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To: IP Policy
Subject: Prior User Rights

The following comments are the personal views of Thomas Kelley, Consulting Patent Counsel, Monsanto Company and not necessarily the views of Monsanto Company, its officers or directors. And, with reference to the Federal Register Notice of October 7, 2011, these comments are directed to topic 5 regarding legal or constitutional issues with placing trade secret law in United States Patent Law.

For many US manufacturers innovation can be classified either as inventions for products or inventions on “internally-used” technology for products. Information describing products typically become publicly available when the products enter commerce. Thus, the cost of public disclosure from a patent on products is often outweighed by the benefit of limited exclusive rights.

Technology used in making products can often be practiced internally in secret to significant competitive advantage. The cost of public disclosure from a patent on internally-used technology often outweighs any exclusive rights. In fact, because such technology is also practiced in secret by competitors, knowledge of infringement is rare and a patent provides exclusive use only in countries where patents are enforceable and where there is a business culture respectful of patent rights in the absence of a fear of being caught. Accordingly, trade secrets covering internally-used technology have always been a key part of industrial intellectual property, especially where the technology is not readily reverse engineered from analysis of a product in commerce.

Under the old patent law innovators of internally-used technology had several options with varying risks and benefits. An innovator could choose to

- (a) treat an innovation as a trade secret with the risk that a later patent may impede long practiced, secret technology and with the further risk that protection under State laws may be lost if the secret is discovered by fair and honest means;
- (b) apply for a patent on the innovation with the advantage that an effective filing date and/or publication would pre-empt later adverse patents thus assuring freedom to operate and reciprocal disadvantage that such publication would effect a free, transfer of technology to unscrupulous competitors; or
- (c) publish the innovation to create “secret” prior art which would serve to invalidate later patents under Section 102(g), e.g. an anonymous publication would effectively maintain as secret the fact that the innovator was practicing the technology.

As the latter strategy under Section 102(g) is no longer available under the America Invents Act, innovators of internally-used technology are now limited to either patent or trade secret protection.

In 1974 the Supreme Court in *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 said that the Federal patent law does not pre-empt State trade secret law and that the two systems are not in conflict or incompatible. The Court found that the patent and the trade secret systems each play a role in encouraging invention. In choosing between patent or trade secret protection an inventor considers whether the bargain of limited patent term is worth the cost of public disclosure both to competitors and the likely enforceability of a patent. In 1974 both access to information in granted US patents and competition to US industry were generally localized within the national borders. Even though the patent

enforcement climate may have been variable, there was an expectation of a national business culture that respected patents. As the patent enforcement climate improved there was a growing inclination to use the patent system to provide freedom to operate for internally used technology.

In 2011 competition is more likely global, there is great disparity in national patent laws and enforcement, and access to innovation information from published patent applications is readily available around the world years before patents are granted. Innovators considering a patent or trade secret approach discussed in *Kewanee* have a new factor – the impact from patent publication on the exportation of US jobs to countries where a culture of respect for patents is not widespread and the temptation to secretly employ internally-used technology acquired from patent application publications is not countered with any realistic liability. If the purpose of the US patent system is to promote jobs in the US economy and if the patent publication of internally-used technology promotes the export of US jobs to the detriment of the US economy, then it is arguable that internally-used technology is not a proper subject for patent protection. As the Supreme Court stated in *Kewanee* “trade secret law protects items which would not be proper subjects for consideration for patent protection under 35 U. S. C. § 101.” Reliance on trade secrets is not only permitted but may be the more socially desirable option over patents if such reliance on trade secrets allows US industry to maintain competitive advantage over foreign competitors. Innovators who protect US jobs through trade secrets should be rewarded with the limited liability against infringement against a later patent with the prior user defense.

Prior user rights are an improvement over the old Section 102 (g) option because trade secret treatment under prior user rights is not lethal to a later, second invention and allows patent enforcement against all but the legitimate prior user through exclusive rights to a second innovator who chooses the patent system for different business reasons. The Congress should be applauded for providing in the America Invents Act expanded prior user rights which have the potential for improving the global competitiveness of US industry and the growth and maintenance of jobs in the US economy.

Sincerely,

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