States? **While IPO is doubtful that other nations would implement an economic security secrecy order program, if such programs were adopted globally the overall effect would be to hinder innovation in the United States and globally, because so many advances would be maintained in secrecy and researchers and innovators would not be able to benefit from each other's work or build on each other's discoveries.***
12. *How would such a secrecy order regime affect international efforts toward a more harmonized patent system? **Economic security secrecy order programs would significantly undermine efforts towards international harmonization of patent systems.***
13. *Should the USPTO consider limiting what is published at 18 months? **IPO believes that the USPTO should continue to meet the United States' current treaty obligations regarding 18 month publication.***

IPO thanks the USPTO for this opportunity to comment and would welcome any further dialog with the Office in this matter.

Sincerely,



Richard F. Phillips
President