UNITED STATES PATENT AND TRADEMARK OFFICE

PUBLIC HEARING ON THE INTERNATIONAL HARMONIZATION OF SUBSTANTIVE PATENT LAW

Alexandria, Virginia

Thursday, March 21, 2013

PARTICIPANTS:

Welcoming Remarks:

TERESA STANEK REA
Undersecretary of Commerce for
Intellectual Property Director
United States Patent and Trademark Office

Introduction Of Speakers And Program Overview:

CHARLES ELOSHWAY
Senior Patent Counsel
Office of Policy and External Affairs
United States Patent and Trademark Office

Roundtable:

DAVID WINWOOD
AUTM

HERB WAMSLEY
IPO

HANS SAUER
Biotechnology Industry Organization

TIMOTHY MOLINO
BSA/The Software Alliance

BIJOU MGBOJIKWE
United States Patent and Trademark Office

MARK GUETLICH
United States Patent and Trademark Office

SUMMER KOSTELNIK
United States Patent and Trademark Office

GLEN KOTAPISH
Inventor's Network of the Capital Area

PARTICIPANTS (CONT'D):

ROBERT A. ARMITAGE
ABA-IPL

ALBERT TRAMPOSCH
AIPLA

* * * * *

P R O C E E D I N G S

(8:40 a.m.)

MS. STANEK REA: Good morning, everyone, and I'd like to now begin the Patent Harmonization roundtable here at the U.S. Patent and Trademark Office in Alexandria, Virginia. I'd like to welcome everybody on the web, and thank you for joining us this morning. This is a very important public hearing, and I am especially keen and interested with the online activity, because I realize that most of the attendees are no longer in the room, so you will be most of the focus throughout this session, and your participation is very welcome and appreciated, and we have some very important issues to discuss here today.

At a time when technological research and development are a focal point of policy agendas across the world, and when commerce cuts across borders with increasing speed and frequency, intellectual property rights have never been more important than they are now. From factories in Beijing to garages in Boston, our

global economy allows businesses and inventors of all types and sizes to develop, market and distribute their products on a scale as never seen before. And as patent systems at home and abroad retool themselves, not only is there greater opportunity for inventors to tap into new markets, there is greater opportunity to strengthen our country-to-country collaboration, and even advance a global innovation architecture. And that is why the U.S. Patent and Trademark Office has been so busy reaching out to our stakeholders and our counterparts in patent offices throughout the world to work toward substantive patent law harmonization.

Now, we understand how critical harmonization is for U.S. businesses to succeed in the global marketplace, and the strong bipartisan support behind the passage of the Leahy-Smith America Invents Act in 2011 demonstrates our nation's commitment to that goal. Now, thanks to the AIA, the United States now has the tools it needs to implement a truly 21st century harmonized

patent system, one that international negotiations have anticipated for the last 25 years.

In July of 2011, leaders and representatives from the patent offices of Denmark, France, Germany, Japan, the United Kingdom, the United States, and the European Patent Office convened for a meeting in Tegernsee, Germany. It's known as the Tegernsee Group to this day, and they launched a new dialogue on international patent law harmonization and have met twice since that time to consider the work done by patent experts from each office. This work has entailed analyzing the aspects of each jurisdiction's patent law and practice, as well as detailed studies on four issues of particular interest for international harmonization. The grace period, the publication of applications, the treatment of conflicting applications and prior user rights.

In October of 2012, leaders of the Tegernsee Group requested that their patent law experts collaborate in developing a joint

questionnaire covering each of those four topics for use in gathering their shareholder input on a range of issues. Now, the group offices would then host roundtable discussions in their respective regions, and that is why we are here today holding one of those roundtables. Now, all of the results from the questionnaire, as well as any additional stakeholder input received both through written comments and comments at this hearing will be considered by the group in determining how to advance the discussions already underway.

And as patent systems at home and abroad retool themselves, not only is there greater opportunity for inventors to tap into new markets, there is greater opportunity to strengthen our country to country collaboration and even advance a global innovation architecture, and that is why the USPTO has also been very busy reaching out to our stakeholders and to our counterparts in patent offices throughout the world to work toward substantive patent law harmonization. Now, we

understand how critical harmonization is for U.S. businesses to succeed in the global marketplace and strong bipartisan support was very, very critical for that.

Now, the recommendations of this group will be discussed with the heads of offices during the Tegernsee meeting, which is expected to take place early this summer, and through the questionnaire and this public hearing, the United States Patent and Trademark Office hopes to obtain, among other information, user views on the merits of a broadened or narrowed grace period, whether further harmonization is required in the rules regarding 18 month publication, the effects on users when conflicting applications are treated differently in different patent offices, and finally, how prior user rights are utilized, as well as how frequently.

We look forward to your questions and comments and encourage plenty of robust discussion. Thank you once again for your participation today. And now, I would like to

introduce to you, your panel moderator, Charles Eloshway, who would like to speak with you briefly about the rules of the hearing, and he will introduce you to each speaker. Charles?

MR. ELOSHWAY: Thank you very much. I have a couple of brief housekeeping notes, before we get started. If you haven't already done so, please turn your cell phones off or put them on mute. The roundtable today will be webcast. You'll note there are three cameras around the room, and it will also be transcribed, so please speak clearly during your intervention, so we can accurately capture everything that's been said.

The agenda that you should have in front of you was prepared some time ago with a view to giving more or less equal time to each of the issues. We understand, based on some comments and conversations we've had, that panel participants may wish to spend a bit more time on one topic rather than another, so since this is an opportunity for all of you to give us your views, we want to be as flexible as we can with the time

allotted. So if we need to take more time on a particular issue and a bit less on another, that's perfectly fine.

We have a ten minute break scheduled currently, about halfway through the program. We will keep to that basic schedule regardless of how the agenda is adapted. In any event, restrooms are outside in the atrium. As far as the format of the conversation will go, I will give a brief introduction to each topic, and then turn to the panel to provide comments, and we'll just simply go around the table. If you have comments, please provide them. If you don't, that's also fine.

We had initially felt that in view of time constraints, we would like to limit the remarks to five to seven minutes per panelist for each topic. Again, that's also flexible, as I earlier indicated. So please, take whatever time you feel is necessary to express your views on the particular issues.

We have provided a microphone at the front of the room for comments and questions from

the audience, although the audience is a bit limited this morning, or in person audience. More may show up later. In any event, a microphone has been made available. We plan to allot some time at the end of the roundtable today for general questions and remarks from the audience, but we will also try to fit in questions after the discussion of each topic, time permitting.

I believe that for those that are participating via webcast, we can also accept e-mail questions and comments, which we will try to fit in to the discussion as they come in. In any event, we would ask that questions from the audience, whether in person or via webcast be to the point and germane to the discussion. With that, I will now turn to our distinguished panelists to introduce themselves and to make any brief introductory comments that they may have. We'll start to my left.

MR. KOTAPISH: Good morning. My name is Glen Kotapish. I'm President of the Inventors Network of the Capital Area, and I want to thank

the Patent Office for this opportunity.

MR. ARMITAGE: Bob Armitage. I'm a registered patent attorney, and I'm here today on my own behalf, as well as on behalf of the ABA-IPL section.

MR. TRAMPOSCH: Thank you very much, Director Rea. Thank you, Mr. Eloshway. My name is Albert Tramposch. I'm the Deputy Executive Director of AIPLA for international and regulatory affairs. And since he gave us the opportunity to make a few opening remarks, I'd like to take that opportunity now.

AIPLA is a national voluntary IP Bar Association with approximately 15,000 members, primarily in private and corporate practice, but also in government service and in the academic community. AIPLA is currently deeply involved with other associations in the international discussions, including in the context of the Industry Trilateral, the industry IP5, and also, the important discussions that have now begun as a member of the Global Dossier taskforce.

AIPLA has been supportive of international harmonization of substantive patent laws for many years, going back to the 1980s. We believe it is in the best interest of U.S. patent rights holders and others throughout the world to provide harmonized patent laws whenever possible. This will strengthen the protection of innovation, leading to a more cost effective, efficient and uniform patent system.

AIPLA believes that with the passage of the Leahy- Smith America Invents Act, there is now a unique opportunity to achieve further substantive patent law harmonization on a global basis. We're very happy to see the efforts of the Tegernsee Group that was mentioned by Director Rea, and happy to see that they're trying to harmonize at least the four issues that we have before us today. We strongly support continuation of the Tegernsee discussions, and also, expansion of those discussions to include additional important countries such as Canada and Australia. We also would recommend direct industry

involvement in the Tegernsee discussions along the lines of Industry Trilateral and the Industry IP5. Further, if the Tegernsee process does not continue, or if discussions are seen to be non-productive, we would support moving the discussions to an alternative promising forum such as the Asia-Pacific Patent Cooperation meeting that was held here in Washington a couple of years ago.

AIPLA has responded to the request for comments put out by the USPTO in the context of the Tegernsee questionnaire, and we also appreciate the opportunity to come here today, and we look forward to a lively discussion. Thank you.

MR. WINWOOD: Good morning. Thank you for the opportunity to be here. I'm David Winwood. I'm here representing AUTM, the Association of University Technology Managers. AUTM is a global network of more than 3,200 technology transfer professionals who work in academic, research, government, legal and

commercial settings. AUTM is dedicated to promoting and supporting technology transfer through education, advocacy networking and communication.

I might add that just to embellish on our global presence, many of my colleagues from the AUTM board are currently in Kyoto at AUTM Asia at a two- or three-day conference, so we truly are a global organization representing the interest of university technology management around the world. So we welcome the opportunity to address this group, and we remain ready to provide input into this important discussion on harmonization, and in particular, we'll reference the impact of changes on the ability of society to reap the full benefit of innovations created in universities around the world by the use of well- crafted patent law.

MR. WAMSLEY: Good morning. My name is Herbert Wamsley. I'm Executive Director of Intellectual Property Owners Association, IPO, and I'm speaking here today on behalf of the board of directors of the association.

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

I'd like to make a few preliminary comments about harmonization generally, before we turn to the four specific topics later. IPO members file many thousands of patent applications globally each year under a patchwork of foreign laws, a process that's enormously burdensome and expensive, because of complex and different rules for obtaining patent rights.

Moreover, as manufacturers, many of our members must try to assess the scope of patent rights granted to others throughout the world. Patent rights issued from the USPTO and other national offices on the same application often differ significantly, creating uncertainty in

terms of validity or scope. This makes it difficult to decide whether owners should invest in new products and processes when such uncertainties could result in unnecessary litigation. So we strongly support efforts to harmonize the substantive requirements of the world's patent laws in ways that will address the concerns I've mentioned.

For many years, we've advocated and supported international efforts to reduce expenses for U.S. innovators to obtain patent rights globally, and to provide more certainty about rights. As we discuss the four topics, I think certainty is a recurring theme.

We believe effective harmonization of patent laws should be begin by selecting the best practices for harmonized international patent laws. Now, from the U.S. viewpoint, often the best practices will be the existing U.S. law, in our opinion, including the landmark new America Invents Act. But looking at the issues from the perspective of trying to reach an international

agreement, and looking at the needs for obtaining certain and inexpensive protection worldwide, it may be that in some cases, the best practices will differ slightly from existing U.S. laws.

We support the Tegernsee process and stand ready to work with you and provide industry viewpoints and advice whenever we can. We have submitted an IPO letter for the record, and this morning, I will reiterate our positions in that letter and attempt to explain them. Thank you.

MR. SAUER: Good morning. My name is Hans Sauer. I'm Deputy General Counsel for the Biotechnology Industry Organization on whose behalf I'm here today. I did not come prepared to make opening remarks, so I will keep them very short. I'm making them up. I want to associate myself with what the prior speaker said about the importance as industry and patent users to provide input into the Tegernsee process. I think that was and is a very good idea, and should be considered going forward.

I would be remiss if I would not at

least mention that biotech companies who work in the agricultural or environmental or therapeutic space, even if they are small companies, as most of Bio's members are, universally need to access the international patent system and navigate the international patent system and deal with the same kinds of uncertainties that other users of the patent system from other industries deal with, if not more.

A recurring narrative that we hear at BIO from the patent users within BIO is that as they go out and into the international patent system, they also encounter, in addition to the uncertainties that Herb and other speakers spoke about, particular ways in which patents in the life sciences either are enforced, or patentability for inventions in the life sciences are singled out for denial of patentability in the first place in foreign systems. That, in our view, should be part of international harmonization, too.

We look forward to continued dialogue on

the matter. We understand it is not the subject of today's meeting, so we'll have no further remarks on the matter. But my members do universally want me to point this out in this kind of setting. Thank you very much.

MR. MOLINO: Thank you very much. My name is Tim Molino, and I'm the Director of Government Relations with BSA, the Software Alliance. BSA is a global association of the world's leading software companies. Our members include Microsoft, Adobe, Autodesk, IBM, Apple and a host of others. On behalf of its members, BSA promotes policies that foster innovation, growth and a competitive marketplace for the commercial software and related technologies industry.

BSA members pursue worldwide patent protection for their intellectual property, and as a group, hold a significant number of patents, both in the U.S. and internationally. Many BSA members receive a majority of their revenues overseas, so it is vitally important that they

have strong international patent protection. To do this, our members spend a significant amount of resources patenting products and innovation around the world.

Can you imagine a world in which a single prior art search is all that's needed to get a patent? Can you imagine a world where one examination is all you need to have a worldwide patent issue? Thanks to the efforts of the PTO and our international colleagues, we are making progress towards such harmonization. We strongly support these endeavors. We look forward to working with you on this very important project.

MR. ELOSHWAY: Thank you very much, and I am Charles Eloshway, Senior Patent Counsel for Policy and External Affairs here at USPTO. Thank you for the introductions and for the introductory comments that were made. With that, we will now turn to today's program, and I will give a brief introduction of the topics.

As several of the panelists around the room will recall, patent law harmonization has

been the subject of on again, off again discussions for decades now. There have been some notable successes in that time, mainly in the area of procedures and formalities such as the Patent Cooperation Treaty and the 2000 Patent Law Treaty, which the USPTO is currently in the process of implementing, but harmonization of substantive patent law, that is, the provisions that form the basis for determining whether an invention is patentable in the first instance, has generally remained elusive.

A diplomatic conference convened at the Hague in 1991 to consider a comprehensive substantive patent law treaty failed, somewhat ironically under the current circumstances, in view of the U.S. -- the inability of the United States to agree to changing its system from first to invent to first to file.

A renewed effort to harmonize substantive patent law undertaken at the World Intellectual Property Organization in 2001 also failed when those talks collapsed in 2005, and

attempts by the so-called Group B+, a group that included the United States, Japan and other industrialized countries in Europe and the Asia-Pacific region to revive and advance those discussions in 2005-2006, achieved limited progress on a small set of provisions related to prior art. And then, from 2006 to 2011, there was little or no movement internationally towards harmonization.

Now, in early 2011, while Congress was debating patent reform legislation that would ultimately become the America Invents Act, the USPTO hosted a forum which was referenced earlier in the comments from AIPLA -- a forum of IP leaders from Asia-Pacific economies to discuss various issues related to substantive patent law harmonization. The objective of the meeting was to build on the momentum from the AIA debate to launch a new global dialogue on patent law harmonization. The result was universal affirmation by the participants that harmonization discussions must move forward.

To quote 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."

The success of that meeting and the strong sentiment expressed for achieving harmonization, led to the establishment later that same year of the Tegernsee Group, and in September, 2011, as you all know, President Obama signed the America Invents Act, which represents the most sweeping revision of U.S. patent law since at least the 1952 Patent Act. The AIA changes U.S. law in a number of key respects, perhaps the most significant of which is, as I mentioned earlier, changing the U.S. system from first-to-invent to first-to-file.

This change and several others, like the adoption of a more universal definition of prior art, the elimination of the so-called Hilmer Doctrine and expanded prior user rights were

purposefully made by Congress, as reflected in the legislative history of the act to better adapt the U.S. patent system to international norms. Thus, the AIA in large measure unilaterally harmonized U.S. law with that of major trading partners. Nonetheless, a number of significant gaps remain, and that is the background for today's roundtable.

As Acting Director Rea mentioned, at the most recent meeting of the Tegernsee Group hosted last October by the USPTO, the leaders of the Tegernsee Group offices tasked their patent law experts to collaborate in developing a common questionnaire to assist in gathering stakeholder views on the four issues that are the subject of today's discussion. This roundtable discussion will supplement the questionnaire responses we received and will further assist us in determining appropriate next steps for the Tegernsee Group offices to consider. I thank you all for participating.

Now with that, we will turn to our first topic today, our first agenda topic today, which I

expect we will spend quite a bit of time on, which is the Grace period. Now, the general rule in the first to file system is that information made available to the public before the filing date of a patent application, constitutes prior art to that application. Thus, for instance, if an inventor were to publish details of the invention in a trade or academic journal before filing an application for it, that public disclosure of the invention would ordinarily be novelty defeating prior art against the later filed application.

The grace period refers to a period of time prior to the filing date of the application within which certain disclosures of the invention will not impair the applicant's ability to obtain a patent. Because such disclosures do not prejudice rights, they are sometimes also referred to as non-prejudicial disclosures.

There are many policy reasons advanced for providing a grace period. One is that it allows an inventor to avoid a harsh penalty, the permanent loss of patent rights for what may have

been an accidental disclosure of the invention. Another is that it allows earlier dissemination of new technologies and research results than would otherwise be the case in a system without a grace period where the public would have to wait until the application is eventually published.

A third reason is that it allows applicants to test the market for the invention before filing, or to attract venture capital funding before undertaking the considerable expense of preparing and filing the application. There are many other reasons, some of which I expect we will get into in our discussion today.

The main argument against a grace period is generally that it increases uncertainty on the part of third parties. On one hand, third parties that see a disclosure of the invention, but will not know for some length of time thereafter whether that disclosure is the subject of a later filed patent application, or, on the other hand, a third party sees what appears to be prior art, and a patent covering that same subject matter later,

but a degree of uncertainty whether or not that disclosure is, in fact, prior art or is subject to being graced.

The grace period is perhaps the single most important area of substantive patent law remaining to be harmonized following the AIA. While the AIA maintains a 12- month grace period that has long been a fixture of U.S. law, other jurisdictions like Europe provide only a very limited grace period covering disclosures at World's Fair type international exhibitions. Or like Japan, provide a grace period of fairly broad scope, but of shorter duration.

This lack of harmonization may negatively affect U.S. innovators, especially, by foreclosing foreign protection in the case of an earlier disclosure, and thus, diminishing overseas markets and business growth opportunities, notwithstanding that U.S. patent rights may still be available.

There are a number of issues to consider within the grace period in terms of harmonization.

These include the scope of the grace period. So for example, should it be limited to disclosures by the applicant or the applicant's predecessor in interest only, should it also include disclosures resulting from abusive behavior or disclosures that were made without authorization from the applicant, to what extent, if any, should the grace period encompass disclosures by third parties.

Another issue is the duration of the grace period. Should it be six months? Should it be 12 months or some other period of time? Another issue is the date from which the grace period is counted. Should the grace period be counted from the priority date, if any is claimed, or only the local filing date? And another issue is any formal requirements for invoking the grace period. This is the so- called declaration requirement.

It would be useful to get the panel's thoughts on these and any other relevant issues. And with that, we will open up our discussion, and

I would like to start with Mr. Tramposch from AIPLA, and we'll just go in order around the room. Thank you.

MR. TRAMPOSCH: Thank you very much, Mr. Eloshway, and thank you for that very complete description of the history and the current status of these discussions.

AIPLA, as I mentioned, has responded to the call for comments from the USPTO. We are focused on this issue, and in fact, have created a harmonization test course within AIPLA to look at these issues in conjunction with our board of directors and our executive committee. And my comments today will reflect those internal discussions.

AIPLA agrees that the grace period is perhaps the most significant of the four issues to address, and perhaps the most critical issue in need of harmonization. The grace period is a critical component in the ability of individual inventors, start-up companies, universities and research organizations to achieve the potential

benefits of their innovations with limited risk of loss of their rights. AIPLA believes that the form of the grace period should be that which is referred to as an international grace period of the type discussed at the World Intellectual Property Organization in the context of their substantive patent law treaty discussions, as mentioned by Mr. Eloshway. We also see potential models for an international consensus in the current grace periods in Korea and Japan, with certain modifications that I'll mention.

At a minimum, an international grace period should provide a period of time to an inventor who publicly discloses the invention prior to filing a patent application, during which is own pre-filing disclosure will not be held against him as prior art. The grace period should cover any form of disclosure that qualifies as prior art under the law. This would include any form of public disclosure, whether in writing, oral, public use or public sale.

AIPLA believes that the period of time

for the Grace period should be 12 months in duration. The 12-month period should begin one year prior to the international priority date of the application, not the actual national or regional filing date. If the grace period is only counted back from the national or regional filing date, the grace period loses much of its international value. In such a case, the grace period would normally only benefit filers who have not filed in another country first. Most foreign filers are likely to file in their home office first.

Where that's the case, there is no need for a grace period counting back from the actual filing date in the second office, since the applicant is already protected during that period by their 12-month Paris Convention priority right. To explain this, here's an example. There currently is a six-month grace period in Japan. A U.S.-based applicant would normally file first in the USPTO, then, up to one year later, file in Japan. The grace period in Japan in this case

would only begin six months after the U.S. filing date.

Since the applicant already has a priority right under the Paris Convention, that priority right already protects that applicant from any disclosures that occur after the U.S. filing date. We believe that a true international harmonized grace period should benefit applicants from one country using the grace period to file in another country. It should not be limited to local applicants.

For example, in the current situation, even though applicants in the United States can benefit from the grace period within the United States, if they do take advantage of the U.S. grace period, they run the risk of losing their rights abroad in countries that do not have a grace period, or even those that do have a grace period and counted back from the local national filing date. Thus, we believe the grace period should be counted back from the priority date in the international solution.

The international grace period should not be limited to accidental disclosure. It should also allow inventors to strategically disclose their invention if they believe it is in their best interest, which is the case now in the United States. This would permit inventors to test the marketability of their inventions and to attract venture capital financing before undertaking the expense of pursuing patent application. And we all know that the expense of pursuing international patent protection is significant. Of course, any applicant during the grace period would bear the risk of subsequent independent third party disclosures prior to the filing date, and that is simply part of the strategy.

AIPLA does not believe that a declaration or other such information of the applicant's pre-filing disclosure is necessary. This would simply be an additional trap for applicants who may potentially lose patent rights for failure to submit the necessary information,

and we don't believe that it adds to the system significantly.

AIPLA firmly believes that harmonizing the issue of grace period is of the highest priority, and that it should be considered as the top priority among the four issues that we're considering today in the Tegernsee Group or in whatever international forum considers international substantive harmonization. Thank you.

MR. ELOSHWAY: Thank you, Mr. Tramposch. Mr. Armitage?

MR. ARMITAGE: Thank you very much for the opportunity to be here today, again, and provide a few comments.

I thought I might begin by maybe giving a slightly different perspective on the process of international patent harmonization. I think there's a temptation in this type of multilateral discussion to look at the objective as reaching an acceptable compromise. I think that's particularly difficult politically in the United

States and in every other country around the world, to take the compromise approach to reach agreement on patent harmonization issues.

As I once wrote, for the sake of compromise, no country wants to degrade its patent laws in any material respect just for the sake of making them like the second rate patent laws of its harmonization partners. And so, I think there's a real risk if we look at this task before us as a task of finding the right balance; that we will miss the point that I think AIPLA has made, certainly IPO has made, I know BIO has made, I think everyone in this room who's testifying today has probably made, that this needs to be an exercise in identifying best practices.

Now, the United States Patent and Trademark Office back 12 years ago -- in fact, this is almost the 12th anniversary of its federal register notice, actually asked its U.S. constituencies, what are those best practices for reaching international patent harmonization. That was the federal register notice that appeared on

March 19. It had a whole series of questions, and was basically put in place as an attempt to see back then what might be done in the way of best practices as the fundamental basis for patent harmonization.

Like other domestic organizations, and I think AIPLA provided responses back in 2001, IPO did, BIO did for sure, other groups did, there was a broad consensus on how to structure a harmonized patent system which would at its core, have the first-inventor-to-file principle. The ABA-IPL section did a detailed study of the results of that 2001 effort when we put together our 2005 white paper on patent law reform in the United States. And that white paper was fairly adamant that the United States should not go forward with patent law reform domestically unless it reflected the consensus domestically on best practices for patent harmonization.

And if you go back and read the white paper, whether it's the original 2005 versions or the later modified versions, the

ABA-IPL section never wavered from the belief that the America Invents Act should be the mold and model for the rest of the world, seeking to introduce best practices into a harmonized patent system. And so what do we have in the AIA? We have a globalized definition of prior art. We actually have a globalized definition of the manner in which co-pending unpublished patent applications ought to be cited or not cited in the context of determining what prior art might be.

I think where we are today, therefore, domestically -- and I don't think any aspect of this domestic consensus has changed, it's absolutely essential that what we think of as the inventor's one-year grace period be part of any international harmonization effort, and basically, be reflected essentially verbatim as it appears in the America Invents Act.

Let me maybe just make a couple of other comments so that that preceding statement on my part is not misunderstood. In the America Invents Act, there are grace period provisions. There are

anti-self-collision provisions, and then, there was an additional compromise provided in the America Invents Act that basically said that on balance, every inventor will be advantaged by being in a first-inventor-to-file system relative to a first invent system when it comes to inventors who have made pre-filing disclosures of any type of subject matter for which they later seek a patent.

And so when I talk about the grace period provisions, I'm talking about the provision particularly in Section 102(a) -- 1 and 2, subparagraph (a). Not the subparagraph (b) provisions that reflected that compromise I just referred to, and not the subparagraph (c) provisions of 102(a)(2) which embody -- we'll come to this a little later, I'm sure -- the anti-self-collision provisions that are incorporated into U.S. patent law.

So, let me just say in conclusion that we have a perfectly good grace period in the United States. It doesn't encourage inventors to publish as a patent strategy. It in fact, impacts

a relatively small percentage of patent applicants, most of whom are either uninformed or ill informed about the imperative a patent strategy that starts first not with disclosure, but starts first with seeking a patent. And for that 1 percent or so of inventors who unfortunately, have made a pre-filing disclosure, I think the idea that a grace period would be less than a year, or the idea that a grace period would be encumbered with formalities, or the idea that a grace period could not be a predicate to a provisional patent filing, probably does not represent, at least in anything I've read by any domestic constituency, a best practice for how we might proceed to further international patent harmonization.

MR. ELOSHWAY: Thank you. Mr. Kotapish?

MR. KOTAPISH: Thank you. Well, I think whatever is decided on the grace period, I think for inventors, just as Mr. Armitage was saying, that inventors need to have certainty and confusion needs to be avoided. And I think what

Mr. Tramposch shared as well, a lot of those same ideas would be parallel to what I think inventors would like to see done, as well. So I don't want to repeat a lot of what he said. I know that's easy for me to just tag along.

But I think if there is confusion as to, you know, am I publicly disclosing now, do I have to rush to my patent attorney right now, today if I'm going to file overseas, you know, or something like that, it's a little absurd. But I think there needs to be clarity where the line is, and is there a standard for filing, you know, filing in the U.S. Do I plan to file overseas? What should my strategy be right from the beginning? And I think a broader grace period will benefit inventors, small business, any business, as well, with the international priority date, as well in consideration.

So I think clarity and certainty and clear language for those who are not initiated to the changes as well, which, you know, there will always be certain legal language that needs to be

interpreted. But I think from a small business perspective and an inventor perspective, just making things clear. So, thank you.

MR. ELOSHWAY: Thank you. Mr. Molino?

MR. MOLINO: Thank you. I also agree with my colleagues that this is probably the most critical and complicated issue that the PTO is going to have to face in its efforts on these four different topics.

We don't have strong opinions at the time on specific rules per se, but I would say that from a BSA perspective, we want a simple, consistent grace period that doesn't discriminate from one country to another, and doesn't discriminate from citizens of one country to another, or where your publication is made or where you file your application.

We also believe that this is really important for small software companies where again, they don't understand the complications of patenting, and when you should patent and when you should not. We are fully supportive of what's

currently in the AIA, but we also understood that this is a work in progress, and that not everything can be consistent with American law. So we hope that the PTO will pay attention to what's in the AIA as it moves forward, but at the same time, we understand that this is not just a one-sided discussion.

MR. ELOSHWAY: Thank you. Mr. Sauer?

MR. SAUER: So, what I have to tell you about BIO's views on the grace period is, I should tell you, a composite of longstanding policy documents that were developed by BIO and are informed very, very much by the conversations we had when the America Invents Act was developed.

I do want to echo what Mr. Armitage said, that BIO's views on the grace period and on international harmonization and on the America Invents Act are very much of one piece. Our thinking about one informs the other, and vice versa. And there's no separate BIO perspective on best practices in the international system that would somehow deviate from what we thought would

be acceptable and ideal to incorporate in the America Invents Act. So there is like one view on these matters for all purposes within BIO.

So about the grace period, I can tell you that while the America Invents Act was developed and in previous discussions internationally, the grace period got, especially during AIA conversations, relatively little attention by BIO's members. That doesn't mean it was unimportant to BIO's member companies. To the contrary. I think, however, it informs the way most Bio companies look at what the grace period is for and what is intended to do.

Most BIO members, in my assessment, view the grace period not as something that you would rely on as a patenting strategy systematically, but as a backstop when things go wrong. A backstop for accidental disclosures, a backstop for breaches of confidentiality that occurred in some way. A backstop against derived disclosures that come from the inventor maybe made under confidentiality, then became public, and the like.

So when things go wrong, and we hope that things go wrong rarely.

Another thing I often hear from BIO members is that the easier the access to the patent system becomes, the less important reliance on the grace period really should be. Right? The easier we can get into the system, the less we have to rely on grace period protections, anyway. The ideal system is, in our view, a system where we can quickly and easily reserve rights through properly filed applications that don't cost very much, that shouldn't require 30-, 40-, $50,000 by patent attorneys to prepare, or at least, that should provide a reasonable amount of protection, even for those who can't rush to attorneys and have them write expensive patent applications. But for example, by filing, maybe a disclosure in the nature of a scientific publication manuscript that nonetheless, maps relatively well on the requirements of Section 112. So, I often hear that it's really not very hard to get into the system quickly, so that instances where you should

have to invoke the grace period are rare.

At the same time, because BIO has lots of members, many of which are actually overseas corporations and European companies, we are conscious of reliance interests that we sometimes hear where, for example, companies tell us, look, when I read a scientific publication, it would be nice to know whether I can rely on this publication as something that is, in fact, in the public domain; it was freely published. So can I rely on this or not in my work, for whatever purposes? It is public. So why should I have to assume in every instance that rights and what is published here were, in fact, reserved? And that fact may not become known to me for a very long time.

In that sense, if we adopt a grace period, which you know, we did in the United States, which we think we should do internationally, the publication requirement that we'll talk about next will become implicated, if we are interested in keeping a moderate amount of

reliance and accounting for the expectations of readers of scientific journals and visitors of exhibitions and the like. Then, I think it's fair to say that a grace period that accounts for the inventor's own disclosures or disclosures that emanate from the inventor, has to work in harmony with a publication requirement at the same time, so that at the very least, the period of uncertainty where you know or don't know whether something that was published is, in fact, in the public domain, is kept as short as possible. It's maybe not the ideal combination to have a grace period for inventor disclosures coupled with a non-publication option of substantive patent applications in that sense. All right? But that's maybe for later.

A few specific points. Most BIO members believe that the grace period should kick in by operation of law. We're not quite sure at BIO how practical it would be to affirmatively grace every disclosure and how that would work, either through a declaration requirement or through a notice on

the publication itself saying, oh, we hereby put you on notice, like in the small print at the end, that rights in this publication may be reserved and may be subject to patent applications later on.

That would be a *pro forma* thing to do that then everybody would invoke, whether they filed patent applications or not. So that would add relatively little. At the same time, a declaration at the time of filing a patent application does seem to be a trap for the unwary. The point actually is of a grace period that often, at the time you file a patent application, you don't always know what was disclosed in the year before. All right? So it would add a lot of complications.

I think there's some flexibility on how this could be done, but our view is that the simplest and easiest system would, in fact, be to have the grace period arise by operation of law and not by some affirmative invocation by whatever mechanism.

In conversations with BIO members, my understanding is that the majority view is that the grace period should operate as of its priority date and not from national filing dates. It should be uniform across systems, and as to scope, at the very minimum, the disclosures that are graced should definitely qualify as prior art. It should be the kind of thing that creates prior art against others as it would against the inventors, such that, for example, disclosures that wouldn't qualify as prior art under the system wouldn't be the kind of thing that you would have to invoke the grace period for.

We understand that prior art isn't the same everywhere, especially oral disclosures. If two people get together and the one says, look, I have this great idea. And do you want to go into business with me, and we talk about the inventions before a patent application was filed? These kinds of things don't really constitute prior art in the United States. They may constitute prior art elsewhere.

That's something we have to keep in mind, that you know, non-uniformity of the definition of prior art actually will lead to non-uniformity of the operation of the grace period. But it is, perhaps, for another day. All right? Nonetheless, it should cover only things that qualify as prior art, and it should cover disclosures that are not only made by the inventor or the applicant, but also, that emanate from the applicant. So to protect against derivation in that sense, we believe would be fair and would be important to incorporate.

MR. ELOSHWAY: Thank you, Mr. Sauer. Mr. Wamsley?

MR. WAMSLEY: Well, it appears we have a great deal of agreement around the table about the grace period. And in IPO, we, too, would say that a grace period is the most important remaining issue and probably, the most complex for harmonization, now that all of the countries in the world are on a type of first inventor to file system. We see the objectives of the grace period

as providing a safety net for inventors and applicants, while structuring it in a way to provide reasonable certainty.

So at the risk of duplicating a fair amount of what's already been said, I would like to take my five minutes to give the context in which we see the grace period issues, and as they say in Congress, when we get to the other issues, I'll probably be happy that you'll back part of my time.

Most of our corporate members, especially those who are internationally oriented have been operating under a first-to-file system for many years without relying on any grace period in order to be sure that they could obtain foreign rights in addition to rights in the United States. Nevertheless, even among our corporate members, there are situations that arise where they must rely on a grace period in order to obtain patent protection in the U.S. Not having a corresponding grace period in foreign countries can cause them significant losses of patent rights worldwide.

Such situations may arise in conducting joint research with universities and research institutions, conducting research with other companies, especially foreign companies or accommodating the need for disclosure during trials or public experiments that may be required. Each of these situations can increase the risk of an inadvertent disclosure of patentable subject matter that bars the owner from being able to obtain global patent protection.

Also, for non-corporate members of our association, the need for such global grace period may be even more significant. Patent rights may be lost through error on the part of the inventor or the person entitled to file, or by an employee. Occasionally, loss of rights occurs through theft of information, breach of confidence, disclosure at trade shows or disclosure during business negotiations.

In such situations, lack of a grace period in certain countries can be a serious limiting factor in the success of a start-up

company or in connection with cutting edge research activities. The existing patchwork of patent laws among countries around the world includes disparities, as Mr. Eloshway noted, in even the availability of a grace period, in the timing of a grace period, the extent of the grace period and other grace period differences. These disparities present legal and business challenges as well as risks for businesses.

We believe a grace period needs to represent a balance between the goals of the patent system and the other needs of the business community. A very significant aspect of the grace period is that it protects the inventor who first disclosed his invention from subsequent disclosure of his invention by third parties having derived knowledge of his invention from him before the inventor files, of course. So we believe a grace period has a safety net function permitting inventors to lessen the risk of disclosure to third parties, protecting their inventors from their own disclosures as they proceed.

Although we are aware that the new AIA includes a first-to-disclose type of grace period, we recommend that in the context of an international treaty, the grace period should protect the inventor from his own disclosure or the disclosure of those who derive from him, but we do not think that a grace period should exclude from prior art the disclosures of third-party inventors who may have disclosed prior to the patent application. And I think certainty is a consideration here.

As a part of an international grace period, as others have said, we would not want to include a requirement for submitting declarations or similar mandatory requirements for invoking the grace period. We believe a requirement for declarations would impose undue burdens on applicants, increase costs and create further pitfalls for mistakes and errors. Many countries that have a grace period, such as the United States and Canada, have found it unnecessary to require declarations.

When an examiner cites a pre-filed disclosure during the prosecution, the applicant can file a declaration at the time showing evidence that he originated the disclosure, or that such a disclosure was derived from him. We also believe an international type of grace period should be a 12-month period, and that the grace period should be prior to the priority date, where a priority date is claimed.

If the grace period were limited to being counted before the national filing date, it would turn the grace period into a national law without giving international benefits. And finally, we agree that the mode of disclosure, whether a disclosure in writing, oral disclosure, sale or use should make no difference. The same grace period should be available for all modes of disclosure.

MR. ELOSHWAY: Thank you, Mr. Wamsley. Mr. Winwood?

MR. WINWOOD: Thank you. Well, I think I find myself in raging agreement with many of the

comments made by the panel before me, which is not surprising when your name begins with “W” and you're last in the alphabet. But clearly, the value of ease of access to a global patent system is very attractive to the university community. Global patent coverage is all too often out of reach for universities, simply based on the cost and complexity of dealing with multiple offices.

That said, I'm going to provide you with some comments around this area that are of particular interest to the university community, and in the way in which we feel that we're a little bit out on a limb in some regards here, because I would suggest that the university community finds itself as perhaps uniquely challenged among all patent office clients, given the mandate of our investigators both to create and to disseminate knowledge, often without any control from the university's administrative offices.

This is a proposition and a practice that has been supported, at least pre-AIA, by the

grace period for scientific publications. The university community was very supportive in the course of these negotiations toward implementation of AIA and harmonization. Now that we have moved to first inventor-to-file, an expectation of reciprocal moves on the part of others is unreasonable request, we would suggest.

However, given our understanding currently of the grace period under the AIA, it's not clear whether any such request will or should be considered. Certainly, as interpreted currently, it appears that disclosures made during the grace period must be essentially identical for our grace period to apply in the States. Presumably, even a minor modification in a subsequent disclosure would be disqualifying prior art, and such a narrow grace period really doesn't serve the interests of many U.S. stakeholders, as has been indicated already, and we believe particularly disadvantages U.S. universities. As I mentioned, a fundamental goal of higher education is to publish scientific papers

advancing knowledge.

However, we find ourselves in the university community facing increasingly high expectations from our state and federal governments to contribute to technology based economic development, which is increasingly combined with a need to protect intellectual property arising from publicly financed research. So this expectation, along with an increasingly globalized economy means that uncertainty in interpretation of, or outside of the U.S., an absence of a grace period likely means that our scientists will either hesitate to publish, or will lose their ability to obtain patent protection, and having to make such a choice is really not in the best interest of either science or economic development and undermines the intent of intellectual property law in promoting innovation.

I should point out that academic community norms as opposed to industry norms tend to place a higher priority on publishing, rather than patenting. The phrase publish or perish is

not taken lightly in academia, but with a robust grace period, we have been able to minimize the challenges associated with these dual demands of creating and disseminating knowledge. So the affect of a narrower grace period appears to be disadvantageous to U.S. universities and their ability to play a catalytic role in driving economic growth by leveraging intellectual property assets.

By way of background, someone referenced how big the scope of this problem might be, just to point out how -- the scope of the U.S. academic endeavor in research. Last year, U.S. academic research institutions spent $54.9 billion on science and engineering -- excuse me, that's a 2009 number, of which 32.6 billion was federally funded. This represents 36 percent of all U.S. research and 53 percent of the U.S. basic research, precisely where new industries, such as the biotech industry are created and thrive, provided adequate protection is available. Because 60 percent of academic research is spent

on life sciences, the ability to secure strong patents is vital for commercial development and economic growth.

So as you know, if you read any press recently, the pharmaceutical industry has eliminated many tens of thousands of basic research and discovery scientist positions from their payrolls in the last decade, fundamentally changing the profile of the industry and the outlook for introduction of new medicines to the market. And in partial response to this change of global business environment for the industry, companies are increasingly relying on universities as essential partners, able to provide new products for the drug development pipelines. However, without the certainty afforded by strong patents, such efforts and major investments will likely not be made.

So if the results of academic research are published before patents are filed on the new first inventor-to-file system, the chances of the public benefiting from new treatments into the

marketplace are reduced significantly.

So U.S. academic inventions really are important drivers of the economy. Information from Hans' organization report issued late last year said that between 1996 and 2010, university patent licensing contributed approximately $836 billion to U.S. gross domestic output and $388 billion to gross domestic product, supporting 3 million well-paid jobs. And this is published online at the BIO web page.

My own organization, the Association of University Technology Managers, reported in our most recent annual survey that university patented inventions spurred the creation of 591 new products and 670 startup companies across the U.S., and currently, there are 3,927 university spinoff companies in operation creating new jobs for American taxpayers.

Without provision for an adequate grace period, these benefits are all in jeopardy. But the U.S. is not alone in facing this challenge, as countries around the world are looking to

integrate their own research universities into their economic systems. Again, without strong protection, accomplishing this is made much less likely.

So our challenge remains that we have a mission, a dual mission to create knowledge, to publish it, and it's a mission that is accomplished by independent researchers, for the most part. Unlike an industrial environment in which there may be a strategy for patent filing and a strategy for when it's appropriate to file, we have a different set of guidelines. We have investigators who need to publish as quickly as possible in many cases. They need to publish to secure additional funds to keep their labs operational.

And so we are faced with a really hard dilemma here, and we want to able to secure patent protection that is as strong as possible. We want it to be available so that we can license that patented intellectual property for companies operating in a global economy. And so, we are

very much in favor of a robust grace period, but also, one that is uniformly and certainly, interpreted on a global basis.

MR. ELOSHWAY: Thank you, Mr. Winwood. Picking up on your last comment, and by way of attempting to summarize some of the comments that were expressed in our discussion, it seems to me that there is general support for the notion of a uniform grace period that would, among other things, be counted from the priority date, if any is claimed. I think that I heard general support for the notion that the grace period should be 12 months in duration, and several comments specifically were made that a mandatory declaration requirement should be avoided.

There were a number of comments also made to the effect that whatever qualifies as prior art should be subject to being graced. And there were references made both to a safety net type grace period and the specifics of the grace period that are provided under the AIA.

I wanted to probe a couple of issues

with regard to the latter point that I just referenced, and I appreciate that not all of the speakers around the table may be in a position, giving their representative capacity, to address particular issues. But I'm hoping that we can still have a bit of a discussion on some of these finer points.

One issue that has come up in past harmonization discussions concerning the grace period, and it relates to what should be the proper functioning of the grace period -- should it be safety only, whatever that may mean, or should it allow for more affirmative strategies of using the grace period from the inventor perspective?

And one issue that has come up in the past is, to what extent, if any, should an earlier already published application by the same inventive entity be graced? So we're not talking about a conflicting application situation. We're talking about an application filed earlier that is already published, and then, within 12 months of

that publication, another application containing common subject matter is filed by the same inventive entities. Should that earlier published application be excluded under the grace period?

And I will open it up to whoever wants to weigh in, generally.

MR. ARMITAGE: Could I make a couple of comments? As a starting point, the grace period under the America Invents Act is identical in every respect to the grace period that existed under prior law. So there's no sense in which the grace period is narrowed, or in effect, less useful for inventors.

It was always the case under pre-AIA law that the inventor was ill-advised to use the grace period as a patenting strategy. An inventor who did publish on an invention before seeking a patent had basically that one-year period in which to make the definitive patent filing that thereafter basically could never be supplemented or augmented, because the publication of the inventor, more than a year earlier, would be prior

art to the inventor and anticipate or render obvious any broader or different claims.

So it was always a bad deal, whether you were working inside a biopharmaceutical company or working for a university, to think that you could use the grace period as a patenting strategy.

The provisions that I referred to earlier that are in the subparagraph (b) of Section 102(a), 102(b), the subparagraph (b) provisions, had nothing to do with the grace period, and were by and large designed to rebalance the U.S. law in a very narrow and specific way so that whether you're under the first-to-invent system or first inventor-to-file system, you are likely better off being under the new law than under the old law. The old defects of being under the old law were removed, and there's a slight advantage to being under the new law if there's an intervening publication, but not perfect.

Now, getting to the specific question you asked, let's keep this very simple. If there's a publication, even if it's a published

patent filing, and it's a publication by or on behalf of the inventor, it ought not to be prior art. Period.

The grace period simply protects the inventor against the inventor's own work being held against him for the one period from the time the inventor's own work became available to the public.

MR. ELOSHWAY: Thank you, Mr. Armitage. Would anybody else like to weigh in?

MR. WAMSLEY: I agree that the earlier published patent application should be graced just the same way as any other publications by the inventor. I think it doesn't make any difference whether it's a published patent application, if it's within the 12-month period. Now, it could be that if we're talking about two very similar patent applications, there's a conflicting patent problem. But we'll come to that later as another issue.

And adding to what Mr. Armitage said about the type of grace period in the AIA, our

members, which are predominately multi-national corporations for many years, have really operated without any grace period. But as I indicated, we think the safety net grace period is important for everybody. But going to the intervening publications by an independent inventor or a third party inventor who independently invents, and gracing that type of publication, I think is creating uncertainty.

And so, we come back to balancing the interest of the inventors and companies in getting protection and avoiding inadvertent disclosures with the need for as much certainty as we can.

MR. ELOSHWAY: Thank you, Mr. Wamsley. Mr. Sauer?

MR. SAUER: If I could ask a clarifying question, because I think in your question about the subsequent inventor's own application in light of a prior published application by the inventor himself, I wonder if there's an unstated assumption about the operation and scope of the grace period buried in that question.

So first, I assume if an inventor, within a year of a publication of his own prior patent application files another patent application on the same invention, I don't think that will become a problem under the grace period or any system, because you can't get two patents on the exact same invention. If the inventor files a patent application on an obvious variant of what is published in his own prior application that, I think, is a question about the scope of the grace period.

Does the grace period protect the inventor against disclosures by others of obvious variants, thereby destroying his ability to get a patent on what exactly he disclosed and then claimed later, or does it not? If that is clear, right? You know, the question of the obvious variants and the impact thereof on the ability of the inventor to get a patent on what he claimed is, I guess, something that is subject to discussions in other settings, as well.

MR. ELOSHWAY: Just for clarification,

in my question I referenced common subject matter, so not necessarily identically claimed subject matter. So it would encompass the situation that you described, and the reason that I raise is because there are some national laws that affirmatively exclude from the grace period such situations where an earlier published application by the same inventive entity, regardless of the country of publication, would constitute prior art.

And in the past, in past consultations, we have received views from stakeholder groups that an internationally harmonized grace period ought to grace such publications. And I just wanted to revisit the issue, because it could come up in subsequent discussions in the present context.

So if there are no -- yes, sorry, Mr. Tramposch.

MR. TRAMPOSCH: Thank you, and I apologize for being slow with putting up my flag.

A couple of brief points. With respect

to the safety net versus affirmative strategies, it's never really been clear to me how one distinguishes between those. I think when some of the countries in the international discussion say that grace period should be a safety net only, they think that somehow, the declaration accomplishes that. But I'm not quite sure it does, because I can affirmatively disclose something, and then file a declaration when I file my patent application. In fact, it's much easier in that case, because I had intentionally disclosed, and I know about the disclosure.

With respect to a safety net, a safety net usually, or often, is for a disclosure that I'm not aware of at the time I file. So a declaration actually goes against the safety net principle in that case. So I believe that a grace period that allows for a safety net, also allows for an affirmative strategy, unless there's some type of intent that's looked into. And we think that that would be a very big mistake. And so, the position of AIPLA is that we think the grace

period should allow for affirmative strategies, as well as safety net.

With respect to the earlier published applications, I'll simply reiterate our statement that anything that constitutes prior art should be subject to the grace period. Thank you.

MR. ELOSHWAY: Thank you, Mr. Tramposch. I would echo your comments about the intention or the meaning behind safety net grace period. And the example that I just gave with regard to an earlier published application is one example that was expressed in earlier discussions of a non-safety net type approach to using the grace period.

If there are no other comments on that particular issue, Mr. Armitage?

MR. ARMITAGE: I think in any of these discussions, it's important to have the best possible terminology used. I think there are cases in which inventors make affirmative, informed decisions to publish without seeking patents. And those decisions may be ill-informed,

but they are affirmatively made, and they are informed knowing the consequences.

I don't think however, there's ever an affirmative strategy to -- as a patenting strategy, with the idea, I will later be in a better or equal position to get a patent if I publish first. I think there is no such thing as a patenting strategy that involves publishing first. To use a very crude example, Germany made an affirmative informed decision to have a two-front war in World War II. That was obviously a decision that had no sensible consequence, other than it led to their defeat.

And indeed, inventors who publish first and file patents later, often because of intervening developments, wish they could take that publication back, because of the way they lock themselves in to their own publication becoming prior art at the end of the year, and their inability to do what all other inventors can do who file first and publish later, and that is, have at least that 18-month period before their

invention becomes public, before their competitors are aware of what they're doing. And then, going to your question again, having that full 30-month period, if there's no intervening work, to continue to refine their invention without having their own work being held against them. So the inventor who starts with an informed decision to publish is taking only downside risks, for which there inevitably are not upside risks.

MR. ELOSHWAY: Thank you, Mr. Armitage. Yeah, Mr. Tramposch.

MR. TRAMPOSCH: Thank you very much. Just in response to what Bob said, I'm no expert on military history, of course, but as far as the strategy, when AIPLA says that it should be open to strategies, we're not necessarily saying that the strategies would be good ones that an attorney would necessarily advocate for their clients. But I can think of one strategy for publishing, and that is, if you do publish and you intend to file within the year, and you have your grace period, that publication becomes prior art against third

parties that may file in the interim. Thank you.

MR. ARMITAGE: As point of rebuttal, you're much better off in that situation to pay the provisional filing fee, file the patent application, then, proceed to have your non-provisional application published. It also becomes prior art as of the earlier filing date. And in the meantime, you have the luxury of then refining and improving that invention over the 18 months.

So for the sake of saving the provisional filing fee, I would urge those who would follow Mr. Tramposch's strategy to reconsider and go to the Patent and Trademark Office with your provisional filing.

MR. TRAMPOSCH: Again, I said it was not necessarily a strategy that should be advocated, but I would remind Mr. Armitage that provisional -- we're talking about international grace period, and the provisional filing is not necessarily available in other countries.

MR. ELOSHWAY: Thank you for that lively

back and forth. (Laughter) One additional issue on the grace period before we leave the subject, and I think this will help to kind of clarify things in my mind, and also, to help maybe inform our discussions going forward.

In the context of some of the comments that were made, there were references to the AIA grace period and what's, I think, been called the third party disclosure shielding effect. And there were similarly comments made about disclosures, re-publication type disclosures or other kind of disclosures that were derived from the inventor.

So the question that I want to ask is, if a grace period, an international grace period proposal were to include language that prohibited a disclosure derived from the inventor from becoming prior art within the grace period -- so a third party publishes something whether or not the inventor had published earlier, and it was derived from the inventor; if that were the case, would that satisfy the concerns that had been expressed

about what to do in the case of third party disclosures?

So in other words, if the international grace period proposal had an anti-derivation provision in it, would that be sufficient to address those concerns, or would we need to go forward? Or is the view that to go forward, we need to basically copy what the AIA provides in terms of those third party disclosures?

MR. ARMITAGE: We need to copy what the AIA provides, if I understand your question correctly, because the AIA has a very simple provision that says basically, if it appears in the New York Times, and inventor can demonstrate that what appears in the New York Times actually was the inventor's own work, then it's not prior art.

And so I'm having a difficult time actually understanding under what circumstance an inventor actually publishes on his own work, since the publisher publishes on anything that's published, and there would be a name associated

with the publication. There may be a group of names associated with the publication, or there may not be. Or, it maybe the names associated with the publication are the result of derivation.

None of the people named associated with the New York Times article or the scientific publication are actually reporting their own work. They're reporting the inventor's work. So you have a myriad of possible complexity where you could, I suppose, write different statutory provisions for each variation of what might occur and what might or might not be graced or not. Far simpler, simply to say that if the work was directly or indirectly the work of the inventor that was published, it's subject to the grace period, period.

MR. ELOSHWAY: Thank you, Mr. Armitage. The reason for the question is that in past harmonization proposals, past harmonization proposals have included language that is similar to what's currently in AIA Section 102(b), (b)(1)(a). The disclosure was made by the inventor or joint

inventor, or by another who obtained the subject matter disclosed, directly or indirectly from the inventor or joint inventor, which appears to me to be an anti- derivation type provision.

Nonetheless, we still have the other sections of the grace period to talk about, a first disclosure by the inventor and a subsequent disclosure of similar subject matter. And some of the comments that were made earlier didn't appear clear to me whether or not we needed to continue to have, if we were going to advocate an international grace period, whether we needed to have those additional provisions, vis-à-vis third party disclosures where there was a first disclosure, or whether or not derivation would be sufficient for all purposes.

So, I apologize if my question wasn't entirely clear, and maybe now with that clarification, if you have any additional comments?

MR. ARMITAGE: Yeah, this goes back to the vocabulary issue that I think I alluded to

earlier. And that is, when I speak of the grace period, I speak of those subparagraph (a) provisions. In other words, the grace period, never under prior law and currently under the AIA does nothing more than insulate the inventor from his own activities or own work becoming available to the public.

Those subparagraph (b) provisions are not grace period provisions, and they were introduced as part of a compromise. Obviously, the university community was involved in that compromise, and in my view, they're novel provisions of law. We'll find out how they work. I think what's distressing to me about those provisions is that they've been criticized as not going far enough. Most of the proposals that would remedy that criticism actually provide advantages to inventors who publish that aren't provided to inventors who instead, seek a patent filing. That, to me, is terrible public policy.

So I think we have a real dilemma domestically trying to determine what our

provisions should be on the overall scope and content of the prior art issue, aside from the grace period issue, with what to do with these novel subparagraph B provisions that I think, frankly, at this point, we see domestically some people criticizing because they're too complicated and provide too much uncertainty. And we have another constituency criticizing them as not going far enough, but with ideas to have them go so far that they clearly wouldn't be good public policy if they went so far. And yet, they're so novel, that it would be a long time before we know how they work in practice.

My own relatively naïve view has been that 99 percent of the issues inventors face are resolved by having the pre-AIA grace period preserved under the AIA. That solves, in almost every circumstance, any issue that in the real world an inventor's likely to face.

What's in the subparagraph (b) provisions probably account for the majority of any other situation where an intervening disclosure that's

totally independent work; would arrive before the inventor could get to the patent office with a patent filing. So the idea that we would have subparagraph (b) plus provision at this point, seems to me to be attempting to perfect a system that's already perfect enough for almost every inventor and almost any situation the inventor is likely to encounter.

MR. ELOSHWAY: Thank you, Mr. Armitage. And coming back to my question, another reason for asking it, perhaps the main reason for asking it, apart from just trying to get a bit of clarification for myself where the different positions were on those subparagraph (b) provisions, is that we've already received a number of comments from our international colleagues critical of that kind of an approach to the grace period, calling it a first to publish system or first to disclose system, and claiming that it's antithetical to what they consider to be a safety net type grace period. So this is all helping to kind of inform us, again, how we should move

forward with the discussions.

I would like to hear, if there are any other views -- yes, Mr. Wamsley?

MR. WAMSLEY: Just to try to make a little clearer what IPO's view is on this, and I agree with Mr. Armitage, that the vocabulary is difficult here. And we have a new AIA with the subparagraph (b), which we may not even know exactly what that means yet. But to use your vocabulary, Mr. Eloshway, I think IPO would say that if the grace period protects the inventor against his own publication, or is his own publication before filing within 12 months is graced, and if you have an anti-derivation provision, then that satisfies our concerns. And I think that gives you a grace period with reasonable certainty.

MR. ELOSHWAY: Thank you very much. Any other comments?

MR. MOLINO: BSA would just echo those comments.

MR. ELOSHWAY: Thank you, Mr. Molino. Mr. Sauer?

MR. SAUER: Now this is strictly anecdotal, because it doesn't reflect BIO policy, the only more formal BIO position we have on this never really included the subparagraph (b) type provision, where you know, a first disclosure protects against a completely independent subsequent disclosure. That was never much discussed or thought of within BIO.

I do remember conversations, however, after the AIA was passed, and when people started really thinking about how all these grace period provisions would start operating, where we had a room of BIO patent attorneys at one of our meetings. We talked about this, and the sense clearly was that people did not understand an inventor disclosure during the grace year to establish, for example, the right of priority or that kind of entitlement, if you will. That, I think, was very clear in the room, how people felt.

The other observation that was made, however, was that it is, even if we have a proper

anti-derivation provision in there as a practical matter, quite hard, probably, in many instances to establish that derivation, in fact, did occur and that the subsequent disclosure was not truly and completely independent. So a lot of people are motivated by very practical concerns. And they said, well, yeah, even if the idea is anti-derivation, it's going to be hard to prove.

But nonetheless, at the same time, people said yeah, but we don't want this to be a priority type disclosure that establishes an entitlement and defeats everybody else's rights, or removes novelty-defeating prior art that was truly, truly independent. So I think people were of two minds. There was a practical thought in the room, and the countervailing consideration of yeah, but it's very hard to show derivation.

MR. ELOSHWAY: Thank you, Mr. Sauer. And I'm glad you mentioned that, because that was one of the thoughts that I had, too, is whether or not the subparagraph (b) provisions were in effect, a belts-and-suspenders kind of approach to

anti-derivation, where all that mattered was an objective assessment of the commonality between the two disclosures, rather than getting into the issues involved in determining derivation and intent and things like that.

Okay, thank you very much for what was a very robust discussion of the grace period issue. I would like to now move on to our second agenda topic, which is publication of applications. And I'll give, again, a brief overview, and then we will open up the discussion to our panelists.

The practice of publishing patent applications at 18 months from the earliest effective filing date, including any claimed priority date is a common fixture in many of the world's patent systems and represents a balance of interests between inventors and third parties, including the public. There are many policy considerations that underlie this balance.

One such policy is to ensure that third-party competitors have timely notice of new developments so they can make informed decisions

about, for example, whether to continue pursuing a similar technology or designing around the subject matter disclosed in the application. This, in turn, promotes a more effective allocation of research investments and a corresponding reduction in costly and time-consuming litigation.

Another policy is to allow the inventor sufficient time to decide whether to continue seeking patent protection or to withdraw the application and preserve the information as a possible trade secret. Eighteen-month publication also increases the efficiency of allocating patent rights by enabling an early assessment of prior art with respect to conflicting applications, which we will be discussing more fully under the next agenda item.

However, 18-month publication is not without its consequences. If patent rights are not sorted out prior to publication, the availability of potentially lucrative information during the period of time between publication and when the patent is ultimately granted can provide

competitors worldwide with an opportunity to copy or design around technologies that are stuck in examination backlogs, though it should be noted in this regard that the availability of provisional rights as exist in the United States and other jurisdictions may mitigate this concern to some degree.

Similarly, if at least search results are not provided by the office to the applicant prior to publication, the applicant may not be able or may not be in a position to make a suitable informed decision, whether they are likely to obtain a patent or should withdraw the application and hold the information as a trade secret.

The United States is currently the only system that allows certain applicants to opt out of publication at 18 months, and for our purposes today, we're not talking about non-publication on the grounds of national security. The United States is currently the only system that allows certain applicants to opt out of publication at 18

months on condition that they have not and will not file a foreign counterpart application. Other jurisdictions require all applications to be published at 18 months from the filing or priority date, provided they have not earlier been withdrawn.

That said, according to our most recent information, the USPTO publishes about 94 percent of all applications, which equated to about 22,000 non-publication requests in 2011. Thus, it could be argued that despite the opt out provision as a practical matter, U.S. law is already effectively harmonized with that of other jurisdictions. On the other hand, it has been suggested that so-called submarine patents remain a problem, notwithstanding the low opt-out rate, such that the opt-out rate only tells part of the story.

Now with that background, I would like to invite comments from the panel on this subject, and in particular, your views on the criticality of harmonizing the publication of applications and what respects, if any are most essential to

harmonization. I would like to open up the discussion by turning to Mr. Kotapish.

MR. KOTAPISH: Thank you. I think it's interesting, you know, the value of publication is a warning to others. But without any road map, an indication of what the Patent Office might think is important prior art, if that isn't maybe as valuable as it could be. And it's interesting that only what, 6 percent of people are electing not to publish, and I've encountered individuals who are using that as a strategy. They're in the software area and they know it's going to take some time to get that patent examined, so they are sort of de facto trade secreting until the patent actually might publish.

So I'd be interested in hearing comments of other industries and organizations on this issue as well, before reflecting more on this issue. But I think if there's a standard around the world that inventors can benefit from, it's not different in each authority they're going to file. And I think that would be helpful, in

general. But I'd like to hear more from my colleagues before commenting further. Thank you.

MR. ELOSHWAY: Thank you. Mr. Armitage?

MR. ARMITAGE: I sincerely wish that this were not a harmonization issue, that the United States Congress would just do it. Go forward and take out the current possibility of having an application not be published at 18 months. I don't think it's in our domestic self-interest to have a patent system where that option exists. I think there was at least a theoretical justification for putting that exemption into the law back in 1999, when the American Inventors Protection Act was enacted.

There was a possibility, if you published your patent application, you could induce some competitor applicant to come forward who could provoke an interference with you, who could take your rights away from you. But under the America Invents Act, it's almost always in the inventor's strategic self-interest to have a patent application published. And when it does

publish, as of its original priority date, it becomes prior art, and none of its competitors can seek and obtain a valid patent on anything that's the same or obvious in view of that prior art, because we don't have novelty only prior art. It's a fully preclusive effect on trivial obvious variations and the inventor's patent filing being published by anyone else.

So for many reasons, this is simply a good way to run a domestic patent system. When I hear the stories of some particular group and a particular technology deciding that they want to see how the patenting process will go before they publish, of course what they're doing to each other in the field is self-defeating, because the more unpublished patent applications there are that are potentially relevant for novelty and non-obvious purposes that don't get publish, the more uncertainty there is in the examination of everyone's patent filings, particularly if it's a practice in a particular field.

So you end up with diluting some of the

advantages of transparency, objectivity, predictability and simplicity that were sort of the four core virtues of the America Invents Act. So whether or not it's important to do for harmonization purposes, whether or not it should be a high priority topic in the harmonization discussions, it really should be a domestic priority to have our patent system domestically work better by publishing all pending applications at 18 months.

And just as a footnote, in the 40 or so years that I've been involved in the patenting process, there's a huge filter through which if something is better or best protected as a trade secret, there is no patent filing. And typically, if there is a patent filing on an invention, it probably is relatively difficult to protect as a trade secret anyway, once the commercialization process goes forward. So the idea that we need to not publish to protect some aspect of a patenting trade secret interface, I've just never seen play out in any patent practice I've been familiar

with.

MR. ELOSHWAY: Thank you, Mr. Armitage. Mr. Tramposch?

MR. TRAMPOSCH: Thank you, Chuck. AIPLA has consistently, over many years, supported publication of all patent applications at 18 months after filing, unless of course, they've been withdrawn or subject to secrecy orders. As part of global harmonization, we see this as a reasonable issue to include in the harmonization discussions, and we believe it would be desirable to eliminate the ability to opt out of an 18-month publication. But we think this might be part of the overall international negotiations and adopted as part of an acceptable harmonization package. It is a negotiating chip that we do have in the discussions with other countries.

With respect to requiring a patent office to make available to the applicant search for examination results in advance of the 18-month publication, it's our position that this should be optional to the applicant. We believe there are

numerous situations where applicants would not specifically want or need such early search or examination results. But in other cases, the availability of those results prior to the publication could, as has been mentioned already, be helpful in determining whether to continue to publication or to abandon the application and retain the invention as a trade secret.

MR. ELOSHWAY: Thank you, Mr. Tramposch. Mr. Winwood?

MR. WINWOOD: Thank you. So harkening back to my comments previously, it's seldom the case that a university community 18 months after an application has been submitted that we have not ourselves published the work. So this is not an area that has a tremendous impact from my perspective, at least personally, on university practice in this area.

The notion of deciding to withhold as a trade secret is simply not applicable, too, as we do not, by definition create trade secrets. So this is an area in which we have interest

obviously, but we don't play quite the same role or have quite the same options available to us as would a private sector or private inventor practitioner.

MR. ELOSHWAY: Thank you, Mr. Winwood. Mr. Wamsley?

MR. WAMSLEY: IPO basically agrees with the AIPLA and the ABA positions on this. We've long supported publication of all applications at 18 months. The U.S. law has the opt-out feature, as you note, for applicants who don't intend to file abroad. And while that's only about 6 percent of the applicants taking advantage of the opt-out feature, nevertheless we favor doing away with the opt-out feature as a matter of domestic law. And we would not want to try to export the opt-out feature into harmonization because we think it's a source of uncertainty.

As far as getting a search or a first action within the -- but before publication we favor 18 months as the worldwide standard. It'll be interesting to see the results of the survey

that was sent out where one of the questions asked whether people would favor publication at a period even earlier than 18 months. But I would say, at least in the system as it operates now where the USPTO is not giving a first action even by publication, in some cases publication should be before 18 months.

I would notice as a related issue IPO does not favor deferred examinations of patent applications as a general matter. And we support the Office's long-time goal for reducing pendency, which would give applicants more information about their likelihood of getting a patent before they reach the 18-month publication time. But when you add all that up, we would favor 18 months publication for all applications as the worldwide standard.

MR. ELOSHWAY: Thank you, Mr. Wamsley. Mr. Sauer?

MR. SAUER: So this is relatively easy. The BIO I think is and always has been, I think during my tenure there, in favor of universal

publication of patent applications. We welcomed the provision when it was part of predecessor bills to the American Invents Act. We were not particularly in favor of striking it, but, at the time, I think in the political process it fell by the wayside. Nonetheless, I think the clear view is that uniform publication is something that should be adopted.

I cannot remember us ever discussing any period other than 18 months at BIO. I think we always proceeded under the assumption that that is a good time, so we don't have a particular view on whether another time might even be preferable. It's just, as far as we're concerned, 18 months uniform publication is a standard that we should cling to and that we should adopt. So that's it.

Actually I find it interesting that Mr. Wamsley invoked deferred exam. I won't talk about it very much other than to say that that actually was a quite favorably discussed and considered within BIO, but it's not the subject of today's meeting. I just wanted to mention it and thank

you.

MR. ELOSHWAY: Thank you, Mr. Sauer, for that trip to the past. Mr. Molino?

MR. MOLINO: So we're in agreement with everybody here. We've supported an 18-month publication in the past. Again, as I said at the beginning, we're global companies that file globally, and so non-publication really isn't an option for us and isn't viable. Most of our revenue is overseas and so that's where we need to protect our innovations.

And we're also pragmatists. I don't think you're going to get the rest of the world to come to our system of non-publication, so I think we should use it as one of the better bargaining chips going forward.

MR. ELOSHWAY: Thank you, Mr. Molino. I had one question that I wanted to put to the panel. Before I do that I wanted to return to a question that Mr. Wamsley had, whether we had any preliminary data from our questionnaire and we actually do. Please bear in mind this is just

very preliminary and we are still in the process of sorting through the results, but these numbers should be fairly reliable.

With regard to the question, "Should all applications not otherwise withdrawn, abandoned, subjected to secrecy orders, or similar proceedings be published at 18 months," about 84 percent of respondents said yes.

With regard to the question, "If a jurisdiction requires publication at 18 months should that jurisdiction also require the competent authority to make search and/or examination results available to the applicant sufficiently in advance of 18-month publication," about 79 percent of respondents said yes, they should.

Now, with regard to the question that I had, one of the reasons that 18-month publication is among the four issues being considered at this time is that there has historically been a linkage made between 18-month publication and the adoption of an international grace period. And the

argument basically goes that a third party that sees a disclosure would have to wait up to an additional X months, X being whatever the term of the grace period is, beyond the 18 months they'd already have to wait until the application is published from the time it was filed in order to determine whether the party that disclosed the subject matter filed an application for patent for the invention. So I want to put it to the panel, what are your views on the tie-in, if any, between the grace period and publication of applications? Is adoption of across-the-board 18-month publication critical to adoption of the grace period? Are they standalone issues or are there other views on the matter?

And we'll just open it up generally to whoever wants to respond. Mr. Armitage?

MR. ARMITAGE: Yeah. So we have this -- we're the only country that has the anomaly of a first-inventor-to-file system with a grace period and an exception to publication. And I'm going to bet that our patent system not only survives, but

prospers with that combination of features. And so I think actually the existence of a grace period is unrelated to the compelling case to eliminate the exception to publication.

I think the more compelling case is a patent examiner can't give a full and complete office action on an application that's already been published that he's examining or she's examining if it turns out that there are 6 percent in that art group of patent applications that aren't published that will become prior art later when they issue or when if the applicant elects to have a late publication. And so it seems to me that you're operating a patent system, even if you don't have a grace period, with about a 6 percent uncertainty. And if it's more concentrated in certain arts, the uncertainty's potentially a little higher.

So I look at this, I guess I'll buy any argument that might exist outside the United States that there's a linkage between efficiently examining patent applications under a prior art

standard, whatever it might be, and publication, but I don't see a very specific tie to the grace period issue. I see a broader necessity, frankly, for all patent examining authorities to be able to be confident that they're giving complete office actions based on all the potential prior art.

MR. ELOSHWAY: Thank you, Mr. Armitage. Mr. Tramposch?

MR. TRAMPOSCH: Thank you, Chuck. We can align ourselves with the comments of the ABA. We think these are separate issues, and in particular the potential additional waiting period, if a grace period is adopted in another country, for applications that are not published in the U.S. Just makes no sense because, by definition, applications that are not published in the U.S. cannot be filed abroad. So this will have no effect in any other country. And having a grace period tacked on to the 18-month publication or non-publication in the U.S. is the current system, so it's really not an issue.

MR. ELOSHWAY: Thank you, Mr. Tramposch.

Anybody else like to weigh in? Mr. Wamsley?

MR. WAMSLEY: I agree they're separate issues.

MR. ELOSHWAY: Thank you. Mr. Kotapish, did you have any further comments after having heard the panel?

MR. KOTAPISH: No, I don't want to speak on behalf my members because some, you know, might elect that non-publication. So I think, you know, there might be reasons that they use that as a strategy and I don't want to speak on their behalf.

But if there is a requirement to publish no matter what, if that provision is taken out for non-publication, I think information, the publications of all authorities should be easily available to anyone. You know, it should be easy to find for inventors. So if it's from multiple different authorities it shouldn't be cumbersome to go online and find those publications. That might be a caveat, if, you know, we get rid of this provision, we'll make all information that is

published by other authorities more easily available.

MR. ELOSHWAY: All right, thank you. Just briefly to summarize and then we will take our 10-minute break slightly later, but pretty much on time, what I think I heard is near universal support for moving to across-the-board 18-month publication, not necessarily because of any perceived link to adoption of a grace period, but because it makes sense from a domestic policy standpoint with the caveat that there remains a segment of the stakeholder community that may be in favor of retaining the opt-out provision that currently exists; and if the U.S. were to transition to across-the-board 18-month publication there should be some provision made for ensuring robust access by stakeholders to published applications throughout the world.

Seeing no other requests for comment, I will say that we should take our 10-minute break. And can we please reconvene promptly at 10:50? Thank you.

(Recess)

MR. ELOSHWAY: All right, thank you. We're ready to reconvene and continue our discussions on the third agenda item, which is the treatment of conflicting applications.

An issue in all patent systems is how to deal with the situation where an application is filed before the filing or priority date of the application being examined and is published afterward, and the applications disclose common subject matter. Such applications are said to conflict because they disclose common subject matter, but because of their respective filing and publication dates, one is not prior art against the other in the general sense of being publicly available.

Absent some rule giving prior art effect to the earlier-filed application as of its filing or priority date, or a rule creating what is known as secret prior art -- in pre-AIA parlance this would be 102(e)-type prior art in the United States, it would thus be possible for two or more

patents to be granted covering the same or similar subject matter, a phenomenon generally referred to as double-patenting.

On the other hand, if the applications in question were filed by the same applicant, such a rule could lead to self-collision, where one of the applicant's own applications is being used to refuse another, unless a measure for avoiding self-collision known as anti-self-collision was also provided. The treatment of conflicting applications is different under the patent systems in Europe, the United States, and Japan. In Europe, under the European Patent Convention as well as under the national law of the EPC Contracting States, secret prior art is relevant to the examination of novelty only, and anti-self-collision is not provided.

In the United States, secret prior art, both pre- and post-AIA, is relevant to the examination of both novelty and inventive step, and anti-self-collision is provided for. In Japan, secret prior art is relevant to the

examination of novelty, which includes consideration of minor differences, but it is not relevant for examination of inventive step and anti-self-collision is applicable.

It should be noted, however, that the AIA abolishes the so-called Hilmer Doctrine in the United States, which held that the prior art date for a conflicting application is limited to its earliest effective U.S. filing date, and that claims for foreign priority would not be considered. This change in abolishing the Hilmer Doctrine aligns U.S. law with the laws in Europe, Japan, and other jurisdictions.

There are other differences among the jurisdictions as to the conditions under which PCT International applications become secret prior art. In Japan and under the EPC, such applications become secret prior art as of the international filing date, or the priority date, if claimed, only if they enter into the respective national or regional phase, which also entails that they have been translated into the prescribed

languages. In the United States, under the America Invents Act, PCT applications will form secret prior art as of their international filing date or priority date, if claimed, merely upon designation of the United States in the international application.

There are a number of issues involved in the treatment of conflicting applications, but the key ones that emerge in terms of harmonization are: what treatment should be accorded the earlier-filed application as regards examination of the later-filed application? Should it be limited to novelty-only? Should it include novelty-plus-inventive step, or perhaps some middle ground, some novelty-plus or enlarged novelty standard?

Another issue is what, if anything, should or needs to be done about self-collision? And this may depend on what kind of standard as to prior art effect is adopted. Your views on these issues in particular would be welcome, as well as your views on whether PCT applications should be prior art upon designation or upon national or

regional phase entry. With that, I would like to open up the discussion by turning to Mr. Tramposch.

MR. TRAMPOSCH: Thank you very much, Mr. Eloshway. We recognize there are numerous approaches to treating conflicting applications, for example, as to novelty, novelty with minor differences or novelty and non-obviousness. We consider that this is a very important issue, especially in light of the fact that examination using this form of prior art is in fact, a procedure for implementing first-inventor-to-file in most offices.

We appreciate that differences exist. With respect to how such priorities apply to applications of third parties, which I'm referring to as the first-to-file effect; as to how it is treated for applications of the same applicant, which is the self-collision that Mr. Eloshway referred to; where the applications were filed by the same applicant, anti-self-collision should apply. We believe that this should be the case.

That is, that the prior application should not be considered as prior art against the later application of the same applicant.

With respect to the first-to-file effect, we believe that the approach that strikes the best balance among the competing interests is the one that we use in the United States, that is the one that uses conflicting applications as prior art for examination of both novelty and inventive step or non-obviousness.

On the one hand, this approach provides protection, so the first inventor to file for a new concept has the ability to secure the invention fully by preventing others from obtaining patents on obvious variations of the claimed invention, which we understand is the case in some other countries. This gives the applicant a broad protection for his own invention, preventing others from piggybacking on his original concept, and thereby eroding the applicant's inventive contribution. It also protects third parties from being confronted by

multiple patents for non-obvious variations on the same invention owned by completely different parties, which could result in multiple liability with respect to the same technology.

At the same time, this approach allows an applicant to file additional closely related patent applications, and thus, gives the opportunity to reap the full benefit of the inventive concept and the technological contribution. We think this is especially important in a first inventor-to-file system where the inventor would be anxious to get his application on file very quickly, while he may still be working on variations and modifications.

This approach would give the inventor the opportunity to fill in the original invention with subsequent inventions that are so closely related, that they might be patentably indistinct. Nevertheless, we believe the inventor should not be able to extend the time period of his protection. This could easily be prevented by the U.S. practice of use of terminal disclaimers for

claimed inventions by the same applicant that are patentably indistinct. Thus, while this approach would give the inventor the benefit of broadening protection of the invention, it would prevent the unjustified extension of protection in time to the detriment of the public.

We believe with respect to this type of prior art, there exists a lack of harmonization around the world that is not very often discussed. And I would just mention it without going into it very deeply, and that is that this rule only applies where both applications are filed in the same office. This provides a lack of harmonization as to the definition of prior art, and we think that this should at least be thought about to see whether it should be included in the future in harmonization discussions.

With respect to applications filed under the Patent Cooperation Treaty, the prior art effective date of a conflicting PCT application should be the international filing date or the priority date if claimed, upon designation of the

country or region in question, and provided that the application was published under the PCT. This would enable a much earlier determination of the patentability of an invention contained in a subsequent application. Further, we believe that PCT application should be considered as prior art, regardless of the language in which the publication takes place. Thank you.

MR. ELOSHWAY: Thank you, Mr. Tramposch. Mr. Winwood?

MR. WINWOOD: I really don't believe we have any additional comments on behalf of the university community on this particular aspect of the question.

MR. ELOSHWAY: Okay. Thank you very much. Mr. Wamsley?

MR. WAMSLEY: The IPO position is so similar to the AIPLA position that someone might suspect that some of the same association volunteers worked on both. (Laughter)

MR. TRAMPOSCH: That cannot possibly be the case.

(Laughter)

MR. WAMSLEY: Let me reiterate our position. We believe the conflicting application should be relevant for examination for both novelty and non-obviousness, except when the applications were filed by the same applicant. In other words, if it's the same applicant, the anti-self-collision should apply. The anti-self-collision provision will allow an applicant who comes in with a new invention to have the opportunity to fill in other aspects of the invention, as Mr. Tramposch noted, by taking patents on other applications. We believe this is especially important in a first-to-file system where applicants will be expediting their filings as much as possible. This related research continues. After the first application, the applicant will be able to fill in his invention with variations and embodiments and subsequent applications. And this will provide adequate protection for his initial inventive concept.

Like AIPLA, we agree the terminal

disclaimer practice of the U.S. is important to avoid the extension of a monopoly that could be detrimental to the public in the situations where the conflicting applications are with the same applicant. Now, when the conflicting applications are with different applicants, we think that we should apply against the other application for both novelty and non-obviousness to prevent others from rushing in with closely related inventions often filed after learning about the initial inventive concept.

This approach will prevent a thicket, which seems to be a popular word these days -- a thicket of patent applications owned by multiple parties relating to a single invention concept which would cause difficulties by requiring multiple licensees and multiple negotiations -- interfere with practicing a new inventive concept. With respect to the PCT applications, we agree that the priority effective date of a conflicting PCT application should be the international filing date or priority date of claimed, and should be

applied as prior art once the application is published under the PCT, regardless of the language of the publication.

It should be apprised as prior art in all designed states, whether or not the national phase is entered, and like AIPLA, we think this would enable an earlier determination of the patentability of an invention contained in a subsequent application. This will improve the quality of search and examination and avoid the possibility of conflicting applications issuing as patents, only to be subsequently challenged in the course.

MR. ELOSHWAY: Thank you. Mr. Sauer?

MR. SAUER: BIO likewise thinks that 102(e)-type prior art should be available for both anticipation and inventive step purposes. So that, I think is pretty clear.

I think one observation, if I may make it, about the operation of anti-self-collision provisions in U.S. law. I think I should say and note the growing consternation and concern of

BIO's members about that. There is actually a fair amount of self-collision going on under U.S. law, even in a post-(inaudible) world-widening jurisprudence and double patenting in the federal courts. And that is not something we can solve in international harmonization easily, but nobody at BIO is under the illusion that we have very effective, well operating anti-self-collision provisions and mechanisms operating in U.S. patent law, because biotech companies self-collide all the time in the U.S. courts, you know, with pretty bad results, often.

With that said, though, we have no particular view on some of your more detailed questions, other than the prevailing view is that foreign applications that conflict and are fought by others should have priority effective as of their priority date. The language, I don't think, was ever discussed within BIO, whether that should make a difference, whether it's published in English or not, so long as the U.S. is designated.

MR. ELOSHWAY: Thank you, Mr. Sauer.

Mr. Molino?

MR. MOLINO: I don't have much to add. I just would echo the comments of my colleagues.

MR. ELOSHWAY: Thank you. And Mr. Kotapish?

MR. KOTAPISH: Yeah, I would also use the same echo to a lot of the comments that the IPO and AIPLA are parallel to what I think a large group of our members would be happy with, but I don't want to speak on behalf of everyone. If there's comments, I'll provide them later. Thank you.

MR. ELOSHWAY: Thank you. Mr. Armitage?

MR. ARMITAGE: I'm going to refrain from echoing to some degree. You know, the AIA was crafted in several maybe subtle respects to really, I think, complete the inventor friendliness and collaboration friendliness of the U.S. patent system. And this trend has been going on -- America Inventors Protection Act obviously made a big improvement in co-pending applications. You had the CREATE Act.

And with the AIA, I think we've reached the end of the evolution in the United States, and I think there's no turning back with a patent system that not only protects the inventor himself against self-collision, but protects the inventor's assignee and also protects the inventor's collaborators. And so, at least as far as I think every association here is concerned, there was support all the way along for all of those improvements to the way the patent office protects the inventive community, and in an era when there's much more collaboration, it becomes much more important to have these features built into a patent system.

Second, it was clear when the AIA was written, it was written in this respect so that it could be a mold and model for the rest of the world. I say that because it's entirely non-discriminatory in the United States where the patent filing took place, what nationality the inventors were. If they file under the Patent Cooperation Treaty and designate the United

States, which all PCT applications now designate the United States, its prior art in the United States, even if they never entered the national stage, even if they never seek a U.S. patent.

And of course, if that standard were applied globally, it would mean that the scope and content of the prior art in any patent office would be entirely clear once that 18-month point were reached, assuming that there is 18- month publication universally. So it provides a degree of certainty and predictability that's highly laudable.

I think the other thing it does in addition to the anti-thicket perception or position that I think Herb expressed is we have a situation for the pioneering inventor where if they do make a patent filing and they do allow that patent filing to be published under the PCT, they realize that they get it or no one gets it.

In other words, they have carved out for themselves, if they're first inventor to file, global freedom of action against the same

invention or an obvious variant being patented anywhere in the world. They may seek patents in five countries or 50 countries or in every country of the PCT, but whether they do or not, they don't have to worry about a later application on something that's substantially the same, perhaps as Herb pointed out, potentially even derived if the concept became clear. I think Hans made this clear, as well.

So I think we're in an environment where it's quite clear if you are starting from a blank piece of paper trying to devise best practices for how to handle an inventor-friendly collaboration, friendly pioneering invention, friendly anti-packet thicket protective patent system, you would come to the conclusion that the United States had come to in terms of its provisions in the AIA. We talked a little earlier about whether 18-month publication was the right timing.

These issues would largely go away if it were 18-week publication. Why we talk about these issues is because 18 months is a long time.

Eighteen weeks is not that long. It would make very little difference whether you were a novelty-only, et cetera, if you were 18 weeks. Of course, if you were 18 minutes, it would make no difference whatsoever. In other words, if patents were published effectively the same time they were filed, then the publication would simply be prior art. It would be useful for novelty and non-obviousness purposes. It would be useful in the same way everywhere in the world, and I think that fundamental core concept in U.S. patent law, which it has been since the beginning of the reason Section 102 of the old law was codified, was just that notion; that we ought not to take the period of secrecy in the patent office as an excuse for treating a patent filing once it's publicly available from being treated differently from any publication.

So I think it's that principle that ought to be at the core of an international harmonization on all of these issues. I think that's far superior than a treaty negotiation

trying to decide whether it's 102 and 103 or a Japanese-like 102.5. I think also, there's no turning back on having a patent system that's collaboration friendly and inventor friendly, and the Section 102(c) provisions I think best represent how that can be accomplished.

So I'd urge the Office to be very proud of what Congress accomplished in the AIA. It, in these respects, I think does represent the domestic consensus on best practice and would represent a global best practice and a best practice that would facilitate not only the patenting process for inventors, but also, the patent examining process for patent offices.

MR. ELOSHWAY: Thank you, Mr. Armitage. Let me attempt a brief summary, and then I had a couple of additional questions for the panel.

What I heard was pretty much universal support for what is currently the system in the United States where conflicting applications may be used during examination for determinations of novelty and inventive step, but that in same

inventive entity situations, the principle of anti-self-collision should apply, and there seemed to be a general sentiment in favor of continuing U.S. practice with regards to terminal disclaimers to avoid the double patenting situation.

I also heard pretty much universal support for the notion that PCT applications should be secret prior art as of the international filing date or any claimed priority date upon publication, merely based on the designation of a particular country, and with no requirement that it have entered the national or regional phase. There were also a few comments that seemed to express the notion that secret prior art should count, regardless of the language of publication, and there was at least one comment giving a very good, I think, policy explanation for why secret prior art should be treated for novelty and inventive step purposes as of the filing or priority date.

Now, with those issues in mind, and

turning to a couple of comments that were made in regard to patent thickets, this is something that has been discussed within the Tegernsee Group, is the extent to which adoption of one practice or another, novelty-only or novelty-plus-inventive step or some other standard, contributes to or mitigates the growth of patent thickets. Now in the course of this discussion, we have addressed the situation of thickets among different patents to different inventors; what would happen if you had a novelty-only standard allowing third parties to obtain patents on obvious variants of the basic invention. And the view, as I took it, was that that's obviously not a good thing, and that a novelty-only approach contributes to the growth of those kinds of thickets.

In the same context, what's been explained to us in these discussions is that it's equally a problem if not more so, the U.S. approach to anti-self-collision; in other words, that there is extensive thicketing in the United States, but on the basis of our double patenting

process, where the same patent owner has multiple patents on obvious variations of the same basic invention.

I would like to open up that point for discussion here to see what the views of the panelists are. Mr. Armitage?

MR. TRAMPOSCH: Yes. First of all, inherent in laws of any country that I'm aware of, including in Europe, is the ability to make an unlimited number of multiple patent filings on the same day, and to some extent under the old practice in Europe, even to have some divisional patent filings out of those, so that in a situation where self-collision wouldn't be an issue, because none of the patent filings would be prior art to the other, you could have a circus of patents, three-ring circus of patents issuing from a single application.

So it isn't our anti-self-collision rules, that if someone is desirous of taking an invention and chopping it up into a lot of small pieces and issuing a lot of small patents. You

can't do that in any country in the world. I think the potential brilliance of the U.S. patent system, frankly, has been that those strategies have always been met with a rigorous double patenting law that basically says, you can get as many patents as you want on a single inventive concept, but as far as the courts are concerned, we'll treat that as though you got one patent that you can enforce once with the terminal disclaimer rules that not only disclaim term but also, disclaim the ability to alienate the patents so the patents could be separately enforce.

In preparing for today's testimony and thinking through some of these issues, it occurred to me that what needs to be part of the domestic legislative discussion in the United States and probably also part of patent harmonization is the codification of a policy-based double patenting rule into the U.S. patent statute. I think as Hans alluded, under a first-to-invent system, our double patenting law as a judge-made body of law is left wanting, at least from the applicant

community, and certainly it's left wanting from the court community. You can read the recent decision *In re Hubbell*.

And I asked one person whose judgment I trust very much about how the patent law and how it should operate who made the comment, isn't double patenting law today totally unintelligible? I'm not saying I endorse that view, but what I am saying is, now that we have a first inventor-to-file system, and now that it's relatively trivial to codify a policy-based double patenting rule, it perhaps is now time for the United States to undertake that exercise, develop that statutory provision, make it a statutory rule and provide a better foundation, therefore, for that statutory provision being, if there is a treaty on patent harmonization or is an agreement on patent harmonization otherwise, double patenting basically to be built in, so it accomplishes what it needs to accomplish and no more.

MR. ELOSHWAY: Thank you, Mr. Armitage. Would anybody else like to comment on this issue?

Okay, seeing no comments, the other issue that I wanted to discuss has to do with the -- we already touched on it a bit -- the notion of the use of terminal disclaimers. I think that the general view was that if you adopt the U.S. practice that I wouldn't say it's a necessary condition to adopt terminal disclaimer practice, but that is what we view as the best practice.

Are there any other views on the use of terminal disclaimers? Is it a necessary aspect of the U.S. approach to anti-self-collision? Is there another approach that could be considered? And maybe this gets to the point you were making, Bob, about codification of the proper approach to double patenting law.

MR. ARMITAGE: I think if you think this through, particularly through the lens of a first inventor to file system, it's probably better captured as a disclaimer of any right of separate enforceability, so that enforcing one claimed invention of any one patent basically puts you in the same position as though any other claim of any

other patent had been put in issue within that family of patents. So you can't have a situation -- and this occurs now under the CREATE Act, frankly, where we may have two inventions that are patentably indistinct owned by two different entities, that if they could be separately enforced, each entity could separately collect damages; each entity could separately collect royalties.

And if the only reason those two patents were entitled to issue is because you couldn't apply Section 102 and Section 103, and if you had applied them, one patent would have been prior art to the other, and only one patent would have existed, it clearly cannot have been the intent of Congress, frankly, I think nor the authors of the CREATE Act that you could double up on royalties simply because you got the privilege of not having your invention subject to a novelty, much less non-obvious requirement.

MR. ELOSHWAY: Thank you, Mr. Armitage. Any other comments? Mr. Wamsley?

MR. WAMSLEY: IPO has believed the U.S. double patenting and terminal disclaimer practice is the best way of dealing with these issues. We have not yet studied whether it would be desirable to codify that practice, but I would agree with Mr. Armitage that the recent case by the Federal Circuit decided just a couple of weeks *In re Hubbell*, will probably cause some scholarly review of the double patenting and terminal disclaimer practice, because the Federal Circuit in that case upheld a double patenting rejection by the PTO in a situation where there were partially overlapping, but not identical inventors. And the Federal Circuit said that that double patenting rejection could not be overcome by a terminal disclaimer.

So further study by be needed here, but up until now, we've thought the terminal disclaimer practice, which maybe is unique to U.S. practice, is a very good practice.

MR. ELOSHWAY: Thank you, Mr. Wamsley. And perhaps, our resident scholar, Professor

Thomas, can consider that issue for scholarly investigation at some point. (Laughter)

I wanted to ask one other question on conflicting applications. In past discussions on harmonization, there have been some, I would say, compromised proposals floated that are in between novelty-only and novelty-plus-inventive step or maybe some combination of the two.

One proposal was the concept of enlarged novelty, and it was, I would say not entirely clearly defined. But the basic concept is there would be an approximation of what we would call one-reference obviousness here in the United States. In other words, what was disclosed or inherent in the document being relied upon? And then, what would have been obvious to one of ordinary skill in the art based on that disclosure? Another proposal was put forward by the EPO for consideration, and that proposal would be an adaptation of current practice under the European Patent Convention where a conflicting application by the same inventive entity would be

used for novelty only, which is the current practice, but would be used for novelty-plus-inventive step as against third parties.

And I wanted to open up the discussion to the panel, whether you have any thoughts on relative advantages or disadvantages of any kind of middle ground approach as a possible way forward on this issue.

Mr. Armitage?

MR. ARMITAGE: I think we need to be a little cautious before we try to create an entirely new principle of patent law that's never been tested anywhere in the world, or at least has not received widespread testing, and then mandate it for everyone to be a laboratory as a whole to figure out whether this is the best public policy.

So particularly as to what I called earlier the 102.5 proposal, where I, decades ago, remember sitting through discussions in Geneva about how Section 102.5 might work or might not work. I just think we have the virtue of utter simplicity built into the America Invents Act. If

it's prior art, you use it as any other prior art would be used. If it's not prior art, it's not prior art. It has no impact on patentability. It doesn't get easier or simpler than that, as best I can tell.

MR. ELOSHWAY: Thank you, Mr. Armitage. Any other panelists wish to make any comments on this issue? Okay, seeing none, then we will move to our last topic, which is prior user rights.

Now, most of you will recall that when Congress expanded the prior user rights regime in the United States as part of the AIA, Congress also mandated the USPTO to prepare a comprehensive report on the subject, which we delivered to Congress last January. In connection with that effort, we also held a public hearing on that matter in which several of you either attended or participated. Because we have already received a great deal of information via that process, we would like to confine our discussion here to focusing just on the matter of harmonization with respect to prior user rights.

Just to give a brief recap, a prior user right generally refers to a limited defense to infringement for a party that had been using an invention that would later patented by another. The prior user right represents a balance of interests between the prior use on the one hand, who may have made a decision not to seek a patent on the invention, for instance, to keep the invention as a trade secret, and the patentee and the on the other, in terms of rewarding the patentee for disclosing the subject matter to the public.

The prior user rights regime under the AIA has a number of features in common with prior user rights regimes in other countries. For instance, the right applies to patents covering all patentable subject matter, not just business methods as it had been previously limited before the AIA. It is limited geographically to prior uses domestically here in the United States, so there's a territorial component to it that's consistent with prior user rights regimes in other

jurisdictions. And it requires that the prior user have acted in good faith. It also contains restrictions on the transfer of right consistent with those in other jurisdictions.

In the context of further harmonization, there appear to be three main issues. The first is the question of what kind of prior activities should give rise to the right. Under the AIA, actual use of the subject matter is required. In other jurisdictions, substantial preparations to use the invention may suffice.

Second is the question from what point in time is prior use considered? Under the AIA, the prior use must have taken place at least one year before the earlier of either the effective filing date of the application or any qualifying grace period disclosures. Elsewhere, the prior use must generally take place at any time prior to the filing date of the application. Third, should exceptions to prior user rights be provided with respect to certain patents? The AIA provides an exception for patents owned by universities, for

example. In other countries, there are no such exceptions.

An overarching question to consider is whether there is a need to harmonize prior user rights at all. On the one hand, this is a post-grant enforcement matter and not an issue involved in determining patentability in the first instance, which is the basic thrust of the other issues that we have been considering. Prior user rights are also, as a general matter, territorially limited, as I previously mentioned.

On the other hand, some argue that harmonization of at least certain aspects of prior user rights is necessary if for no other reason than to insure that an international grace period is limited to serving whatever constitutes a safety net function, but in particular, that the patentee should bear the risk that any pre-filing disclosure may result in a third party obtaining a right of prior use based on that disclosure.

With that explanation, I open it up to the panel for your views, and I'd like to start

with Mr. Winwood.

MR. WINWOOD: Thank you. Well, without any particular comment as to the appropriateness of expansion of prior user rights, I think others have weighed in from the university community, the higher education community along the way, probably at the previous event that you mentioned. And we do have some concerns, obviously. We do note that there is an exception for university patents.

I think that primarily, I would go back to some of my earlier comments which really reference the fact that the trade secret or the practicing-without-publishing is not an option for the university community, and this may have partly driven this exception, I understand. So really, our concern relates to our discussions with our licensees or our potential licensees. Obviously, in most cases, the university introduces its intellectual property into the commercial marketplace not directly, but via a license to either an existing company, which may be small, medium, or large, or increasingly via a startup

company.

In all cases, of course, these companies need to address a global market, and so harmonization and clarity of interpretation is very important to our potential licensees and to their potential investors. And so, this added uncertainty is the main concern, I think, that we bring to the table here, that while we do have a carve-out in Section 273, it is seldom the case that particularly for a larger company, the only technology or patent they will include in a portfolio product is a university patent. There may be others intermingled which may be subject to this issue.

And so, this is our primary concern, I think, that while we do have a carve-out, we do believe that it is going to lead to some uncertainty, and maybe a decrease in value, potentially, of the assets that we are trying to license to the commercial marketplace. So clarity, explanation and harmonization would be very welcomed, I think, by the university

community in this regard.

MR. ELOSHWAY: Okay, thank you, Mr. Winwood. Mr. Wamsley?

MR. WAMSLEY: We think prior user rights could be an appropriate topic for harmonization, if it was a prior user rights based on -- or a best practice, what we would use a best practice type of a prior user right. Now, from the viewpoint of our corporate owners, the 273 of the AIA is not the best practice type of prior user right in all respects. With respect to the kind of activity that qualifies a prior user right, we've long supported that prior user rights should begin with substantial preparation of the invention.

And as for the time, we don't think that the requirement in the AIA for one year of commercial use before filing should be necessary. Now, with regard to our friends in the universities, I understand that they look at this differently. But in IPO, our general preference has been for patent law to apply to all industries

and all technologies in the same way as a way of trying to keep the patent laws simple. So that's the kind of prior user right we think would be a best practice. And there would be some advantage to worldwide harmonization, I believe, if we could harmonize on a best practices kind of prior user right.

MR. ELOSHWAY: Thank you, Mr. Wamsley. Mr. Sauer?

MR. SAUER: So BIO is quite agnostic on prior user rights as they were embedded in the AIA, and more generally -- as you can imagine, with a very wide and diverse membership having both large and established companies and very small startups and counting academic institutions amongst the ranks, there is a great diversity of views on prior user rights and how they should be structured.

So accordingly, we don't have much of a view at BIO whether prior user rights should be part of an international harmonization regime, with one qualification. I think I would say that

because we do believe a grace period to be an important element of international harmonization, to the extent that a disclosure during the grace period that's graced, you know, might otherwise give rise to somebody else's prior user rights. I think that would be very likely not in the interest and not the view of BIO's members, that that should ever be possible.

So I have actually found compelling what you said earlier, that even if one is otherwise relatively agnostic, to keep in mind the interplay of prior user rights with other moving parts that we do want to harmonize on. That is something I will take back to my membership and discuss. I found that a very interesting that we have never discussed at BIO.

MR. ELOSHWAY: Thank you, Mr. Sauer. Mr. Molino?

MR. MOLINO: I would have to agree with Hans. Keeping in mind how prior user rights competes or deals with other provisions is actually more important than I thought before I

came here. So it's good to know, and we'll take it back to our members.

And I think from our perspective, we're very pragmatic about this. We were pragmatic about it during the AIA. We understand why provisions politically were put in. I will say that as an overall view, we are very wary of distinguishing between types of patentee and also, potential infringers. When you start classifying people and making special rules for certain types of entities, you're not too far away from making certain types of rules for types of patents and going even further than that. So that's always been a worry of ours. But again, you know, what appeared finally in the AIA was something that I know was very delicate and worked out, and we supported that and we've continued to support it.

MR. ELOSHWAY: Thank you, Mr. Molino. Mr. Kotapish?

MR. KOTAPISH: Yes. I think we discussed this at a meeting last year, in general. And I wouldn't -- you know, I don't want to speak

on behalf of our members, because we didn't poll people on their opinions on this issue. But I think the concept of the level playing field entering different areas of technology and patenting the same, would be something that our members would also be in agreement with. Thank you.

MR. ELOSHWAY: Thank you very much. Mr. Armitage?

MR. ARMITAGE: This is an unusual topic for harmonization discussions, for the reason that you mentioned. That is, the impact is entirely national. Because you're a prior user in one jurisdiction, it almost in every case will turn out that in most other jurisdictions, you won't be a prior user. You won't have met the prior commercial use or even the substantial preparation for commercial use necessarily any more than the country in which you originally did for a manufacturing invention to begin the development of your manufacturing plant.

Because these prior user rights seldom

apply to inventions other than those that basically aren't practices publicly, most other inventions just simply, by the way the patent system works, don't qualify. So I don't have a passion to see this as a high priority for harmonization discussions. On the other hand, we probably should have a better prior user right law in the United States, and Congress ought to consider, I think particularly, the position IPO has taken is similar to the position the ABA-IPL section has. I think it's similar to the position that AIPLA has historically had, that these ought to be an effective way in which someone who has independently created the invention and proceeded to commercialization shouldn't be subject to then, a later sought patent.

In terms of the university exception, that was a part of the compromise reached in good faith, as best I can tell from my experience, it has absolutely zero consequences in the real world. I think the probability that between now and the end of western civilization that a

university patent would be subject to a prior user right in the United States is virtually nil, even if there were no exception. The inventions they make tend to be more pioneering, tend to be in front, rather than at the implementation side of technology, which is where a prior user right often has its impact and value.

So while I'm not agnostic, I admit to being a little more on the apathetic side with respect to this issue than the other three really, very important issues we've discussed.

MR. ELOSHWAY: Thank you, Mr. Armitage. Mr. Tramposch?

MR. TRAMPOSCH: Yes, thank you. AIPLA is more or less in line with the speakers that have taken the floor so far. We've consistently supported the principle that reasonable prior user rights should operate as a complete defense to infringement, where the prior user has, in good faith, placed the invention in commercial use, or made serious or effective preparations to do so prior to the effective filing date of the patent

application, unless the prior user derived the knowledge of the invention from the patentee.

We believe that American businesses, especially small businesses, should have the protection of a prior user right that would create a level international playing field, especially because many foreign-based operations already have such protection. We believe that the prior user defense should not be available if the prior use is based on knowledge of the invention that had been derived, as I said, and this falls within the requirement for good faith, in our opinion. We also believe there should not be any exceptions to prior user rights with respect to patents in a particular technology. There should not be technology exceptions.

With respect to your question about whether this should be a topic for harmonization, I think we agree with what Bob said, that it's probably worth discussing. It's not as important as the other issues for harmonization. But it might be good for businesses to have an idea of

more uniform rules in the different countries, because they may not be as sophisticated until it's too late to know what they can do, what they can't do. We also think that's an opportunity to have a discussion about an international best practice, it may be to look at ways to improve our own system in light of the systems that are being used abroad. Thank you.

MR. ELOSHWAY: Thank you, Mr. Tramposch. All right. I will summarize briefly what I've heard, and I do have another question or so to put to the panel. What I heard was a general expression that prior user rights are important; that prior user rights of the type that are outlined in the AIA are the general preference, with some modifications. Some stakeholders wish to, for instance, maintain an exception for patents owned by certain entities including and especially universities. Other stakeholders have indicated that the AIA prior user rights regime should perhaps be expanded to allow for substantial preparations to use, in addition to

actual use.

There was also the general view expressed that harmonization of prior user rights as a general matter is laudable, but there's not necessarily a link between prior user rights and the other issues that we have been considering here today. And in that respect, at least a couple of representatives indicated a degree of concern or unease, I would say, regarding the interplay between prior user rights and the grace period.

On that latter issue, I wanted to make one comment, and then I'll turn to the question that I had. And the comment is that this interplay between prior user rights and the grace period, and in particular, whether prior user rights should be able to accrue from a graced disclosure has come up in past discussions. Again, it relates to the view of some that a prior user right that accrues from any time prior to filing of the application helps to ensure that the grace period functions as no more than a safety

net.

And I raised the question at that time during those discussions, and I'll put it to the group here, what do you do about technologies that are easily replicated, especially if you have a substantial preparations-to-use-type approach? So for instance, an example could be in the software field. If you had software that was published, how much substantial preparation to use would it take for a prior user right to acquire on the basis of that disclosure of the software, which may then later be subject to filing of a patent application?

I'll open that issue up for general discussion, and then I did have one more particular issue I wanted to probe with the panel, but if there are any comments on that particular issue that I just raised.

MR. ARMITAGE: I can tell you what the domestic approach probably would be, and I think we probably have a large degree of agreement with this. Prior user rights in the United States

don't apply to derived subject matter. So if you didn't independently develop the subject matter and simply learned about it from a publication, you wouldn't qualify for prior user rights, so the issue wouldn't arise. If you go to some foreign jurisdictions, I believe there are those for which mere possession of the invention before the priority date is sufficient to assert the rights. And it doesn't matter whether you acquired it through industrial espionage or reading a publication or developing it yourself.

If you look at those disparate views of prior user rights, it's very difficult for me to see how we come to a harmonized solution if on one extreme, there's a strong belief in the United States you can't get these rights from derivation, and in other countries, they basically want a harmonized solution so they're assured that the rights exist in the case of derivation. Given the improbability, there's a middle ground that's a compromise, this, I think even lowers the priority that I think most of us in the room would place on

pursuing this as part of a harmonization agenda.

MR. ELOSHWAY: Thank you, Mr. Armitage. And you actually put your finger on the next question that I was going to put to the panel, which is this question about derivation. Now, the issue has arisen in our discussions within the Tegernsee Group as to what should be the effect given to this good faith requirement. Under the AIA prior user rights regime, there is a requirement that the prior user have acted in good faith. But I think that as Mr. Armitage pointed out, that may mean different things in different jurisdictions.

The issue that has arisen is that apparently, under the national laws of some countries in Europe, good faith would be interpreted such that a third party that sees a disclosure by another and begins substantial preparations for use would have acquired a right of prior use and good faith. As Mr. Armitage pointed out, that appears to be a much different way of looking at good faith than the view in the

United States. Perhaps we don't even really need to open up the discussion on this point further, unless there are any views that differ from what Mr. Armitage just expressed as to what the general sentiment is in the United States on the matter of good faith. But I will open it up to the panel in case anybody has any comments.

Mr. Armitage?

MR. ARMITAGE: Whatever good faith means, it doesn't override 273(e)(4) of the America Invents Act provision of Title 35, which says: “A person may not assert a defense under this section, the prior user rights section, if the subject matter on which the defense is based was derived from the patentee or person's in privity with the patentee.” So, from a domestic point of view, I think we would not look at this turning on what was or wasn't good faith, but whether the rest of the world would accept an explicit provision that disqualified the right in cases of derivation.

MR. ELOSHWAY: Thank you. Mr. Tramposch?

MR. TRAMPOSCH: Yeah, I think we would support that. And it may be that this would be -- it would be good to maintain this as an issue in harmonization, if we thought we could arrive at that kind of a consensus.

MR. ELOSHWAY: Thank you. Any other comments? Mr. Wamsley?

MR. WAMSLEY: Well, we agree with that, and I would say that if we could not maintain the existing U.S. Law about derivations, it probably wouldn't be worth trying to harmonize on the prior user rights. But it might be something worth putting on the table to see what could be worked out.

MR. ELOSHWAY: Any other comments on this? Mr. Kotapish?

MR. KOTAPISH: Just a quick comment or question. Is the terminology substantial preparation well defined, if that were to be added? Because that might be different for each company or individual.

MR. ELOSHWAY: I'm not really aware of

any kind of U.S. case law on the particular issue. I'm sure that there is probably a little bit of precedent in other countries, but prior user rights, as we saw from the report that we wrote for Congress last year, is not something that is exercised with a great degree of frequency as a general matter, and even less as it reported in decided cases. So I think whatever it means, certainly in the United States is a bit of an open question. And we really haven't probed that particular issue in terms of harmonization, I think largely because there's no real basis for determining exactly what it means or what it should mean, unlike many of the other issues that we've discussed which have a long history behind them.

Any other comments on this issue? Okay. We have about 10 minutes remaining. We've done pretty well on time, keeping to our original schedule. As I indicated earlier, I would like to open the floor to comments or questions from the audience, and I see Professor Thomas would like to

make a comment or have a question. Please, step up to the microphone.

If you could, please introduce yourself for those that may be watching remotely and those that may not know who you are here in the room.

PROF. THOMAS: -- and perhaps I could raise some points for further discussion or -- and let them be.

With respect to the grace period, obviously, we have some frustrating partners that see things a little bit differently than ours. I think one very difficult selling point that everyone seems to be in favor of is that the grace period ought to be based upon the priority application rather than the domestic application. Now, as patent professionals, that seems very clean and crisp to us. It's important to remember in the United States that we had a two-year grace period from 1839 to 1939. So in 1939, we switched to a one-year grace period. It may be difficult to convince Congress to go back to a system where --

(Interruption)

PROF. THOMAS: -- and, you know, the notion that we're going to allow foreign inventors what they had in the 19th century strikes me as somewhat tricky. And that's additionally because there's another critique of the grace period that didn't get a lot of traction here, and that is that it implies prolongation of the patent term. Okay? So essentially, you've got two years from disclosure to when you start, so you're essentially looking at 22 years from disclosure, and that's especially an important concern for public interest groups when you have a system right now where a great majority of U.S. patents get term extension due to agency processing delays. So you're sort of extending further out, when exactly the patent is going to expire.

With respect to pre-grant publication, again, everyone likes ecumenical publication here in the group, or almost everybody. I think people here are veterans of the Hill, and they know that there are some on the Hill who think there ought

not to be any pre-grant publication, and they're still opposed to it.

Mr. Armitage, you used -- when you wrangle with Mr. Armitage, you usually end up on the short end of the stick, I realize. But I'm stepping in there and I'll try.

You raised a taxonomy in which you've said, well, the only applications that -- the only inventions on which people we seek patents are those that can't be protected by trade secrets. I'm not sure that's true, but even if it is true, the notion is, of course, pre-grant publication allows entities in other countries to steal our march and get to the market first on the inventor. So, even if what you're saying is true, it may be more a matter of timing than actually this sort of invention that you have.

I couldn't agree with Mr. Armitage more, though, about prior user rights. That strikes me as a very difficult area of harmonization. Prior user rights are not even harmonized in Europe. So the notion that we're going to somehow harmonize

all the laws with a much more fragmented community of patent-granting states strikes me as very difficult.

I would also tell you from my experience in Europe, it's a very sleepy provision. It's really not invoked very often in Europe. It's really almost more of a professor's law, quite frankly. I think due to limited discovery, et cetera, it just doesn't seem to come up very often. Our own first inventor defense act, as far as I know, was never invoked. There's certainly no published decision on it, albeit a very narrow decision. So I tend to agree that that's something that ought to be less of a priority than the others.

Anyway, thank you for the opportunity to participate, Mr. Eloshway, and I look forward to any responses.

MR. ELOSHWAY: Thank you, Professor Thomas. I think that you made a number of very good points, including the point you made about the almost metaphysical impact or relationship of

prior user rights to the patent system as a whole. This is something that has been discussed in some of our past negotiations regarding the relative importance of prior user rights. That's not to diminish it at all, but more as a matter of appropriately trying to characterize its place in the harmonization firmament.

Any panelists wish to weigh on in the comments that Professor Thomas made? No? Any other comments from anyone in the audience? None. Did we get any from our web participants? No.

Okay, then I think that concludes our discussion, and I will turn the chair back over to Acting Director Rea for any closing remarks. Thank you very much.

MS. STANEK REA: Thank you very much to the panel for all of your astute observations that we've received today. Harmonization is a gradual process, and I think we've made good progress here in the United States trying to get to the pulse of what we think has worked, and how we think things will work in the future. We will share your

thoughts with our international colleagues, and we will keep you updated.

Once again, thank you so much for your time today.

(Whereupon, at 12:00 p.m., the HEARING was adjourned.)

* * * * *

CERTIFICATE OF NOTARY PUBLIC

COMMONWEALTH OF VIRGINIA

I, Carleton J. Anderson, III, notary public in and for the Commonwealth of Virginia, do hereby certify that the forgoing PROCEEDING was duly recorded and thereafter reduced to print under my direction; that the witnesses were sworn to tell the truth under penalty of perjury; that said transcript is a true record of the testimony given by witnesses; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this proceeding was called; and, furthermore, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

(Signature and Seal on File)

Notary Public, in and for the Commonwealth of Virginia

My Commission Expires: November 30, 2012

Notary Public Number 351998