



# PATENT LAW HARMONIZATION

## THE TIME IS NOW

BY DAVID J. KAPPOS

This past March, the U.S. Senate passed the America Invents Act (S. 23) by an overwhelming vote of 95-5. This landmark patent reform legislation, which would be the first overhaul of the U.S. patent system in nearly 60 years, comes at a critical time in American history. We, like the rest of the world, are attempting to recover from a deep global recession. While there are signs that businesses are beginning to rebound, a sustained economic recovery will depend on a robust innovative and entrepreneurial environment—and an efficient patent system that incentivizes research and development in new technologies and provides greater certainty for those seeking to bring innovation to the global marketplace. This is the focus of President Obama's economic agenda, and an efficient U.S. patent system is essential to economic recovery and job creation.

Our patent laws, however, are stuck in the last century and have not kept up with a technological and commercial system that has become global, with ideas and technology, and with products and services, moving across borders. In addition, the laws governing patenting of these inventions vary markedly from country to country. This leaves the patent system, ironically, as something of a laggard among commercial legal regimes. In order to meet the challenges presented by a mounting backlog of patent applications, the patent system must become significantly more harmonized.

Harmonization—the alignment of laws and procedures among intellectual property (IP) systems to ensure consistency and clarity of rights for the world's innovators—is a prerequisite to maximizing the development and dissemination of innovation and thereby

improving quality of life for all the world's people. Harmonization is also absolutely essential to reducing the global patent backlog and reducing the amount of time it takes innovators around the world to get a patent.

The patent application backlogs affecting the world's major IP offices hamper the deployment of innovative products and services to the marketplace. Patent application delays result in billions of dollars lost in "forgone innovation" and forestall the creation of countless jobs. The costs are not just economic—lifesaving medicines, agricultural improvements, and energy technology developments are lost due to delay and application backlogs.

Substantive patent law harmonization is a critical step in the process of reducing application backlogs worldwide. Harmonization enables worksharing—the critical processes that allow IP offices to maximize cooperation and avoid the inefficient and costly duplication of efforts between offices. Harmonization will create certainty around rights and help ensure consistent IP outcomes for domestic firms in foreign offices and courts. And harmonization will ensure faster review of applications, allowing companies to take their innovative products into the global marketplace without fear of misappropriation.

As in the United States, Europe, Japan, and other major trading partners are reconsidering whether their patent systems are suited to meet the challenges of the new economy. Developing countries also are looking at ways to adapt the international patent system to meet their needs in promoting greater socioeconomic development and to provide more opportunities for their citizens to share in the wealth of technological progress.

To be sure, harmonization is not about imposing the will of any country or group of countries onto another or about challenging patent sovereignty. These efforts also are not about imposing higher levels of patent protection on developing countries. Rather, harmonization efforts are aimed at achieving the best policies and the best practices to improve the global patent system for all stakeholders.

We are at a historic crossroad in terms of evolution of the global patent system. Economic forces are driving countries throughout the world toward greater convergence of patent systems because the current, fractured international system is not meeting basic needs.

As governments, and hence patent offices, are forced to do more with less, solutions must be found in the international patent system to make it more effective and efficient to administer. As innovators seek to open new markets abroad, it is imperative that the international patent system provide a cost-effective way to obtain reliable patent rights in multiple jurisdictions. As new technologies increasingly become a part of everyday life—from computers to cell phones to life-saving drugs—the public must have confidence that the patent system is striking the right balance between incentives to innovate and access to those new innovations. We have a unique opportunity right now to meet these challenges.

### **Past Attempts at Harmonization**

Substantive patent law harmonization is not a new concept. Indeed, it has been the subject of discussion in international fora for the better part of 50 years. Unfortunately, past attempts at harmonization have been marked by periods of intensive activity followed by disappointing results. There have been notable successes—the Patent Cooperation Treaty, the WTO TRIPs Agreement, and the Patent Law Treaty (PLT) have been milestones on the road to rationalizing the international patent system. But the objective of deeper harmonization of other areas of substantive patent law, such as prior art, novelty, and nonobviousness—the areas on which decisions on patentability usually depend—remains elusive.

Part of the reason for lack of success has been the inability to reconcile differing perspectives on the objectives of the patent system. When talks on the Substantive Patent Law Treaty (SPLT) were launched at the World Intellectual Property Organization (WIPO) in 2000, there was optimism that the recently and successfully concluded procedural PLT would serve as a catalyst for major progress on harmonizing substantive law. It quickly became apparent, however, that developing and developed countries had very different views as to the objectives of substantive harmonization, including whether it was an appropriate goal. As a result, discussions at WIPO effectively broke down in 2005.

Now there can be little doubt; innovative firms are setting up shop and moving their goods and services into markets with

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consistent IP protection. Developing countries realize they can no longer afford to sit on the sidelines and watch the benefits of IP systems accrue only to the developed world. Similarly, companies cannot afford to ignore expansive consumer markets in the developing world. Consistent IP protection will allow those firms to bring goods and services that enhance quality of life to those markets and set price points that ensure profitability for companies as well as access to life-changing goods and services for people.

Another factor limiting progress has been the view that harmonization should be seen as a negotiated trade-off rather than an adoption of global best practices. This was the issue in "Group B+," the group of experts that was formed outside of WIPO in 2005 to continue discussions on substantive harmonization following the collapse of the SPLT discussions. Group B+ came to an impasse in 2006–2007 after failure to agree on what should be included or excluded from the "reduced package" of prior art-related provisions then under discussion, particularly differences with regard to a U.S.-style 12-month grace period and 18-month period before publication of pending applications.

Another important factor behind the lack of progress over the last decade has been the context in which the discussions were held. Discussions in WIPO and Group B+ were not animated by a sense of economic urgency, like today. Rather, the climate was one of relative global economic optimism and prosperity. The length and depth of the recession, however, has shattered that view. Government and business frustration with the status quo has resulted in a renewed interest in constructing a sensible, streamlined, and effective international patent system.

### **The Time Is Now**

On March 6–8, 2011, the United States Patent and Trademark Office hosted a group of Asia-Pacific economies at a forum on patent cooperation in the 21st century on the margins of the APEC meetings. The goal was simple—to gather patent leaders and experts from developed and developing Asia-Pacific economies to reboot and further the dialogue on patent law harmonization.

The result was a strong affirmation that harmonization discussions must move forward. In the words of the participants, taken from the agreed statement of the meeting:

The time for substantive harmonization is now. We are operating in a global economy, business innovation is happening across borders. The IP system needs to be supportive of this new reality.

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We can no longer afford to ignore new economic realities and the role the patent system plays in them. In fact, if anything, the historic reasons given for wanting to harmonize—greater efficiency in patent examinations, higher-quality patents, and more predictability and reliability for applicants—have even more currency today than in the 1960s and 1970s, when global patent filings were a mere fraction of what they are now and the marketplace was still heavily dominated by domestic manufacturing industries.

Therefore, the question at this time is not whether, but how, to move the process forward. There are two essential components to achieving this. The first component, as the participants agreed, is that as harmonization is a global matter affecting global trade and interests, the discussion "must be taken global and also must continue to include both developing and developed members." Taking into account the views of interested developing countries is going to be critical to the success of this effort. Equally critical will be the participation of our European colleagues. Europe is in the midst of a historic debate concerning the establishment of a unitary European patent system, one that could replace the current system of individually validated and enforceable patent rights in each European country. Harmonization of patent law between Europe and the United States would not only help reduce patent pendency but also would significantly boost trade and open markets. We look forward to working with our European counterparts, our APEC colleagues, and IP offices and governments from around the world to build the best IP system possible for all of its users.

The second component critical to progress is the need to focus not on trade-offs but on best practices. S. 23 will contribute significantly to the discussions in this regard, as it demonstrates the willingness of the United States to move unilaterally to what it considers to be global best practices. These include long-standing "asks" from other countries that the United States switches from first-to-invent to first-inventor-to-file and that it make changes to its prior art and novelty regimes to move away from more parochial interests towards a system reflecting the global nature of business and trade.

If patent reform legislation is enacted, the United States will move to a first-inventor-to-file system because that is what is best for inventors and best serves the IP system. First-inventor-to-file is a best practice that that will add certainty to the system and help businesses, large and small, to make better and more certain decisions around their IP assets.

Global best practices in the areas of grace period, definitions of prior art, patentability standards, submissions of art by third parties, and disclosure requirements can and should emerge from an open dialogue aimed at creating the best IP systems possible.

The United States stands ready to work with our colleagues around the world in moving forward on substantive patent law harmonization. Our economic and social well-being depends on technological progress, and that progress hinges upon our ability to incent and unleash the creative spirit of the American people to invent, invest, and create new businesses and jobs. Patent law harmonization is vital to that effort and we simply cannot afford to wait any longer to bring it about. ■