



**November 8, 2011**

By email to IP.Policy@uspto.gov

ATTN: Mary Critharis, Office of Policy and External Affairs, U.S. Patent and Trademark Office

**Re: Comments on the Study of Prior User Rights**

The Innovation Alliance respectfully submits the following comments for consideration by the Office in its study of prior user rights pursuant to the America Invents Act. The Innovation Alliance represents innovators, patent owners, and stakeholders from a diverse range of industries that believe in the critical importance of maintaining a strong patent system that supports innovative enterprises across the country, helping to fuel the innovation pipeline and drive the 21st century economy.

A prior user rights (“PUR”) defense has been adopted in many countries throughout the world and is often characterized as a necessary counterpart to a first to file system of priority. However, to our knowledge, there is no empirical data to back this claim. Indeed, a 2009 study commissioned by the European Commission found that prior user rights have had little discernible impact in Europe.<sup>1</sup> Although the study endorsed the view that a PUR defense is equitable and beneficial, it cited no empirical data to support this conclusion and acknowledged that the defense has been asserted in only a handful of reported cases. Similarly, U.S. calls for an expanded PUR defense rely primarily on theoretical benefits, as opposed to robust empirical evidence.

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<sup>1</sup> *Monitoring and Analysis of Technology Transfer and Intellectual Property Regimes and Their Use*, P. Van Eeke, J. Kelly, P. Bolger and M. Truyens (2009).

Even if a PUR defense has had no quantifiable effect on innovation outside the United States, we cannot assume that the same will hold true here. America's patent system is qualitatively different and stronger than that of other countries – and in turn, our ecosystem of patent-based early stage innovation is a far more important driver of new job growth. The constitutional and philosophical underpinnings of America's patent system strongly favor disclosure over secrecy, and disclosure is the heart and soul of our thriving technology transfer system. Prior user rights inevitably reduce incentives to disclose and undermine the enforceability of issued patents. As such, an expanded PUR defense is more likely to harm American innovation and, in particular, the small inventive firms that drive disruptive technological development.

America's vibrant technology transfer system has embraced the quid pro quo of patent rights and disclosure to a degree that is arguably unique throughout the world. Indeed, patent-based incentives to disclose are essential to our innovation ecosystem. This is particularly true in today's global economy where groundbreaking innovation requires collaboration across industries, scientific fields, and geographies, all backed by capital investment. Collaboration requires confidence at all stages of the inventive process – confidence that disclosures will be protected against theft, and confidence that high-risk investments in new technologies will be rewarded when the innovation yields a viable new improvement, product, or in the best case scenario an entirely new industry.

Strong, enforceable patent rights are a critical source of confidence for innovators and investors alike. For this reason, the Innovation Alliance has never advocated an expanded PUR defense. Although we understood the appeal of a broad defense, particularly to U.S. manufacturers, we feared that it would undermine confidence in the enforceability of patent rights and in turn disrupt the collaborative process that drives our technology transfer system. Based on the experience of our members, this risk seemed too great relative to the theoretical competitive benefits of a PUR defense. Whereas all of our members have derived a significant and quantifiable competitive advantage from strong patent protection, none has ever utilized prior user rights, despite having operated in first to file countries for many years. A broad PUR defense will, in IA's view, do little to encourage investments in risky but potentially

groundbreaking innovations; in contrast, a perceived erosion of patent rights could easily chill investments in early stage innovators, particularly in a weak economy with a diminished tolerance for risk.

Congress was, of course, mindful of the potential negative effects of a broad PUR defense when it adopted new section 273. It attempted to avoid such effects by narrowly circumscribing the scope of the defense, maintaining a high burden of proof, and shielding universities and technology transfer organizations (“TTOs”) from its enforcement. Despite these safeguards, the Innovation Alliance remains concerned that such measures could prove insufficient to protect the interests of small innovators – many of whom will fall outside the statutory exception – against large manufacturers who will inevitably regard the amended section 273 as yet another tool to avoid infringement liability.

Even advocates of an expanded PUR defense acknowledge that it should rarely be asserted or succeed in court. Otherwise, the defense could undermine incentives to disclose and thereby harm innovation. Nevertheless, section 273 contains numerous ambiguities as to its potential scope, and its ultimate impact will likely depend on the rigor with which courts interpret its limitations and requirements. Unless the courts appropriately constrain uses of the defense, it could become yet another tactical weapon to fend off the many small patent owners that fall outside the statutory exception for universities and TTOs. Such a result could prove disastrous for early stage innovators, whether independent inventors or small businesses, and ultimately affect all participants in the U.S. technology transfer system, even those covered by the exception. There is a high degree of interdependence among universities, TTOs, innovative start-ups, and their investors. If uncertainty as to the enforceability of patent rights chills investments in one sector of the ecosystem, the ecosystem as a whole will ultimately suffer.

In conclusion, we lack the empirical data to understand fully the effects of prior user rights in other markets or to predict accurately their impact in the United States. We do know, however, that America’s legal and historical preference for disclosure over secrecy has yielded significant economic dividends. Preserving legal and economic incentives to disclose

should be a common goal of the Office, federal courts, and the patent community as we consider appropriate uses of prior user rights.

Finally, we recognize that it is simply not possible to conduct a meaningful study of prior user rights within a four-month time frame (the Commission's study took 4 years to complete), and we commend the Office for tackling such a difficult subject in such an abbreviated period. The Innovation Alliance encourages the Office to continue monitoring the effects of the expanded PUR defense on a going forward basis, including through ongoing consultation with the patent community.

Thank you for considering the views of the Innovation Alliance on this important topic.

Sincerely,

A handwritten signature in black ink that reads "Brian Pomper". The signature is written in a cursive, flowing style.

Brian Pomper  
Executive Director  
The Innovation Alliance