

From: Vanessa Pierce Rollins

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To: fitf_guidance; fitf_rules

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Subject: IPO Comments on Proposed Rules and Examination Guidelines for First Inventor to File

Attached please find comments from IPO regarding the PTO's proposed rules and guidelines for implementing the first inventor to file provisions of the AIA.

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October 5, 2012

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

**Re: Comments on Proposed Rules and Examination
Guidelines for Implementing the First Inventor to File
Provisions of the Leahy-Smith America Invents Act
77 Fed. Reg. 43742 and 43759 (July 26, 2012)**

Dear Under Secretary Kappos:

Intellectual Property Owners Association (IPO) appreciates the opportunity to provide comments to the U.S. Patent and Trademark Office (PTO) regarding the proposed rules and guidelines for implementing the first inventor to file provisions of the Leahy-Smith America Invents Act (AIA) published in the Federal Register on July 26, 2012.

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

IPO commends the PTO for its efforts to devise rules and guidelines for implementing the first to file provisions of the AIA and thanks the PTO for providing us the opportunity to review and comment. While IPO agrees with many of the proposed rules and guidelines, there are several that IPO believes require further clarification and others that IPO believes depart from the language of the statute and the legislative history.

The following comments are divided into four parts. The first three parts address issues related to prior art under AIA 35 U.S.C. Section 102, including whether "on sale" must be a "public" sale, whether *Metallizing Engineering* has been statutorily overruled, and whether an intervening disclosure must be the "same" as an inventor's prior disclosure to fall within the exceptions under Sections 102(b)(1)(B) and 102(b)(2)(B). The fourth part addresses several miscellaneous issues.

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I. Prior Art Under 35 U.S.C. §102 (a)(1): Legislative History Dictates That an Invention “On Sale” Must be a Public Sale

The PTO requested comments on the extent to which public availability plays a role in “on sale” prior art defined in 35 U.S.C. 102(a)(1). The proposed guidelines suggest that the “language of the AIA 35 U.S.C. 102(a)(1) does not expressly state whether a sale must be ‘sufficiently’ public to preclude the grant of a patent on the claimed invention.” If so, the plain language must not be clear and it is appropriate to review the legislative history to glean Congress’ intent. The legislative history makes it very clear that any “sale” must be a public sale.

Senator Kyl’s remarks on March 8, 2011, are illustrative and clearly support that to qualify as prior art that is “on sale” under the AIA requires that such a sale be a public sale.

New section 102(a)(1) makes two important changes to the definition of non-patent prior art. First, it lifts current law’s geographic limits on what uses, knowledge, or sales constitute prior art. And second, it limits all non-patent prior art to that which is available to the public.

...

By adopting the first-to-file system, however, the present bill already provides ample incentive for an inventor to enter the patent system promptly. There is no need to also require forfeiture of patents simply because the inventor has made some use of the invention that has not made the invention available to the public. And the current on-sale bar imposes penalties not demanded by any legitimate public interest. There is no reason to fear “commercialization” that merely consists of a secret sale or offer for sale but that does not operate to disclose the invention to the public.

The current forfeiture doctrines have become traps for unwary inventors and impose extreme results to no real purpose. In *Beachcombers International, Inc. v. Wildewood Creative Products, Inc.*, 31 F.3d 1154, 1159-60, Fed. Cir. 1994, for example, an improved kaleidoscope was held to be “in public use” within the meaning of current section 102(b) because the inventor had demonstrated the device to several guests at a party in her own home. And in *JumpSport, Inc. v. Jumpking, Inc.*, 2006 WL 2034498, Fed. Cir. July 21, 2006, the court of appeals affirmed the forfeiture of a patent for a trampoline enclosure on the ground that the enclosure had been in “public use” because neighbors had been allowed to use it in the inventor’s back yard. Obviously, neither of these uses made the inventions accessible to persons interested and skilled in the subject matter. The only effect of rulings like these is to create heavy discovery costs in every patent case, and to punish small inventors who are unaware of the pitfalls of the current definition of prior art.

...

Second, a general public-availability standard is a necessary accompaniment to this bill's elimination of geographic restrictions on the definition of prior art. As unwieldy as the current rules may be, at least those rules allow only those secret sales and private third-party uses that occur in the United States to constitute prior art. Under the new regime, however, sales and uses occurring overseas will also constitute prior art. A sale or use that discloses an invention to the public is relatively hard to falsify. If the invention truly was made available to the public by sale or use, independent validation of that sale or use should be readily available. By contrast, the existence of a secret offer for sale, or a nondisclosing third-party use, largely will turn on the affidavits or statements of the parties to such an occurrence. Unfortunately, some foreign countries continue to have weak business ethics and few scruples about bending the rules to favor domestic interests over foreign competitors. A system that allowed foreign interests to invalidate a U.S. patent simply by securing statements from individuals that a secret offer for sale or non-disclosing third-party use of the invention had occurred in a foreign country would place U.S. inventors at grave risk of having their inventions stolen through fraud. That is not a risk that Congress is willing to accept.

Senate Debate – 157 Cong. Rec. S1360-S1394 (March 8, 2011) at 1370-1371. Senator Kyl's statements reflect the legislative intent that "on sale" means publicly on sale for two reasons. First, statutory construction of the remainder of the statute, which states "or otherwise available to the public," qualifies the earlier portions of the statute. Second, the purpose of the AIA is to simplify the patent process and to reduce the burdens on litigation. If secret sales were considered invalidating acts, patent litigation would continue to be burdened with extensive discovery into whether or not a patentee secretly sought to sell or offer to sell his invention. This would frustrate one of the purposes of the AIA. Thus, IPO urges the PTO to adopt rules and guidelines consistent with the legislative history by defining prior art that is "on sale" as being that which is *publicly* on sale.

II. Exceptions to Prior Art Under 35 U.S.C. §102 (a)(1): AIA Overrules *Metallizing Engineering* by Excluding "Secret" Commercial Activity From the "On Sale" Provision

In the proposed guidelines, footnote 29 comments on the interpretation of the "on sale" provision of the AIA 35 U.S.C. § 102(a)(1) in view of the decision of *Metallizing Engineering Co. v. Kenyon Bearing & Auto Parts Co.*, 153 F.2d 516 (2d Cir. 1946). As discussed above, IPO urges the PTO to adopt rules and guidelines consistent with the legislative history by defining prior art that is "on sale" as being that which is *publicly* on sale. As a result, to the extent that *Metallizing Engineering* is typically cited for the pre-AIA proposition that either the "on sale" or the "public use" bar can be triggered by an inventor's secret commercial use, IPO submits that the statute's public availability requirement means that *Metallizing Engineering* has been overruled. The following is illustrative:

One of the implications of the point we are making is that subsection 102(a) was drafted in part to do away with precedent under current law that private offers for sale or private uses or secret processes practiced in the United States that result in a product or service that is then made public may be deemed patent-defeating prior art. That will no longer be the case. In effect, the new paragraph 102(a)(1) imposes an overarching requirement for availability to the public, that is a public disclosure, which will limit paragraph 102(a)(1) prior art to subject matter meeting the public accessibility standard that is well-settled in current law, especially case law of the Federal Circuit.

Leahy-Hatch colloquy of March 9, 2011, 157 Cong. Rec. S1496-97. Although the PTO has not specifically requested comments on the relationship between *Metallizing Engineering* and the “public use” bar, IPO urges the PTO to clarify in the guidelines that *Metallizing Engineering* has been overruled.

III. Grace Period: Exceptions to Prior Art Under 35 U.S.C. §§102(b)(1)(B) and 102(b)(2)(B)

Under the proposed rules and guidelines, inventors may remove prior art from consideration during examination. The guidelines provide in pertinent part that:

The exception in 35 U.S.C. 102(b)(1)(B) applies if the ““subject matter” disclosed [in the prior art disclosure] had, before such [prior art] disclosure, been publicly disclosed by the inventor or a joint inventor” Thus, the exception in 35 U.S.C. 102(b)(1)(B) requires that the subject matter in the prior disclosure being relied upon under 35 U.S.C.102(a) be the same “subject matter” as the subject matter publicly disclosed by the inventor before such prior art disclosure for the exception in 35 U.S.C. 102(b)(1)(B) to apply. *Even if the only differences between the subject matter in the prior art disclosure that is relied upon under 35 U.S.C. 102(a) and the subject matter publicly disclosed by the inventor before such prior art disclosure are mere insubstantial changes, or only trivial or obvious variations, the exception under 35 U.S.C. 102(b)(1)(B) does not apply.*

Guidelines, Federal Register Vol. 77 at 43767, (July 26, 2012) (emphasis added); *see also* Federal Register Vol. 77 at 43769, col. 3. This effectively imposes a verbatim requirement, and is directly contrary to congressional intent. Such an interpretation could have far-reaching and unintended consequences. It would appear to allow third parties to usurp a public disclosure by making a minor or trivial change, publishing it immediately, and then precluding the original publisher from obtaining a patent on the disclosed subject matter. This would decimate the grace period contemplated by the AIA.

There is no requirement in the statute or the legislative history that requires the subject matter and or the disclosures to be identical. The passage quoted above gives no explanation and does not cite any authority for requiring the subject matter to be the “same”—i.e., identical.

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The following legislative history makes it very clear that minor and obvious changes to an inventor's disclosure were intended to fall within the scope of the exception under 35 U.S.C. 102(b)(1)(B):

After inventors publicly disclose their work, competitors should not be able to take advantage of those disclosures by filing for patents on the disclosed work.

Once inventors have published on their work--or have made it available to the public using any other means--their competitors should not be able to run off to the USPTO and seek patents on the work that the inventor has already publicly disclosed. *The same goes for permitting a competitor to belatedly seek a patent on a trivial or obvious variation of what the inventor had earlier disclosed publicly.* This common-sense truth should apply even if competitors can lay claim to having themselves done the same work, but elected to keep secret the work that other inventors have publicly disclosed.

In a word, a competitor seeking a patent on what such an inventor has already published can be thought of as being akin to interloping. The competitor who is spurred into action by another inventor's publication can be regarded as interfering with the understandable and justifiable expectation of inventors who have promptly disclosed their work: they expect that they themselves should be the ones able to secure patents on the disclosed work or, by publishing without later seeking patents, that they (as well as other members of the public) should remain free to continue to use what they have publicly disclosed.

S. 23 would increase the protection for inventors once they make their inventions available to the public by cutting off the potential for any sort of interloping. S. 23 operates to solidify an inventor's "grace period" that applies after the inventor has published or otherwise made available to the public his or her work. In brief, under S. 23, *interloping in any form is prohibited*--an inventor who elects to publish an invention will no longer need to have any concern that the publication will spur a competitor into a subsequent patent filing that could preclude the inventor from obtaining a patent or--even worse--from continuing to use his or her published work.

S. 23 better protects inventors than does current U.S. patent law in addressing interloping--by making the one-year "grace period" bulletproof.

Today, inventors enjoy a one-year "grace period" under U.S. patent law. What this means is that inventors themselves can still seek patents on their inventions even if they have made those inventions available to the public before seeking any patents on them. When inventors file for patents during

the one-year period after making a public disclosure, their own disclosures are not useable as “prior art” against their patents.

However, the “first to invent” principle of current U.S. patent law makes relying on the one-year “grace period” fraught with some significant risk. The risk comes from the ability of a competitor who learns of the inventor’s work through the public disclosure to race off to the USPTO and seek a patent for itself on the disclosed invention. The competitor can interlope in this manner by filing a patent application and alleging its own “date of invention” at some point before the inventor’s public disclosure was made.

This makes relying on the current “grace period” a risky hit or miss. If an inventor waits until the end of the one-year “grace period” to seek a patent on the invention he or she made available to the public, an interloping competitor, spurred into quickly filing a patent application, may be issued a patent before the USPTO acts on the “grace period” inventor’s patent application. The “grace period” inventor may be forced to fight to get into a patent interference against a competitor’s already-issued patent, hoping to get the USPTO to cancel the competitor’s patent so the inventor’s own patent can be issued.

...

What does S. 23 do about this defect in the “grace period” under current U.S. patent law? Quite simply, it wholly excises the defect--it will be gone in its entirety. *It makes an inventor’s public disclosure of the inventor’s own work a bar to anyone thereafter seeking to patent that work itself, as well as any obvious variations of what the inventor made available to the public.* In short, it is a complete fix to the risk a competitor will use the inventor’s public disclosure as a spur to filing its own patents based on its own work.

Senate Debate – 157 Cong. Rec. S1204-S1213 (March 3, 2011) at 1208-1209 (statement by Coalition for 21st Century Patent Reform, March 2, 2011, inserted into the record by Senator Kyl) (emphases added).

Senator Kyl’s own remarks similarly support the notion that trivial changes to an inventor’s prior public disclosure do not remove the disclosure from the exception provided by 35 U.S.C. 102(b)(1)(B):

Under the first subparagraph (B), at section 102(b)(1)(B), if an inventor publicly discloses his invention, no subsequent disclosure made by anyone, regardless of whether the subsequent discloser obtained the subject matter from the inventor, will constitute prior art against the inventor’s subsequent application for patent in the United States. The parallel provision at section 102(b)(2)(B) applies the same rule to subsequent applications: if the inventor discloses his invention, a subsequently filed application by

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another will not constitute prior art against the inventor's later-filed application for patent in the United States, even if the other filer did not obtain the subject matter from the first-disclosing inventor. And of course, the inventor's earlier disclosure will constitute prior art that invalidates the other filer's subsequent application.

In other words, under the regime of the two subparagraph (B)s, an inventor's disclosure of his invention to the public not only invalidates anyone else's subsequently filed application, but no one else's subsequent disclosure or filing of an application during the 1-year grace period will constitute prior art against that inventor's application. *The bill thus effectively creates a "first to publish" rule that guarantees patent rights in the United States to whoever discloses the invention to the public first.*

Senate Debate – 157 Cong. Rec. S1360-S1394 (March 8, 2011) at 1369 (emphasis added). Here, Senator Kyl refers to the concept that what is published is the invention or, subject matter, in a broad context. "Subject matter" in AIA Section 102(b) should be interpreted broadly.

In pre-AIA Section 102(b), which defines the pre-AIA grace period, the term "invention" has been given a broader interpretation than in pre-AIA Section 102(a) because of the different policies underlying the two sections. Under pre-AIA Section 102(b), publication of a patent-barring "invention" before the start of the grace period encompasses publication of obvious variations. *See* Donald Chisum, *Chisum on Patents*, §6.102[3] (2005). It follows that a publication of an obvious variation *after* the start of the grace period should not bar a patent.

According to the PTO's proposed guidelines, however, the first to publish will never prevail when a subsequent publisher makes trivial or obvious modifications. The following scenario is illustrative:

Inventor A discloses a new composition of matter for use in cosmetics that includes elements 1, 2, and 3.

One day after the disclosure Inventor B independently publishes a document disclosing a composition of matter that includes elements 1, 2, and 3, along with conventional cosmetic excipients. (This would be considered an obvious variant from Inventor A's disclosure.)

Three months later, Inventor A files a patent application.

Under the proposed guidelines, Inventor B's disclosure destroys the patentability of Inventor A's patent application. The legislative history of the AIA, however, makes it clear that such a disclosure should not qualify as prior art.

There are numerous scenarios in which an inventor would not be able to prove that a prior disclosure was by an individual who obtained the subject matter from the inventor. The proposed rules and guidelines, however, make no provision for discovery into this issue. Consequently, there would be no mechanism by which a patent applicant could prove that the subject matter in the prior disclosure was in fact obtained from the inventor and the inventor would be unable to disqualify a prior publication based on his own disclosure under Sections 102(b)(1)(A) and 102(b)(2)(A).

Moreover, if one were to interpret the word “disclosure” in Section 102(b)(1)(A) to be synonymous with “subject matter disclosed” as interpreted in the proposed guidelines, the inventor would not be able to disqualify from prior art under Section 102(b)(1)(A) even his own intervening publications having trivial or obvious variations. *See* guidelines at 77 Federal Register at 43763, col. 3, discussing the meaning of “disclosure.”

IPO submits that if the inventor published prior to the intervening disclosure, then the exceptions under Sections 102(b)(1)(B) and 102(b)(2)(B) should apply, even if the subject matter is not exactly the “same.” Otherwise, there would be virtually no benefit to being the first to disclose or the first to publish. The proposed guidelines would discourage early public disclosure of an invention and would effectively gut the grace period, in direct contravention of the AIA.

IPO suggests that the proposed guidelines should be modified as follows:

If ~~Even if the only~~ differences between the subject matter in the prior art disclosure that is relied upon under 35 U.S.C. 102(a) and the subject matter publicly disclosed by the inventor before such prior art disclosure are mere insubstantial changes, or only trivial or obvious variations, the exception under 35 U.S.C. 102(b)(1)(B) applies ~~does not apply~~.

IV. Miscellaneous Comments

1. Requirements to Identify Applications and Subject Matter Having an Effective Filing Date Later Than On/After March 16, 2013

The proposed rules require applicants to identify whether an application includes claims that are governed by the first inventor to file rules. (37 CFR §§ 1.55 and 1.78). Specifically, the proposed rules require applicants to identify whether an application filed on or after March 16, 2013, that claims the benefit of an application filed before March 16, 2013, includes any claim or discloses subject matter that has an effective filing date of on or after March 16, 2013.

Although IPO does not object to the proposal requiring applicants to identify whether the *claims* are governed by the first inventor to file rules, IPO has significant reservations regarding the proposal requiring applicants to also identify an application that “discloses subject matter not also disclosed in the [earlier] application.”

IPO submits that the proposed rules and guidelines fail to provide a meaningful definition of when “subject matter” would be considered “new.” For example, is subject matter “new” merely because it is not described verbatim in the earlier application? If so, such a requirement would adversely impact small businesses, independent inventors, and universities that tend to rely on filing of “cover sheet” provisional applications to establish a priority date.

IPO submits that if the applicant is not *claiming* such “new” subject matter, such a statement does nothing more than put the PTO on notice that the applicant *may* later amend the claims to incorporate such subject matter. Thus, the benefits to the PTO of requiring identification of applications that have subject matter not disclosed in an earlier application are minimal compared to the burden being imposed on applicants and the risk that applicants may later be accused of inequitable conduct if any differences were not identified.

2. Improper Naming of Inventors

The proposed guidelines state that “the situation in which an application names a person who is not the actual inventor as the inventor (pre-AIA 35 U.S.C. 102(f)) will be handled in a derivation proceeding under 35 U.S.C. 135, by a correction of inventorship under 37 CFR 1.48, or under 35 U.S.C. 101.” (77 Fed. Reg. at 43761). IPO respectfully suggests that the USPTO provide additional guidelines for determination of when “it is clear that the application does not name the correct inventorship.”

3. Application of Pre-AIA 35 U.S.C. 102(g)

The proposed rules and guidelines both note that interference practice will continue with respect to claims having an effective filing date before March 16, 2013. For example, the proposed rules and guidelines state that:

[P]re-AIA 35 U.S.C. 102(g) [will] apply to each claim of an application for patent if the application: (1) Contains or contained at any time a claimed invention having an effective filing date that occurs before March 16, 2013; or (2) is ever designated as a continuation, divisional, or continuation-in-part of an application that contains or contained at any time a claimed invention that has an effective filing date before March 16, 2013.

77 Fed. Reg. at 43762. The definition of the effective date for the first inventor to file provisions, however, appears to suggest that pre-AIA 35 U.S.C. 102(g) only applies to those claims that are both: (i) examined under post-AIA Sections 102 and 103; and (ii) have an effective filing date prior to March 16, 2013. (*See* Sec. 3(n) of HR 1249).

The language of Section 3(n) of the AIA uses the term “application” in subparagraph (1), which means that the entire application is subject to the first inventor to file provisions, but then uses the term “claim” in subparagraph (2), which describes the continuation of interference practice for “each claim” having an effective filing date prior to March 16, 2013. Thus, the language of the AIA appears to state that it is *only* those claims that have an effective filing date prior to March 16, 2013, that are subject to pre-AIA Section 102(g). The proposed

rules and guidelines, however, appear to state that *every* claim in such an application will be subject to pre-AIA Section 102(g). IPO respectfully requests clarification of whether interference practice under Section 102(g) will apply to *every* claim in such an application or *only* those claims that have an effective filing date prior to March 16, 2013.

IPO submits that even if clarified, however, a provision for continuing interference practice for situations in which the claims have an effective filing date prior to March 16, 2013, but are examined under AIA Sections 102 and 103, would appear to be a provision with no teeth. The PTO still requires claims to be patentable for an interference to be declared. If the entire application (e.g., every claim) is subject to AIA first inventor to file provisions, and the interfering patent was published or filed first, then all claims would be unpatentable unless an exception under Section 102(b) applies. If the subject matter was not “derived” from the inventor of the later filed application (in which case a derivation proceeding would be the avenue of attack), then there are no exceptions and the claims of the later filed inventor, who may have invented first, are not patentable. Accordingly, the provisions of Section 102(g) would not apply. IPO submits that this contradicts the purpose and intent of the AIA.

4. Derivation Proceedings Under Proposed 1.130(f)

The proposed rules provide under 1.130(f) that:

The Office may require the applicant to file a petition for a derivation proceeding pursuant to § 42.401 et seq. of this title if the rejection is based upon a U.S. patent or U.S. patent application publication of a patented or pending application naming another inventor and the patent or pending application claims an invention that is the same or substantially the same as the applicant’s claimed invention.

IPO submits that *requiring* an applicant to file a derivation petition is unduly burdensome. The petitioner in a derivation proceeding must pay fees and marshal evidence to support a showing of derivation. Such a requirement could be wasteful or premature if it is based on the published claims of an unexamined application (which may not be patentable to the earlier applicant).

5. Definition of Inventor

Finally, IPO notes that the PTO should carefully reevaluate the impact of redefining “inventor” on the rules as a whole. Inventor now means either a sole inventor or the collection of joint inventors. In other words, “inventor” is the entire inventive entity. It appears under the new definitions, reference to one of several named “inventors” requires use of either “joint inventor” or “coinventor.” Although the proposed rules are largely consistent with the new language, there were prior uses of the word “inventor” that may require modification to be consistent with the new rules. For example:

- Proposed Rule 1.78(a)(2) reads in part that “Each prior-filed provisional application must name as the inventor or a joint inventor an

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inventor named in the later-filed application.” This should be “Each prior-filed provisional application must name as the inventor or a joint inventor an inventor or a joint inventor named in the later-filed application.”

- Proposed Rule 1.110 states that “When more than one inventor is named in an application or patent, the Office may require” This should now read “When more than one joint inventor is named in an application or patent, the Office may require”

IPO thanks the PTO for considering these comments and would welcome any further dialogue or opportunity to support the PTO in implementing the first inventor to file provisions.

Sincerely,

A handwritten signature in black ink, appearing to read 'R. F. Phillips', with a stylized flourish at the end.

Richard F. Phillips
President