

**Comments of  
Oblon, Spivak, McClelland, Maier & Neustadt, P.C.  
on the  
International Efforts to Harmonize  
the Requirements of Patent Laws**

These comments are submitted to the Director of the United States Patent and Trademark Office ("USPTO") by the intellectual property law firm of Oblon, Spivak, McClelland, Maier & Neustadt, P.C. (the "Oblon law firm") in response to the Request for Comments published at 66 *Federal Register* 15409 (March 19, 2001). They are being submitted both in electronic form and in hard copy.

**Introduction**

The Oblon law firm includes more than 90 attorneys registered to practice before the USPTO who are engaged in all aspects of U.S. and foreign patent law, including U.S. and foreign patent prosecution, litigation, licensing transactions and related matters. For the eleventh consecutive year, our firm has obtained more U.S. patents for our clients than any other firm or corporation. In the year 2000 we were pleased to have obtained more than 3200 U.S. patents for our clients.

The Oblon law firm warmly welcomes and strongly supports the efforts of the USPTO and the Standing Committee on the Law of Patents (the "SCP"), meeting under the auspices of the World Intellectual Property Organization ("WIPO").

As we move into the twenty-first century — a century characterized in a high-level Japanese Commission Report as the "Era of Intellectual Creation"<sup>1</sup> — the efficient protection of intellectual property will assume an entirely new dimension of importance. And, in the global economy that will define the twenty-first century, an effective *global*

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<sup>1</sup>Toward the Era of Intellectual Creation, Challenges for Breakthrough, Report of the Commission on Intellectual Property Rights in the Twenty-first Century to the Commissioner of the Japanese Patent Office (Apr. 7, 1997).

system of intellectual property rights will be critically needed. Although that principle will apply to all forms of intellectual property, the most critical task, and in many ways the most challenging, will be to establish effective multinational patent protection — protection that will serve the needs of multinational research-based industries as well as small and independent inventors at a cost that will promote, not hinder, the development of inventions.

There is a debilitating redundancy built into the current national/regional patent search, examination and enforcement systems. With respect to any important invention, highly skilled patent examiners around the world — all of whom are scientists or engineers and many of whom in addition, particularly in the United States, have legal training — analyze the *same* patent application, search the *same* prior art, and perform the *same* examination before granting virtually identical patents in their respective jurisdictions. Once granted, a patent must be enforced individually in each individual jurisdiction. This unnecessary redundancy drives up the costs of obtaining and enforcing worldwide patent protection to a level that can only be afforded by the largest multinational corporations.

Moreover, as could be expected in a worldwide system of patent protection with highly redundant and overlapping operations performed by highly skilled professionals, all of the major patent offices of the world are experiencing major challenges in keeping up with their ever-increasing workloads. In the United States, the number of patent applications filed has more than tripled in just the past twenty years — from 107,000 in 1981 to more than 330,000 expected this year. Given the recent unfortunate actions of both the Executive and Legislative branches in diverting patent fee income intended for the USPTO received from inventors and high-technology companies, but now misused to support other totally unrelated government programs, and given the attrition of highly skilled patent examiners from the USPTO, hiring freezes and other bureaucratic roadblocks, it is not surprising that the USPTO is experiencing significant difficulties in coping with its workload. For example, during the first quarter of Fiscal Year 2001, the percentage of patents granted with a pendency exceeding thirty-six months ranged from a low of 81.2% in Technology Center 2600 to a high of 94.6% in Technology Center 3600. However dedicated and effective the staff of the USPTO is, we would expect that those percentages would increase in the future, with a significant number of applications approaching four years in pendency before they are disposed of either through the grant of a patent or abandonment.

In our view, the international patent law harmonization efforts now being undertaken by the SCP, with the active assistance of the USPTO and other patent offices of the world, should have as their goal: (1) to achieve sustained reductions in the cost of acquiring multinational patent protection for inventors and industry, (2) to eliminate work by national patent offices that represents redundant searching and examination of the same patent application, (3) to reduce the overall pendency time of multinational patent applications, and (4) to provide consistency and certainty in patent enforcement.

The USPTO's *Federal Register* Request for Comments lists 17 areas where comments would be welcome. In these comments we will focus our initial attention on what we believe are the first and second tier issues that need to be addressed initially by the USPTO and the SCP.

### **First-Tier Issues**

In the first-tier of issues we would place those directly related to the definition and uses of prior art: issues identified in the *Federal Register* request as numbers (1) and (7) through (12).

To achieve effective early coordination of the examiners of the major patent offices working on patent applications on the same invention — leading eventually to their giving full faith and credit to searches and examinations of their peers — three things are essential:

- (1) Universally recognized and used electronic databases of prior art,
- (2) An agreed-upon *legal* definition of what constitutes prior art, and
- (3) An agreement on how the examiners will use the prior art once it is identified as being effective against a given claim in a patent application.

An agreed-upon *legal* definition of prior art is not possible without agreeing upon what is referred to as "priority of invention" — the issue of first-to-invent versus first-to-file.

As between two true inventors — as contrasted with copiers — *every* nation in the world except the United States provides a patent to the inventor who first undertakes to use the patent system to disclose his/her invention to the public and gain protection. In shorthand, this is called a first-to-file system of priority. For reasons that perhaps made sense historically, the United States has what is called a first-to-invent system of priority

that is intended to provide the patent to the first "inventor," i.e., the first person to "conceive" and/or "reduce the invention to practice" under an arcane and burdensome complex of substantive and procedural rules and regulations. In the United States, as one might expect, there are clear exceptions to the first-to-invent rule. For example, if a first inventor uses the invention commercially but secretly for more than a year prior to filing a patent application, he or she is barred from getting a patent, but a second inventor, not knowing of the secret commercial use, can obtain a valid U.S. patent.<sup>2</sup>

As early as 1965, a major Presidential Commission studying the United States patent system strongly recommended that the United States adopt the all-but-universal first-to-file system.<sup>3</sup> Given the increasing use of low-cost and easily filed *provisional applications*, such a system would be of significant benefit to independent inventors and small businesses.

Except for the cloud now hanging over every patentee's head that someone else will later claim to be a "first inventor," the United States now has a virtual first-to-file system. In round numbers, the USPTO now receives more than 300,000 patent applications each year. Historically, only about 200 to 225 of these — or less than 0.1% — end up in interferences. And of those, the "junior party," the second to file, prevails in fewer than one-third of the cases.

An argument is often made that adopting a first-to-file system would somehow disadvantage independent inventors and small businesses — two classes of extremely important and productive users of the U.S. patent system. But the reality is exactly the opposite. Forcing a small-entity inventor into an interference proceeding with a large and determined company that filed a patent application after the small entity could cost the

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<sup>2</sup>*Metallizing Eng'g Co. v. Kenyon Bearing & Auto Parts Co.*, 153 F.2d 516, 520, 68 USPQ 54, 58 (2d Cir. 1946), *cert. denied*, 328 U.S. 840, 69 USPQ. 631 (1946).

<sup>3</sup>"To Promote the Progress of ... Useful Arts" in an Age of Exploding Technology, Report of the President's Commission on the Patent System, Washington, D.C. (1966). This is not a partisan matter. The 1966 Commission Report was to President Johnson. In August 1992, the Advisory Commission on Patent Law Reform reached virtually identical conclusions in its report to the Secretary of Commerce in the Bush Administration. The Advisory Commission on Patent Law Reform, Report to the Secretary of Commerce (Aug. 1992). For a discussion of the advantages of a first-to-file system, see William S. Thompson, *Reforming the Patent System for the 21st Century*, 21 Am. Intell. Prop. L. Ass'n Q.J.171 (1993), and Charles L. Gholz, *First to File or First to Invent?*, 82 JPTOS 891 (2000).

small entity from \$500,000 to \$1,000,000 (exclusive of court review), according to current estimates, to prevail. More importantly, small entities by their very nature can move more quickly than larger bureaucracies. And here is where the United States *provisional applications* come into play. By filing a complete technical disclosure of the invention, a small entity can readily secure priority rights in a first-to-file system without a major expenditure of resources. This then gives the small inventor a year in which to file a professionally prepared non-provisional patent application. It simply defies logic to contend — as some apparently do — that the 178 other patent-granting nations that have adopted a first-to-file system have done so at the expense of their own independent inventors and small businesses.

Fundamental to the legal definition of prior art that would be effective with respect to any application on an invention is the issue of whether or not there is a "grace period" in the law. Under U.S. law, an inventor can disclose his or her invention publicly or commercialize it prior to filing a patent application as long as the application is filed within one year. This one-year "grace period" benefits society by encouraging prompt disclosures and commercial use of an invention without the inventor forfeiting his or her patent rights. That goal is — or should be — shared universally. Thus, agreement of a grace period of some duration should be high on the agenda of the efforts of the SCP.

If agreement can be reached on these two overriding issues, the remainder of the issues, we believe, can be agreed to based on the wealth of experience that all of the offices have and what amounts to agreed-upon best practices. For example, on the one hand, we are troubled by the use of "oral" prior art (i.e., prior art which by its definition is not and cannot be included in worldwide search databases). On the other hand, we can understand why offices that do not use the "on-sale" bar of U.S. law prefer the more exact "actually sold" standard before something becomes a bar to patentability.

We believe that, as major patent offices move to closer harmonization, we should do away with national policies such as the *Hilmer* doctrine and other geographical restrictions on the definitions of prior art. But at the same time other offices should be willing to use the effective filing date of an application for all purposes, including nonobviousness (or inventive step) determinations, as the U.S. now does under 35 U.S.C. §§ 102(e) and 103.

With regard to secret commercial uses of an invention before the beginning of the grace period, we believe that the reasoning underlying the *Metallizing Engineering* case<sup>4</sup> is sound and should be adopted internationally.

## Second-Tier Issues

Effective international cooperation on substantive patent law would clearly need to resolve issues of patent eligibility (i.e., what things are able to be patented in any system), together with how eligible subject matter is defined in the patent claims. We would group issues (2), (4), (6), (15), and (16) in this category.

With respect to patent eligibility, the major international issues center around biotechnology, genomics, patents on transgenic plants and animals, patents on software, and patents on business methods, the latter with particular emphasis on computer or Internet implemented business method inventions. In each of these areas, the United States is leading the way toward achieving what we believe is a desirable goal, namely that patent systems should cover "anything under the sun created by humans." In adopting a standard of what is appropriate subject matter and how that needs to be defined in the claims of a patent, we believe an overriding policy should be that whatever is agreed to should be useful, understandable, and predictable to business executives and inventors who make the decisions on research and technology efforts to be undertaken.

With respect to whether or not patents on business methods should be permitted, a careful reading of the commentaries of those speaking out against business method patenting reveals that their position is not necessarily based on a fundamental disagreement on whether this form of human endeavor should or should not be patentable. Rather, the critics emphasize that the statutory requirements regarding *all* inventions were not met in any particular case. The experience of the USPTO seems to indicate rather conclusively that industry and inventors regard business method patents as being useful and appropriate in thousands of instances.

With respect to patents on genomic inventions, one is reminded of the "gruesome parade of horrors" that was predicted by the opponents of gene patenting in the famous *Chakrabarty* case. Instead of that parade, the patenting of biotechnology has formed the

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<sup>4</sup>See footnote 2.

bedrock of an important industry that has saved millions of lives. Those opposing the patenting of genomic inventions based their arguments on ethical and privacy grounds. But patent laws are not designed to address those issues. Patents, quite simply, are intended to allow scientists to share information without fear that their ideas will be misappropriated. Denying a patent because of some undefined ethical concern will mean that scientists will become more secretive and less willing to display their work to colleagues.

### **Other Matters**

There are a number of detailed issues identified in the USPTO's *Federal Register* request, set forth, for example, in issues (3), (14), and (17). At this stage of the efforts of the SCP, we recommend putting those issues on hold, pending resolution of the more significant issues mentioned above. We also recommend that the matter of agreement on post-grant procedures — some form of post-grant opposition/reexamination procedures — be added to the USPTO/SCP list of issues. Here, a balance would need to be struck between the legitimate needs of potential infringers and the rights of patentees not to be subjected to unnecessary burdens.

### **Conclusion**

We appreciate very much this opportunity to present comments to the USPTO on the efforts of the SCP, and again we applaud those efforts and are confident that they will lead to more effective multinational protection of new technology.

Respectfully submitted,

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