May 2017

# "Cornerstones for patent law harmonisation: a B+ Sub-Group / Industry Symposium" Munich, Tuesday 20<sup>th</sup> June 2017

Background Document drawn up by the B+ Sub-Group: Australia, Canada, Denmark, European Patent Office, Germany, Hungary, Japan, South Korea, Spain, United Kingdom and United States

This document has been agreed by the members of the B+ Sub-Group, who expressly reserve their positions with regard to the substance discussed therein. Further, nothing is agreed until everything is agreed.

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## **EXECUTIVE SUMMARY**

#### Introduction

The present document is intended to provide the B+ Users' Symposium participants with background information on the issues to be discussed, by summarising the substance of the work carried out within the B+ Sub-Group and the substantive B+ Workstreams on the Grace period, Conflicting Applications and Prior User Rights.

The participating delegations in one or more Workstreams are Australia (AU), Canada (CA), Denmark (DK), European Commission, European Patent Office (EPO), France (FR), Germany (DE), Hungary (HU), Japan (JP), Republic of Korea (KR), Spain (ES), Sweden (SE), Switzerland (CH), the United Kingdom (UK) and the United States (US).

## Grace period

The Grace Period Workstream is chaired by the EPO, and comprises the delegations of AU, CA, CH, DE, DK, EPO, European Commission, ES, FR, HU, JP, KR, SE and US. Of these, 5 members have a grace period: AU, CA, JP, KR and US.

There is no consensus within the B+ Sub-Group or the Workstream with regard to the principle of a grace period. Nevertheless, it is recognised by many that if harmonisation occurs on this issue, it will be on the basis of a package containing a grace period which should, to some degree and subject to conditions yet to be determined, encompass disclosures made by the applicant.

#### Function of the grace period

A fundamental issue which must be resolved is what the intended function of the grace period should be. The first approach possible is a narrow definition as that found in Art. 55 EPC, gracing only disclosures made at qualified international exhibitions and disclosures in evident abuse of the applicant.

A second approach is that of a "safety-net", gracing all pre-filing disclosures of the applicant's invention during the grace period so that they do not form part of the prior art, but stopping short of making the grace period seem attractive by granting further benefits to the applicant.

Finally, it is possible to conceive of a grace period with additional protection for applicants, for instance by shielding them from certain intervening disclosures by third parties, or by protecting them from prior user rights arising during the grace period, or preventing prior user rights from arising where the prior use is based on knowledge of the invention derived from the applicant, for instance, through a pre-filing disclosure, even where the third party is in good faith.

#### Experience with the grace periods

The paper provides a chart indicating the features of the grace periods in AU, CA, JP, KR and US. Statistics on the use of the grace period are supplied for countries

which have a declaration requirement allowing them to monitor such use. The trend in first-to-file countries is for grace period provisions to expand, and, where measurable, a corresponding increase in the use of the grace period can be observed although overall numbers remain relatively low.

An argument is made in Europe that because the EPC and to some degree, China, do not offer full-fledged grace periods that, world-wide, regardless of how they are framed in national legislation, grace periods are used as a safety-net, when something goes wrong or where there is a compelling reason to make an early disclosure of the invention, as to act otherwise leads to loss of rights in Europe and China. This arguably enhances legal certainty in all systems, but applicants are unable to make a strategic use of the grace period. Some European users fear that if Europe moved to an internationally harmonised grace period, this would allow innovators to rely on the grace period as a matter of strategy, triggering a paradigm shift away from filing first and disclosing later. Thus, some European users argue that to replace the deterrent effect of a lack of grace period in Europe and CN, an internationally harmonised grace period should have disincentives to pre-filing disclosures built into national provisions, to ensure that the grace period would continue to be used as a safety-net, preserving legal certainty, rather than as a strategic option or a default due to sloppy practices. Thus, in choosing an international norm, it is necessary to consider how this norm will influence applicant behaviour.

Although some argue that the legal uncertainty faced by third parties that comes with adoption of a GP outweighs the benefits to applicants, one must consider the premise that applicants are also third parties with respect to other applications. Those jurisdictions operating a grace period argue that it has an essential function in helping to allow an inventor to avoid a harsh penalty - permanent loss of rights - for what may have been an accidental disclosure of the invention. Another key policy aim of the grace period is to facilitate early public dissemination of research results by academic innovators and applicants. In the Tegernsee Survey, a majority of applicants from JP (78%) and the US (79%) supported the adoption of a harmonised grace period. Reference is made to a US and UK Study on grace periods highlighting the tension between the need for academics to publish work and the desire for Tech Transfer departments to protect intellectual property, and the important function of the grace period in balancing these interests A further policy argument is made by some that the grace period allows applicants to test the market for the invention before filing or attract venture capital funding before undertaking the considerable expense of preparing and filing the application.

#### Definition of the grace period

The paper catalogues the issues pertaining to the grace period and the various options which exist in defining a grace period. There is widespread agreement that, in the interest of simplicity, should there be a harmonised grace period, all disclosures of the applicant's invention by him or with his consent during that period should be graced regardless of the type of disclosure or its circumstances.

It is also agreed within the B+ Sub-Group that the grace period should be calculated from the national filing date or, if applicable, the priority date.

A further issue which on principle, appears simple to agree on, yet presents particular difficulties in practice is the matter of the treatment of re-disclosures of the applicant's invention by third parties.

However, depending on whether a safety-net approach is preferred, where an attempt is made to balance the benefits for the applicant with protection for third parties in good faith, or whether a grace period with additional benefits is considered better policy, the delegations are divided on almost all the other elements, eg:

- Whether disclosures by third parties of independent inventions should be prior art or not.
- Duration of the grace period: 6 or 12 months?
- Should a statement listing all of the applicant's pre-filing disclosures be required? What should be the scope of the obligation? At which time should the statement be filed? What should the consequences be for failure to list a disclosure?
- Where should the burden of proof lie?
- Should prior user rights for users accrue where knowledge of the invention has been derived in good faith from an applicant's graced disclosure?

#### Relationship of the grace period with third party rights

A second complex of issues goes to the relationship between the grace period and third party rights, dealing with independent inventors and novelty issues, as well as prior user rights, and also with rules governing the accrual of prior user rights for users having derived knowledge of the invention from another third party or from the applicant.

#### **Conflicting applications**

An important issue relevant to patent law harmonization and work sharing among patent offices is the extent to which "conflicting applications" qualify as prior art against pending patent applications. Applications are said to conflict when an earlier-filed application containing the same subject matter claimed in an application later filed in that same office publishes after the filing date of the later-filed application. Because the earlier application does not become publicly available until its publication date, which is after the filing date of the later application, it is not prior art, in the typical sense, against that application. Absent a rule for addressing this conflict, the result would be the issuance of two patents directed to the same or substantially the same subject matter, commonly referred to as "double patenting."

To prevent the issuance of multiple patents on the same invention, each patent system has adopted general rules that give prior art effect to the earlier-filed application as of its filing or priority date, upon publication, notwithstanding that it was held in secrecy at the patent office at the time the later application was filed. This legal fiction is commonly referred to as "secret prior art" (SPA) because the information is contained in publicly unavailable patent applications, but treated as prior art nonetheless to avoid double patenting.

In the United States, "secret prior art" can be the basis for refusing an application for both lack of novelty and obviousness (inventive step). Under the European Patent Convention, "secret prior art" can only be used to refuse an application for lack of novelty; it cannot be cited alone or in combination with any other reference to show lack of an inventive step. In Japan, the practice is in between the United States and Europe: "secret prior art" can be used to refuse an application for lack of novelty, including minor differences within the common general knowledge of one of ordinary skill in the art, but it cannot be used to refuse an application for lack of inventive step. Other jurisdictions generally follow one of these three basic approaches.

Another significant difference in practices is the applicable rule when the earlier application and the later application were filed by, owned by, or subject to a relevant agreement between the same entities. To address this situation, some jurisdictions have adopted rules to prevent "self-collision," in which the applicant's own earlier applications do not "collide" (conflict) with his later one. This practice is commonly referred to as anti-self-collision. In contrast, self-collision refers to the practice in which the same applicant is precluded from obtaining a patent because of their own conflicting prior art. Anti-self-collision applies in the United States and Japan, but does not in Europe. Other jurisdictions fall into one of these two categories.

In order to better understand the differences in practices and to advance discussions on harmonization in this area, under the auspices of Group B+, a Workstream, chaired by the United States Patent and Trademark Office (USPTO) was formed, comprising delegations from CA, EPO, JP, KR, UK and US. Since its creation, the group has conducted a study to determine the frequency in which secret prior art is used by examiners in rejections. The study revealed that the frequency of citation of secret prior art for novelty purposes only, irrespective of the technology or office, ranges from 0% on the low end to as high as 6.0%, with an average of 2.48%. While these percentages are somewhat low in absolute terms, they demonstrate that when scaled in relative terms, changes to current conflicting application regimes will not be insignificant.

Following the study, the Workstream issued a paper presenting potential options for harmonization of the treatment of conflicting applications. The primary issue when considering a harmonized approach for the treatment of conflicting applications is how the secret prior art should be applied with respect to the later-filed application.

#### **Option 1: Novelty Only**

With the novelty-only approach, conflicting applications are relevant for the examination of novelty only. Novelty is applied on the basis of the whole contents approach in an objective manner: it includes matter implicit from the disclosure, which would be immediately apparent to a person skilled in the art, but excludes equivalents or variations. This is the approach in Europe.

#### **Option 2: Enlarged Novelty**

Another approach treats conflicting applications as prior art on the basis of enlarged novelty. Under Article 29bis of the Japan Patent Act, no patent shall be granted for an invention claimed in a patent application which is identical to an invention

disclosed in a previous application. The term "identical" includes cases where there is no difference between the elements defining the invention as well as where there is only a "minor" difference between these elements—that is, they are "substantially identical." If there is a minor difference in the embodiments of the means for solving the problem, which is an addition, deletion, or conversion of "well-known arts" and does not bring any new technical effects, the two inventions are deemed to be "substantially identical." The concept of "substantially identical" may also include equivalents, if they would be easily understood by a person skilled in the art.

#### Option 3: Novelty plus Inventive Step (Non-Obviousness)

Another possible approach is for conflicting applications to be relevant, not only for the examination of novelty, but also inventive step. In practice, this approach allows the first application to be combined with other references, including other co-pending applications in the assessment of inventive step. Therefore, inventions contained in later applications must meet the full patentability requirements of novelty and nonobviousness over the earlier conflicting application. This is the approach in the U.S.

#### Option 4: Novelty plus Single Reference Obviousness (No-Mosaic)

Discussions on the harmonized treatment of conflicting applications have recently shifted to potential new options. One option is referred to as "no mosaic." Conflicting applications would form part of the prior art for both novelty and inventive step, but the conflicting application could not be combined with another reference. Lack of inventive step would have to exist on the basis of the disclosure contained in that single document.

#### Option 5: Mixed Approach

An alternative approach that has been discussed is a US/EPO mixed approach. When the conflicting applications are held by different parties, the US approach would apply—that is, the earlier application would form part of the prior art for both novelty and inventive step for the later-filed application. Thus, applications filed later by third parties would have to fulfill full patentability requirements over the earlier application for a patent to be granted. Where the two applications are held by the same applicant, however, the EPO approach would apply, so that the prior application would be relevant to the determination of novelty only, as applied by the EPO. An applicant's own earlier application could be used to form the basis of the rejection.

In addition to how secret prior art should be used in patentability determinations, another issue for consideration in devising a harmonized approach to the treatment of conflicting applications is whether an applicant's own prior-filed, later-published application should be used against a subsequent application by the same applicant, a situation referred to as "self-collision." Many jurisdictions provide for anti-selfcollision—that is, an applicant's own work will not be treated as if it were prior art in the examination of the second-filed application.

#### Option 1: No anti-self-collision

As described above, this option would allow an applicant's or inventor's own priorfiled, later-published application to be used against a subsequent application by the same applicant.

#### Option 2: Anti-self-collision

The anti-self-collision option generally provides that an applicant's or inventor's own prior-filed, later-published application will not be used as secret prior art against a subsequent application by the same applicant.

#### Option 3: Anti-self-collision, but self-collision in double patenting

A third option— anti-self-collision, but self-collision in double patenting—prevents an applicant's own prior-filed, later-published application from being used as secret prior art against a subsequent application by the same applicant. However, if the later *claims* are not patentably distinct from the earlier claims, the applicant's previously filed application can be used against the subsequent application. This option could also be slightly altered such that a whole contents approach is applied.

#### Option 4: Anti-self-collision provision with terminal disclaimer

A fourth option provides for anti-self-collision: that is, an applicant's own prior-filed, later-published application will not be used as secret prior art against a subsequent application by the same applicant. However, where the subject matter of the conflicting applications is patentably indistinct, the applicant would be required to file a terminal disclaimer. The terminal disclaimer would serve to link the two patents, thereby preventing undue extension of the patent term and also facilitating licensing and litigation.

A number of policy issues arise when considering the abovementioned options including the prevention of double patenting, the protection of incremental innovation, and whether or not applicants should be treated equally. These important matters and the impact of any proposed changes should be carefully considered as discussions progress.

#### Prior user rights

This section provides an overview of the discussion within the PUR Workstream, chaired by the JPO, and comprising the delegations of AU, CH, DE, EPO, FR, JP, KR, SE and US.

#### Objective and principles

(i) A third party who has started using an invention in good faith prior to the filing of a patent application for that invention by another party should have a right to continue to use that invention.

(ii) The circumstances under which prior user rights arise, including the extent to which they rely on actual use having taken place, should balance the interests of third parties to protect their investments with the interests of the inventor/applicant

<u>Issues for which a consensus has been reached by all the Workstream member</u> <u>offices</u>:

- (i) Requirements for Accrual of Prior User Rights:
- Prior user rights should not arise through mere possession or knowledge of an invention by a third party.
- (ii) Territorial Scope of Prior User Rights:
- Prior user rights should be limited to the territory in which the activity giving rise to prior user rights has taken place.
- (iii) Acts for Prior User Rights to Accrue:
- Acts giving rise to prior user rights should match the acts of working invention exclusively reserved to the patent holder post-grant (i.e. the acts that constitute infringement of patent).

There should be a general requirement of "good faith", meaning that neither the acquisition of the knowledge of the invention nor the activities of the prior user have been carried out in breach of any statute, duty or agreement, so that the accrual of the prior user right is equitable under the circumstances.

<u>Issues for which a consensus has not been reached by all the Workstream</u> member offices (for office positions for each option, see Annex 1, p. 68 et seq.):

- (i) Requirements for Accrual of Prior User Rights
- o Option 1: Actual use or [serious and effective] preparations for use
- Option 2: Actual use of the invention only

## (ii) Critical Date for Accrual of Prior User Rights

- Option 1: Regardless of whether there are priority claims or not, the filing date of a patent application should be the critical date.
- Option 2: The filing date, or, if applicable, the priority date of the application should be the critical date.
- Option 3: The date prior to the earlier of either the effective filing date of a patent application (i.e. priority date or actual filing date) or the date of disclosure during the grace period should be the critical date.

#### (iii) Derivation from the Applicant or the Legal Predecessors

- Option 1: Activities based on information derived from the applicant in "good faith" as defined in the general requirement qualify for a prior user right.
- Option 2: Activities based on information derived from the applicant in "good faith" as defined in the general requirement do not qualify for a prior user right.

# *(iv)* Exceptions to Prior User Rights depending on the Types of Patent Rights Holders

- Option 1: Exceptions to prior user rights should be allowed for certain types of patent rights holders.
- Option 2: There should be no exceptions to prior user rights depending on the types of patent rights holders.

#### (vi) Scope of Prior User Rights

#### (a) Changes in Volume of Use of the Invention

- Option 1: Volume changes should be allowed.
- Option 2: Maximum production levels should be determined by the levels of use existing [or effectively and seriously prepared for] prior to the critical date.

#### (b) Changes to Embodiments of Invention

- Option 1: Changes to embodiments of invention should be allowed.
- Option 2: Changes to the embodiments of the invention should be possible subject to well-defined conditions.
- Option 3: No changes to the embodiment should be allowed.

#### (c) Change in Types of Acts Carried Out to Work the Inventions

- Option 1: Prior users may change from one type of the act of working the invention to another without any limitations.
- Option 2: Prior users may change from one type of working the invention to another, subject to certain limitations, ie provided that the nature of their business is not thereby modified.
- Option 3: The scope of the prior user rights should be limited to the types of acts done [or seriously prepared for] prior to the critical date.

For further work carried out on preparations to use the invention and the scope of the prior user right, see Background Document below p.63 et seq.

# I. INTRODUCTION

1. Work on substantive patent law harmonisation is currently taking place in two fora: within the Group B+ and within the Industry Trilateral. Whereas the Industry Trilateral will be presenting the outcome of its discussions on a package of norms, the present document has been drawn up for the purpose of providing background information for Symposium participants on the issues to be discussed, by summarising the substance of the work carried out by the B+ Sub-Group and the B+ Workstreams.

# A. THE B+ PROCESS

- 2. In the wake of the passing of the America Invents Act ("AIA") and the amendment of the Japan Patents Act in 2011, the Tegernsee Group was created to engage in fact-finding work related to substantive patent law harmonisation ("SPLH"). In 2014, it issued a Report on a detailed survey carried out in Japan, the U.S. and Europe which concluded that users in all three regions had a solid appetite for international multilateral SPLH. This Report was forwarded to the Group B+, which then decided to take up harmonisation work. The Tegernsee materials are available here: <a href="http://www.epo.org/news-issues/issues/harmonisation.html">http://www.epo.org/news-issues/harmonisation.html</a>
- 3. Since then, the Group B+ has created a steering group, the B+ Sub-Group, along with 4 "Workstreams" to work on the grace period, conflicting applications, prior user rights, as well as the non-substantive issue of implementation options, should agreement on a package of norms be achieved. Details of these groups and their work are available on the dedicated B+ website: http://www.epo.org/news-issues/issues/harmonisation/group-b-plus.html
- 4. In May 2015, the B+ Sub-Group issued its paper "Objectives and Principles, with commentary on Potential Outcomes" (B+/SG/2/10, hereinafter "Objectives and Principles Paper", the reading of which is highly recommended, also available on the B+ website<sup>1</sup>), which highlighted areas of consensus amongst its members, as well as alternatives, where differences of opinion remained.

# B. THE INDUSTRY TRILATERAL

5. Many delegations believe that the users should be the driving force behind SPLH. Thus, starting in April 2014, the Industry Trilateral (formed of representatives from AIPLA, IPO, BusinessEurope and JIPA) created a harmonisation working group to attempt to reach a consensus on a package of norms relating to the substantive issues of prior art, grace period, 18-month publication, conflicting applications and prior user rights, which could possibly form the basis for an international agreement. The Industry Trilateral ("IT3") has invested a remarkable amount of resources into this extremely ambitious, complex and difficult project.

<sup>&</sup>lt;sup>1</sup> See

http://documents.epo.org/projects/babylon/eponet.nsf/0/A3EB2FE2F8A5AD71C1257E6D0057194A/\$ File/b+\_sub-group\_objectives\_and\_principleswith\_commentary\_may\_2015\_en.pdf

- 6. The IT3 issued a paper in May 2015, "Policy and Elements for a Possible Substantive Patent Harmonization Package", ("Elements Paper") which contained agreement on some fundamental principles. Consensus was further built upon in subsequent meetings, but there have been setbacks, which the IT3 has worked hard to overcome. The absence of consensus on many fundamental aspects of these issues has made further fact-based supportive work within the Group B+ difficult.
- 7. Thus, one of the goals of this B+ Users' Symposium is to inject momentum into the process, as well as allowing users from other jurisdictions outside the IT3 to be informed of the progress made and, most importantly, be given an opportunity to provide input into the discussions thus far.

## C. PREFERRED CHARACTERISTICS OF INTERNATIONAL NORMS

8. Harmonised norms should ideally have characteristics making them fit for purpose in the international context. An international norm should be clear, simple to apply and not add to the complexity of the patent system. It should be coherent, provide legal certainty, yield predictable outcomes and not encourage litigation. A rule meeting all these requirements is the most likely to lead to consistent results in multiple jurisdictions, which is the ultimate objective of the current SPLH exercise. Beyond that, in its substance, the rule should be fair and balanced. It should support the patent system's objectives of promoting innovation and competition, as well as patent quality.

# II. GRACE PERIOD AND RELATED ASPECTS OF THIRD PARTY RIGHTS

#### A. POSITIONS WITHIN THE GROUP B+

- 9. There is no consensus within the B+ Sub-Group as to the principle of a grace period ("GP"). It was agreed that inventors/applicants whose inventions have been disclosed prior to filing should, *in certain circumstances*, be given an opportunity to patent their invention. However, the only types of disclosures which all agree should be graced are those resulting from breach of confidence and theft of information. Nevertheless, it is recognised that if harmonisation occurs on this issue, users have expressed the wish that it be on the basis of a package containing a GP which should, to some degree and subject to some conditions which are yet to be determined, encompass disclosures made by the applicant.
- 10. Taking a broader perspective, the B+ Sub-Group agreed on general principles which should guide policy choices in the development of an internationally harmonised grace period concept.
- 11. Any system which allows an invention to be patented after disclosure should take account of and balance the needs of:
  - inventors/applicants, regardless of their level of IP expertise
  - third parties (including those who could claim prior user rights)
  - those whose primary focus is dissemination of knowledge and information
- 12. Any system which allows an invention to be patented after disclosure should:
  - a) provide a high level of legal certainty for applicants and third parties
  - b) encourage early filing
  - c) encourage research and development
  - d) be applicable according to globally harmonised principles and rules so as to promote consistent results in multiple jurisdictions
- This section of the Background Document is a condensed version of the Report issued by the B+ Grace Period Workstream in May 2015, chaired by the EPO, and consisting of representatives from AU, CA, CH, DE, DK, ES, EU, FR, HU, JP, KR, SE, and US.

# B. FUNCTION OF THE GRACE PERIOD: POLICY ISSUES

14. At the outset, it would be helpful to agree on the intended function of the GP, as this has an impact on the formulation of its details. There are many ways in which a GP can be defined, as evidenced by the current international landscape. However, there are three basic policy objectives which can be pursued.

#### a) Option 1: Narrow definition of "non-prejudicial disclosures": Art. 55 EPC

15. It is possible to define "non-prejudicial disclosures" narrowly, applying only to qualified international exhibitions falling within the purview of the Paris Convention on International Exhibitions, or disclosures in evident abuse of the

applicant, as is the case currently under Art. 55 EPC. Most stakeholders would qualify this approach as "no GP."

- 16. This option puts a high level of legal certainty in the interest of all stakeholders ahead of the protection of applicants who, through ignorance, negligence, error or choice, have disclosed their invention prior to filing. As these types of non-prejudicial disclosures are extremely rare, whenever there is a dated disclosure, the item's status can immediately be easily identified: if it has occurred prior to the filing or priority date, it forms part of the prior art. Since the penalty for early disclosure is loss of rights, innovators file first and disclose later.
- 17. The GP remains controversial in Europe. Since the absence of a GP in Europe is often cited as a reason for applicants to avoid using the GP in jurisdictions where it exists, even some who are in principle in favour of a GP fear that a move to an internationally harmonised GP by Europe would result in a paradigm change, leading inventors/ applicants to disclose first and file thereafter, resulting in high levels of legal uncertainty for all stakeholders.
- 18. In addition, it is argued that a GP would increase the complexity of the patent system and generate additional costs for freedom-to-operate ("FTO") opinions and litigation prejudicial to all parties involved, including those which the GP is intended to protect. Not having a GP minimises the social costs of the patent system. Inventions which are already made available to the public prior to the filing date are free for all to use.
- 19. Those who oppose this approach believe that it is overly harsh towards applicants, can hinder early dissemination of research results and unfairly penalizes applicants with a limited knowledge of the patent system.

## b) Option 2: A safety net grace period

- 20. A GP may be intended to work so as to preserve the paradigm of filing first and disclosing later to a maximum degree. Its function may be construed as that of a "safety-net", allowing applicants having made pre-filing disclosures ("PFDs") of their invention for whatever reason to be able nevertheless to obtain patent protection, but stopping short of making the use of the GP seem attractive or actively promoting PFDs by granting further benefits to the applicant.
- 21. A GP defined as a strict safety net will grace PFDs of the applicant's invention, but will place the risk for such disclosures on the applicant (for example, disclosures by third parties of independent inventions prior to the filing/priority date form prior art and prior user rights may arise for third parties having used the invention in good faith prior to the filing or priority date), so as to promote filing first and disclosure of inventions thereafter. (Some believe that prohibiting prior user rights from arising where the prior activities are based on knowledge of the invention derived from the applicant is compatible with a safety-net approach. This view is not shared by all.) It is a GP intending to save applicants who have disclosed prior to filing but also to ensure that they will not do so willingly without a compelling reason. Some users have summed it up thus: "if

the GP is a true safety-net, then applicants will want to rush to file once they become aware of a PFD".

- 22. Proponents of this approach believe that it allows a maximum of legal certainty to be preserved, benefitting all stakeholders, whilst saving applicants from the harshness of an absolute novelty rule.
- 23. Those who oppose the option of a strict safety-net GP argue that it is unfair to allow third parties to freeride on information derived from an inventor who has not yet filed an application for his invention, even when this has been done in good faith.
- 24. For the sake of clarity, a "safety-net" GP does not imply a narrower scope of protection for the PFDs of the applicant's invention, tied to either intent or other circumstances. What sets it apart from the GP described in option 3 is the balance set between the benefit of the GP for applicants and the mitigation of the impact of the risks for third parties which the operation of the GP creates, also reflecting a policy decision to incentivise early filing rather than early disclosure.

#### c) Option 3: A grace period with additional protection for applicants

- 25. A GP may also protect applicants making pre-filing disclosures, for instance, by shielding them from certain intervening disclosures by third parties, or by protecting them from prior user rights during the GP, or preventing prior user rights from arising where prior use is based on knowledge of the invention derived from the applicant, even in good faith. Those in favour of this approach argue that it is fairer to the inventor, and brings benefits to society at large, by making new information available to the public earlier, so that it can be built upon by others.
- 26. In particular, such a GP may also favour SMEs by allowing them to test the invention on the market commercially without risk prior to incurring the costs of patenting and it is argued that it may also lead to the patenting of better developed inventions and higher quality applications.
- 27. Those who oppose this approach believe that where an applicant who discloses first gains an advantage over competitors, such a system, at varying degrees, may depart from the first-to-file principle, and actually create an incentive for applicants to use the GP, rather than filing first, entailing a decline in legal certainty in direct proportion to the increase in the use of the GP.

## C. EXPERIENCE WITH GRACE PERIODS

- 28. The patent systems of five members of the GPWS provide a GP applicable to disclosures made by the inventor/applicant or his legal successor. All these clauses have been modified over time:
  - Australia (Move to a general GP, 2002, further changes in 2013)
  - Canada (Move to first-to-file, 1987)
  - Japan (Expansion of the scope of the GP, 2011)
  - Korea (Modifications to the GP 2001, 2006, 2012 and 2015)

# - U.S. (Move to First-Inventor-to-File, adoption of the AIA, 2011)

# a) Characteristics of the national grace periods considered

	AU	CA	JP	KR	US
Types of graced disclosures					
- All disclosures by inventor/applicant/predecessor	Yes	Yes	Yes	Yes	Yes
<ul> <li>re-disclosures of applicants' invention by third parties</li> </ul>	Yes	Yes*	Yes	Yes	Yes
<ul> <li>disclosures made in evident abuse of the applicant</li> </ul>	Yes	Yes	Yes	Yes	Yes
<ul> <li>disclosures made without the applicant's consent</li> </ul>	Yes	Yes	Yes	Yes	Yes
- disclosures of the same subject-matter independently made by third parties after the first disclosure of the inventor's invention	No	No	No	No	Yes**
Duration	12 months/ 6 months***	12 months****	6 months*****	12 months	12 months
Calculated from	Filing date	Filing date	Filing date	Filing date	Filing or priority date
Declaration/ submission requirement	Not required	Not required	Mandatory unless invention disclosed against will of person entitled to patent	Mandatory unless invention disclosed against will of person entitled to patent	Not required
Scope of obligation Declaration of intent to benefit from GP	N/A	N/A	х	х	N/A
Document for the GP application certificate			Х	х	
Proving document/ supporting statement			Х	Х	
When can the GP be invoked	At any time	At any time	Upon filing, later if disclosure against will of applicant	Before grant ****** At any time if disclosure against will of person entitled to patent	Arises by operation of the law

Burden of proof	Applicant	Unclear, probably on person invoking GP	Applicant	Applicant	Depends on when the issue arises.
	AU	CA	JP	KR	US
Protection of third parties Prior user rights available for third parties during GP May arise where knowledge of invention derived from applicant's graced disclosure	Yes Yes	Yes Yes	Yes No	Yes No	No

\* An exception exists where the disclosure is made in a patent application filed in Canada before the claim date of the relevant application.

\*\* In addition, in the U.S., applications filed for that subject-matter by a third party do not prejudice the entitlement of the first discloser to the patent.

\*\*\* In Australia, the GP can only be invoked if a (complete) patent application is made within a prescribed period. The GP generally provides 12 months from the graced disclosure to file the application. In the case of disclosures related to recognised exhibitions and learned societies, if a priority application is filed within 6 months from the disclosure the application can be filed within 12 months from the priority date. In the case of disclosure the application can be filed within 12 months from the disclosure the application can be filed within 12 months from the disclosure the application can be filed within 12 months from the disclosure the application can be filed within 12 months from the disclosure the application can be filed within 12 months from the priority date.

\*\*\*\* Future changes to the *Patent Act* (assented to but not yet in force) will extend the duration of the GP by up to two months where the applicant successfully requested the restoration of priority and the priority document was filed between 12 and 14 months before the relevant application.

\*\*\*\*\* Japan has passed legislation to modify the duration from 6 to 12 months, but the date of entry into force is uncertain.

\*\*\*\*\*\* An additional fee is required to invoke the GP later than the filing date.

#### b) Statistics on the use of the grace period

#### (i) Australia, Canada and the US

29. AU, CA and the US do not have declaration requirements and therefore, no specific data on the use of the grace period in those jurisdictions is available.

#### (ii) Japan

30. In JP, prior to the amendments to the Patent Act in 2011, which came into effect on 1 April 2012, the scope of the GP was limited, confined to a prescribed list of types of disclosures which was not comprehensive. The reform in 2011 created a general GP extending to all types of disclosures. As a result, the JPO has reported a substantial increase in the number of applications invoking the benefit of the GP, of circa 80%. In terms of the percentage of overall applications, however, the frequency remains at less than 1%, if one considers that in 2014, more than 3000 applications claimed the benefit of the GP out of a total of roughly 326 000 applications filed at the JPO.





Applications invoking the grace period in Japan 2010-2014



#### (iii) Korea

- 31. In KR, prior to 2001, the GP was limited and applied only to disclosures without the consent of the person entitled to file a patent, experimental use, written publications and exhibitions authorised by the government. This was expanded in 2001 to add disclosures on "electronic communication lines designated by Presidential decree", ie on national research institutions or governmental websites, and all exhibitions. In 2006, the provision became a general GP applying to all disclosures, and in 2012, due to the KORUS FTA, the duration was extended from 6 to 12 months. In 2015, the period for filing the mandatory declaration was extended to the date of grant.
- 32. The first observation is that use of the GP has steadily risen in KR since 1999, with a first marked acceleration occurring after expansion of the GP to all disclosures in 2006. One of the biggest increases occurred once the duration of the GP was extended from 6 to 12 months. The rate of use of the GP in KR has doubled in just 5 years (partially reflecting the rise in patent applications in KR), and is now used in about 2,9% of applications. Statistics show that academic researchers are the main users of the GP, at 57,7%, with only 1,5% of foreign applicants claiming the benefit of the GP, which may reflect the impact of calculating the GP from the national filing date. SMEs also clearly use the GP more than large enterprises.

Year Applicant	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	SUM
Large sized enterprise	100	81	66	69	64	64	87	136	173	256	218	191	223	259	266	297	2552
Medium sized enterprise	32	25	21	16	27	16	30	46	124	95	88	138	201	257	194	121	1431
SME	72	119	143	101	123	93	126	224	281	330	346	371	415	534	535	536	4349
Public organization	135	145	191	244	286	275	359	384	414	432	504	546	608	693	947	904	7072
University	62	100	89	138	224	320	452	744	1126	1426	1555	1972	2092	2592	3050	3549	19492
Non profit organization	0	2	2	6	3	2	1	7	6	13	8	14	23	45	51	56	239
Private (Korean)	143	315	193	161	193	234	170	204	278	309	328	381	322	371	426	484	4520
Private (foreign)	3	1	7	3	0	0	2	1	1	1	1	2	2	3	2	6	35
Foreign entity	8	9	20	18	21	22	22	30	26	30	21	32	40	57	67	93	516
Etc	0	0	0	0	0	0	0	0	0	0	0	0	3	0	9	102	114
SUM	555	797	732	756	941	1026	1249	1776	2429	2892	3069	3647	3929	4811	5547	6148	40320
F	Expansion $\uparrow$ All disclosures $\uparrow$ Duration: 12 months $\uparrow$																

Statistics on use of the grace period in Korea 1999-2014:

Expansion ↑

All disclosures ↑

Duration: 12 months ↑

Graph: use of the grace period in Korea 1999-2014:





(2014)

Total patent application breakdown in Korea (2014)

# c) Discussion

## (i) Current trends in jurisdictions with a grace period

- 33. In jurisdictions without a declaration requirement, there tends to be no monitoring of the GP and thus, there is no reliable data on how frequently it is used or indications as to the types of PFDs. This is the case in AU, CA and the US
- 34. Statistics from countries with a mandatory declaration requirement are much more enlightening, as the declaration allows for monitoring. These statistics suggest that the frequency of use of the GP is quite low, and thus, it may well be that it is mainly used as a "safety-net". Some of the main users of the GP e.g. in Korea, are academic researchers and SMEs, whose use of the GP may be a result of publication based on pressures associated with research institutions.
- 35. The trend in the past 20 years in the members of the Workstream operating a GP within a first-to-file system has been towards an expansion of the GP.
- 36. The opposite trend is noticeable where countries have moved away from a firstto-invent system. Until 1987, CA was a first-to-invent jurisdiction with a 2-year GP, covering disclosures in patents and printed publications anywhere, as well as resulting from prior public use or sale in CA. The GP extended to disclosures from the applicant or inventor, but also to independently created information (by later inventors). In 1987, CA switched to a first-to-file system, reducing its GP from two years to 12 months, and ceasing to grace disclosures of independently created information.
- 37. In the U.S., the scope of the GP under the AIA has been narrowed compared to the previous act, due to the US move to the first-inventor-to-file system. However, as it affords protection from intervening disclosures of the same subject-matter by third parties, as well as from applications filed for the same subject-matter by a third party, which do not prejudice the entitlement of the first discloser to the patent, the AIA GP nevertheless remains the broadest and most generous GP of all those examined here, and its policy objectives appear to go beyond those of a safety-net as considered in option 2 above.
- 38. As the scope of application of the GP has broadened, in those jurisdictions in which monitoring the GP is facilitated by the filing of a mandatory declaration, not surprisingly, data collected clearly shows an increase in use of the GP by applicants. Particularly noteworthy in this respect is the increase in use of the GP in response to an extension of the duration of the GP from 6 to 12 months in Korea.

## (ii) European perspective on an internationally harmonised grace period

39. In virtually all jurisdictions having a GP, applicants are expressly discouraged from relying on the GP as part of a strategy, due to the lack of a full-fledged GP in some jurisdictions, in particular Europe and CN.

- 40. Thus, the fact that Europe and CN do not have full-fledged GPs has an impact on the use of the GP in all those countries that do have it. Global players wishing to obtain broad geographic patent protection operate according to the most restrictive model, which is the EPC. This means that in countries which have a GP, it is mostly invoked by applicants when something goes wrong or when there are compelling reasons to make an early disclosure of the invention. Thus, they tend to be used as safety nets, regardless of how generously the GP provision is framed in each country. This contributes to the preservation of a "File first/disclose later" paradigm worldwide, which in turn enhances legal certainty.
- 41. From this, two observations can be made:

(1) It can be deduced that the effect of a global GP which would <u>truly function as</u> <u>a "safety-net"</u> would not be destabilising in terms of the impact it would have on legal certainty. This is what the empirical evidence suggests in countries which currently operate a GP;

(2) Stakeholders from countries with GPs offering benefits to applicants beyond a strict gracing of their PFDs often argue that empirical evidence shows that such GP clauses could form the blueprint for an international norm, without any consequences for legal certainty. It is suggested that a truer assessment would be to admit that we just don't know how frequently these national provisions in their current form would be used by applicants if loss of rights did not loom in Europe and in CN in case of a PFD.

- 42. The assumption underlying the pressure on Europe to adopt a GP is that if there were to be an internationally harmonised GP, innovators could then rely on the GP as a matter of strategy, in which case a rather important shift in practice could be expected to take place, one which is indeed predicated by proponents of the GP.
- 43. The majority of European users who favour an international GP (53.8% of European respondents, see Tegernsee Report (2014), pp.17 and 137) prefer a "safety-net" approach, one which assists those who have disclosed prior to filing, whilst preserving the current paradigm of filing first and disclosing later.
- 44. Some Europeans argue that to replace the deterrent effect of the lack of a GP in Europe and in CN, an internationally harmonised GP should have disincentives to PFDs built in to ensure that it is used essentially as a safety-net, preserving legal certainty, and not as a strategic option, or as a default due to sloppy practices. The disincentives suggested include: (a) publication of independent inventions prior to the filing or priority date constitutes prior art; (b) third parties may use graced disclosures as a starting point for research and development which may lead to subsequent disclosures which are novelty-destroying; (c) third parties in good faith may acquire rights to continue any use of an invention begun prior to the filing or priority date. As stated by one European: "We are not in favour of a GP. But if Europe gets one, we will use it." Thus, in agreeing on an international norm, some have argued that it will be necessary to factor in how changes to the existing norms and the global landscape may influence future applicant behaviour.

45. Finally, an additional reason for many European users to prefer a safety-net GP is because the GP is considered to benefit applicants at the expense of third parties, who will presumably no longer enjoy the same level of legal certainty which currently exists under the EPC. Thus, it is considered fair that the norm balance this advantage for applicants with protection of the interests of third parties acting in good faith.

#### (iii) Perspective of those currently having a grace period

- 46. All the jurisdictions in the B+ Sub-Group outside of Europe (AU, CA, JP, KR and US) have national GP provisions. In all these jurisdictions, it is argued that the GP has an essential function in helping accommodate both the needs and priorities of industry and investors, and those of academics within the patent system, with one of the key policy aims of the GP being to facilitate early public dissemination of research results by academic innovators and applicants.
- 47. Although opponents of the GP argue that the legal uncertainty faced by third parties that comes with adoption of a GP outweighs the benefits to applicants, one must consider the premise that applicants are also third parties with respect to other applications. Even though this is the case, the vast majority of applicants in jurisdictions having a GP who may have experience with both the benefits associated with the GP and the perceived harms, albeit, as explained in the previous section, where the use of the GP was tempered by the absence of a GP in Europe and China, continue to advocate for adoption of a harmonized GP. See the Tegernsee Study (p. 17): Japan: 78%; U.S.: 79%).
- 48. A study commissioned by the UK IPO and the USPTO further describes the view (of academics and researchers in both Europe and the U.S., noting "the tension between the need for academics to publish work and the desire for Tech Transfer departments to protect intellectual property." In addition, "there is a perception among some academics that their first duty is to expand knowledge and share information." The study also notes that "academics in the UK believe that a GP is imperative for Europe as it will enable them to capitalise on their disclosed invention in this key market." "Academics in the US also share this view and think that the introduction of a GP in Europe would create a level playing field, as currently Europe benefits from the US system." "The propensity for disclosures among academics also has an impact on big business." "Some sectors innovate in collaboration with academic institutes and their investment is therefore at risk because of disclosures." "The availability of a graced system in Europe and other key markets would mean that there is greater protection for investors." (see Patent Harmonisation: US & UK Study on GPs, SPA Future Thinking, p. 6, available at

https://www.gov.uk/government/uploads/system/uploads/attachment\_data/file/415743/Patent\_Gr ace\_Periods\_ERE\_Report - 1150.pdf)

49. In addition to academic and research interests, the GP also serves a number of other policy interests. One is that it allows an inventor to avoid a harsh penalty—permanent loss of patent rights—for what may have been an accidental disclosure of the invention. Another is that it allows applicants to test

the market for the invention before filing or attract venture capital funding before undertaking the considerable expense of preparing and filing the application.

# D. DEFINITION OF THE GRACE PERIOD

## a) Graced disclosures

# (i) Types of disclosures

- 50. There appears to be convergence between the B+ Sub-Group and the IT3 on this important point: should there be a harmonised GP, all disclosures of the invention of the applicant by him (or his predecessor in title) or with his consent, which may potentially form prior art should be graced, regardless of the type of disclosure or its circumstances. Because harmonised rules on the GP should be simple to apply and not unnecessarily increase legal uncertainty or the complexity of the system, all eventualities related to wilful disclosure through the applicant or with his consent should be covered by the basic rule and subjected to the same modalities.
- 51. This would mean that all the following types of disclosures which are widely deemed to be worthy of protection on policy grounds would be covered: Academic publications; Exhibitions at trade shows; Tests or experiments carried out by or on behalf of the applicant; Inadvertent disclosure due to error; Intentional disclosures of the invention, including through "unsophisticated actors"; Necessary disclosures to regulatory authorities.
- 52. Moreover, there should be no limitations tied to the content of the disclosure. Any prior disclosure of the applicant's invention which might potentially form prior art against the application later filed should be graced, even if the prior disclosure only encompasses a part of the invention, or more than the invention.

# (ii) Origin of disclosures

# 1. Disclosures made in abuse of the applicant's rights

53. There is broad agreement both within the B+ Sub-Group and in the IT3 that disclosures made in evident abuse of the applicant, as a result of breach of confidence or theft of information should be non-prejudicial. This is sound policy and is reflected in some manner or another in the laws of all the B+ Sub-Group and GPWS members' national law.

# 2. Disclosures by the applicant or his predecessors in title

54. The B+ Sub-Group has not agreed to this principle, but clearly, if harmonisation occurs on the basis of a full-fledged GP, then disclosures by the inventor/ applicant during the GP should be non-prejudicial.

# 3. **Re-disclosures of applicant's invention by third parties**

55. This issue presents challenges in practice, particularly when the origins of the redisclosures of the invention cannot on their face be traced back to the applicant. Option 1: Third-party disclosures based upon information derived without breach of any duty or agreement (ie innocently) are prejudicial

56. This would apply to the re-disclosure by a third party of a graced PFD by the applicant, *ie*, where the re-disclosure's teaching is derived from the applicant and does not go beyond the applicant's original disclosure. This would render the GP completely ineffective.

#### Option 2: Such disclosures are non-prejudicial

- 57. In cases where there is either a link to a prior disclosure by the applicant, a copy of the disclosure or a slavish reproduction or report of the disclosure by a third party, this seems to be a reasonable and clear-cut approach, particularly in the age of the internet/email/digital technology, which has made the duplication and wide dissemination of information rapid, easy, and virtually cost-free.
- 58. Moreover, if this approach were taken, it would protect the applicant against subsequent disclosures by a regulatory authority, after a necessary prior disclosure by the applicant to such authority (although depending on the circumstances, this might also be deemed to fall within the classic case of a publication with the consent of the applicant).
- 59. A further important issue in this respect is whether there should be any presumptions with regard to the evidence to be brought in such a situation. In all the situations in which the derivation is identifiable on the face of the document, where there is a link to the applicant's disclosure, or where the <u>form or presentation</u> of the disclosure is identical, this may be a reasonable mechanism which may simplify matters for all stakeholders.
- 60. However, taken too far and extending to the subject-matter per se, regardless of its form and scope, this spills into the realm of the next issue: whether disclosures of inventions independently made by third parties should be graced. Also, in principle, if there is a presumption, it arguably must be rebuttable, as it is possible that a first disclosure be made on the basis of a breach of confidence towards the inventor, who has made the second disclosure.
- 61. It is necessary to be aware of the ramifications of easing the burden of proof on the applicant in case of re-disclosures. If such issues remain difficult to solve for the applicant, they will act as a powerful deterrent to early disclosure without compelling grounds. Should the applicant be protected too well, it may act as an incentive to early disclosure. Ultimately, the system will have to distribute the risks and obligations in a coherent and balanced manner.

#### Option 3: Derived matter is non-prejudicial; independent matter is prejudicial

62. Re-disclosures may mingle both subject-matter derived from the applicant and additional subject matter, such as where a third party has substantially improved, added to, perfected or modified the subject-matter/ invention contained in the applicant's original disclosure.

63. This approach is sound in theory. However, drawing the line between additional subject-matter and derived subject-matter which may be presented in an altered form may prove at times difficult, and it will be inevitably necessary for patent offices and patent attorneys drawing up FTO opinions to compare the content of the original disclosure with that of the re-disclosure to measure exactly how long a protective shadow is cast by the applicant's first disclosure over the material disclosed by the third party.

## 4. Disclosures by third parties of independent inventions

#### Option 1: Independent disclosures are not graced

- 64. In most existing systems (AU, CA, JP, KR) disclosures of independent inventions by third parties occurring prior to the filing of an applicant constitute prior art against this application. Excluding such disclosures from the GP creates an incentive to file early during the GP, as any independent intervening disclosure may imperil the patentability of the invention.
- 65. This is one of the pillars of a "safety-net" GP, as opposed to a GP with further benefits for the applicant. Such clauses put the risk of a PFD on the shoulders of the applicant which would benefit from the effect of a GP, who elects to disclose early rather than file rapidly.

#### Option 2: Certain independent disclosures are graced

- 66. In the US, disclosures of the same subject-matter made by third parties after the first disclosure of the inventor's invention but prior to the filing date of the application are graced, even if they stem from independent invention and owe nothing to the PFD of the applicant (See 35 USC § 102(b)(1)((B)).
- 67. Under such a rule, the mere fact of disclosing an invention creates a first-mover advantage for the inventor/ applicant, which in turn arguably creates an incentive to publish quickly and early, prior to filing. This goes clearly beyond a "safety-net" GP. Some users have seen in such a mechanism a "priority right" of sorts, trumping the first-to-file rule, which they do not consider to be desirable.

#### 5. **Publication of an application at 18 months by a patent office**

- 68. Most legal systems consider that the publication by a patent office in due course of an application does not constitute a graced disclosure for the applicant, since it occurs after an application for the subject-matter in question has already actually been filed. This is the case *e.g.* in KR. However, other jurisdictions, such as CA, grace such publications.
- 69. Some users think that the publication by a patent office in due course of a patent application filed by the inventor should not be graced, as this allows the applicant to extend his period of protection by filing outside the priority period, but within the GP applicable to the disclosure constituted by the 18-month publication of the application.

70. On the other hand, the issue has arisen in the past of how to treat an <u>erroneous</u> publication of an application by a patent office. Arguably, if a general GP graces disclosures made without the applicant's consent, such an erroneous publication of an application by a patent office should be graced.

## b) Duration

71. The GPs of most countries have a duration of either 6 or 12 months. Nonprejudicial disclosures under the EPC, the national law of most of the EPC Contracting States, and CN are subject to a 6-month term. However, AU, CA, KR and the US all have 12-month GPs. JP is in an unusual situation, in that its law currently reflects a 6-month duration, but it has passed TPP-related legislation which includes an article providing a 12-month GP, the entry into force of which is uncertain, as it is tied to the entry into force of the TPP Agreement for JP. This duration would be in line with a survey taken by the JPO at its Tegernsee Symposium in July 2014, in which a majority of Japanese respondents favoured a 12-month period.

## Option 1: 6 months

- 72. Some argue that for the policy goals involved in gracing accidental disclosures, inadvertent disclosures by unsophisticated applicants, academic disclosures, disclosures at trade shows, disclosures to regulatory authorities, disclosures to obtain financing and experimental use for inventions which cannot usefully be tested out of the public's view, 6 months should be sufficient to allow a carefully prepared patent application to be filed.<sup>2</sup>
- 73. A 6-month GP does not only promote early filing after a PFD, it forces it to occur within that definite time frame. Limiting the GP to 6 months eliminates much of the legal uncertainty for third parties. The "tunnel" during which there is legal uncertainty from a disclosure, which may or may not reflect an invention which will be appropriated, would grow from the current 18 months in Europe, to 24 months in the case of a 6-month GP. Given that the benefits of relatively few applicants are being balanced with the legal certainty of all stakeholders in the patent system, some European stakeholders argue that this is a proper compromise.

## Option 2: 12 months

74. Other stakeholders, however, argue that 6 months do not afford the necessary time to prepare and file applications, and in some instances, to obtain the necessary funding enabling the inventor to prepare adequately the application. For large companies, it has been argued that 12 months are essential after a disclosure has occurred to "sort things out" and elaborate an IP strategy prior to

<sup>&</sup>lt;sup>2</sup> In the Tegernsee Survey, European users included a 6-month GP as an element of their definition of a "safety-net" GP (Final Consolidated Tegernsee Report (2014), p.26; EPO Tegernsee Report (2013), p. 55).

filing. A 12 months' duration is arguably also better adapted to the needs of field testing for pharmaceuticals or agricultural chemicals.

- 75. Some argue that, since all the jurisdictions in the Workstream operating a fullfledged GP have a 12-month period (except for JP, which may move to one), the question is whether there is a compelling reason to decrease that duration.
- 76. Others argue that for third parties, extending the GP to 12 months is a disadvantage. When added to the 18 month delay in the publication of an application, it extends the period of legal uncertainty up to a total of 30 months. In some areas of technology, this can represent an entire product cycle.
- 77. Moreover, if intervening disclosures and the filing of applications by third parties can be novelty-threatening for an applicant having made a PFD a norm which exists in most jurisdictions for those who would avail themselves of the full length of the GP, a 12-month GP increases the risk that such intervening disclosures or applications will occur prior to the applicant's filing, and may thus end up constituting a trap for the unwary.

#### c) Date from which the grace period is calculated

78. There are two methods currently for computing the GP: as from the national filing date in all cases, or as of the effective filing date, *ie* the filing or, if applicable, the priority date. From the point of view of legal uncertainty for third parties, it has been observed that the two approaches are equivalent, since the date of publication of the applications remains the same.

#### Option 1: National filing date

79. Many jurisdictions calculate the GP from the national filing date (within the Workstream: AU, CA, EPC, JP, KR). Those in favour of this critical date argue that calculating the GP from the priority date provides an unwarranted extra period of patent protection. Moreover, calculating from the filing date provides more security for the applicant, as if priority is not validly claimed, any PFD occurring more than 12 months prior to the national filing date will no longer be covered by the GP.

#### Option 2: Effective filing date, ie filing date or priority date, if applicable

- 80. It was agreed within the B+ Sub-Group, (see Objectives and Principles Paper, p. 4) that the duration of the GP should be harmonised, and calculated from the priority date, where applicable, reflecting current law in the US and CN.
- 81. Some argue that a GP calculated from the national filing date practically eliminates the priority year for the applicant, as all applications in all jurisdictions have to be filed within the GP. For those having the choice, applicants must choose between invoking the GP or enjoying the full term and advantages of a priority period. Moreover, calculating the GP from the national filing date may force the applicant to plan his international filing strategy prior to having received

a search report and first appraisal of the patentability of his invention. This may result in significant premature or ill-advised expenditure.

82. To sum up, calculating the GP from the national filing date results in less flexibility for the applicant, but more legal certainty, whereas calculating the GP from the priority date, if applicable, is perhaps simpler and more coherent in a global context, but it does have the potential for resulting in a total loss of rights in jurisdictions where priority is not validly claimed.

## d) When can the grace period be invoked?

- 83. Here, there are two approaches: in countries requiring a declaration which cannot be amended, once the critical date for the filing of the declaration has passed, the GP cannot be invoked anymore. In the majority of countries in the world, however, the GP can be invoked at any time, including post-grant in invalidity suits. This approach is not incompatible with a statement requirement, but it then necessarily implies that amendments/corrections must be allowed after the critical date for filing the statement.
- 84. Moreover, thought should be given to how this feature of the GP interacts with its duration. If a 12-month duration is the time limit by which the GP may be invoked, this is quite different from simply putting a limit on the amount of time which should be allowed to elapse between a disclosure and the filing of the application.

#### e) Statement requirement

- 85. Whilst there is agreement on several features of the GP pertaining to the benefits it should bestow upon applicants, possible balancing features which are intended to preserve the interests of third parties or those of the general public are much more controversial.
- 86. The statement (also known as "declaration") is one of those features. Some jurisdictions impose strict requirements in order for applicants to invoke the GP, adding transparency to the system, enhancing legal certainty and increasing examination efficiency. The policy argument is that where an applicant enjoys the benefit of the exception of the GP, which comes at the expense of legal certainty to third parties, it is reasonable to require him to list any PFDs he has made in order to alleviate that very uncertainty.
- 87. Other systems with more flexible requirements or none at all focus instead on lessening the burden on the applicants and ensuring protection of those less knowledgeable about the patent system.
- 88. The B+ Sub-Group agreed that if a GP was introduced which covered disclosures by the applicant the system should encourage transparency of the fact that it has been invoked. This should be accomplished by balancing the need for increased legal certainty with the burden placed on the applicant.

## (i) General principle

#### Option 1: No statement/ optional statement

- 89. Where no formal statement is necessary to invoke the GP, applicant burden is at its lowest. This allows inexperienced applicants to rely on the GP without being subject to strict requirements potentially sanctioned by loss of rights. It also protects large corporations from expending additional resources to monitor for potential disclosures relative to applications filed naming the company as assignee or inventive entity. Neither CA nor the US have a mandatory statement requirement, and AU once had one, but repealed it in 2013 in order to lessen a regulatory burden on the applicant which was widely considered to be unnecessary.
- 90. Another consideration is the effect on third parties when a statement is not required. When a third party discovers an item of potential prior art, absent a statement, it may not be easy to determine whether the disclosure constitutes prior art, in which case the patent granted may be invalid, or whether the PFD may be graced. Determining such a disclosure's status as prior art may require further investigation as to its origin and the circumstances of it becoming publicly available, which may increase the cost of FTO opinions for third parties as well as the cost of litigation, leaving third parties to bear the consequences of legal uncertainty.

#### Option 2: Mandatory statements

- 91. Mandatory statements are argued to help to balance the increased legal uncertainty that comes with the adoption of a GP, as well as increase examination efficiency with a positive effect on both pendency and overall costs for the system. However, mandatory statements are not without their drawbacks. The burden lies with the applicant to know of and report any PFDs, usually at or near the time of filing. Not all user groups are against declarations. In JP and KR, declarations are mandatory, and appear to enjoy the support of users in those countries.
- 92. In JP: (1) upon filing, a declaration that the GP is invoked for the application is required which may be included in the application; and (2) within 30 days of the filing of the application, a standard form accompanied by proving documents with regard to all disclosures of the invention resulting from an act of the right holder must be filed. Re-disclosures of the invention by third parties, or where the disclosure has been made by a third party against the will of the applicant, as a result of breach of confidence or theft of information, are not required to be listed. No amendment, correction or adding of information is possible once these documents are submitted. Failure to list a disclosure entails loss of rights, as the GP will not apply to that disclosure.
- 93. In KR, applicants declare their intention to invoke the GP in the application form, upon filing, and file "proving documents" within 30 days, in which case, there is no fee. However, the declaration and the proving documents may also be filed or corrected before the earlier date either of 3 months from the receipt of the notice

of allowance (deadline for paying registration/grant fee), or the registration/grant date, subject to an additional fee. Failure to list a disclosure, however, entails loss of rights. A disclosure against the will of the inventor/applicant does not need to be listed, but at the appropriate time, the applicant must prove that the disclosure was against his will.

94. For some, a mandatory statement would help preserve the current paradigm of filing first and disclosing later, as it has been argued that if applicants are aware that they must monitor PFDs, this may cause them to think about making such disclosures in a manner which would not occur in the absence of a statement.

## (ii) Scope of obligation

95. The extent of the burden on the applicant to file a declaration largely depends on the scope of this obligation.

## Option 1: Absolute obligation to declare all pre-filing disclosures

96. An absolute obligation to inform of any and all PFDs, even if such disclosures have been made by third parties without the knowledge or consent of the applicant, and including re-publications by third parties, would carry the promise of maximum legal certainty for third parties, particularly if paired with loss of rights as a sanction for non-inclusion. If an item is not listed, it is not graced. However, this is not considered a workable rule, as it would tremendously increase legal uncertainty for applicants and would prevent the GP from performing its function as a safety net.

Option 2: Obligation to declare any disclosures of which the applicant is aware

- 97. Some users suggest that the requirement could be limited to those disclosures "of which he is aware", that the applicant should declare PFDs "to the best of his knowledge". This would theoretically protect large corporate applicants having monitoring issues, but at the expense of a potentially significant rise in both legal uncertainty and litigation costs, depending on potential penalties, where battle lines would be drawn along the difficult issues of what the applicant knew or did not know at a particular date. Such a rule would arguably render the system too complex, and prove difficult to investigate or prove under globally applicable standards, particularly in jurisdictions without discovery procedures.
- 98. It has been suggested to alleviate these problems by defining who is required to submit a statement in the case of corporate applicants. Proponents of this approach believe that if the entire corporate entity is expected to list all disclosures of which its' employees, sub-contractors under its control or partners in a joint venture are aware, this would impose an unacceptable burden on applicants. Thus, the obligation to file a statement could be made incumbent on the inventor and the "team" filing the application, similar to the persons in the US who must submit an Information Disclosure Statement. Others believe that if the obligation is watered down so that there is no need for a corporate entity to keep track of PFDs, this completely hollows out the intended benefits of the statement.

99. While a statement system should allow an applicant or even a patent holder to add to the statement any PFDs consisting of re-publications by third parties or other types of disclosures of his invention not imputable to him but of which he is aware, if he so wishes, many believe that this should not be required.

Option 3: Obligation to declare any disclosures resulting of an act of the applicant or his predecessor

- 100. In both JP and KR, as seen, the mandatory declaration extends to disclosures of the invention <u>resulting of an act of the applicant or his predecessor in title</u>. This encompasses all disclosures by the applicant as well as those made with his consent, but not re-disclosures of the invention by third parties, as well as disclosures resulting from breach of confidence or theft of confidential information, of which the applicant may not be aware.
- 101. In KR, according to the case law, as long as the original disclosure was declared and the re-disclosure is considered "closely related" to the original disclosure, it does not need to be declared. However, the applicant bears the burden of showing that the re-disclosure was derived from the original disclosure of the applicant.
- 102. For any items listed, there is clarity, which is a net gain for third parties. Moreover, the listing of a prior disclosure by the applicant tips off third parties that other, later disclosures may be re-publications. It is argued that the information contained by such a declaration is valuable for all third parties as well as for offices, without putting an excessive burden on the applicant.

## (iii) Time of filing of declaration/statement

Option 1: Filing of the application

103. Most jurisdictions providing for a declaration require at least the statement that the GP is intended to be invoked at the time of filing, with certifying documents following later. One easy approach would be to provide a box for applicants to tick on the application form itself, indicating that the GP is invoked. Some also argue that there should be a provision allowing such a statement to be made later if need be, for instance, when the applicant only becomes aware after filing of the need to invoke the GP.

Option 2: Within a fixed period after filing

- 104. A second option would be to allow the declaration to be filed within a fixed period after filing. Indeed, allowing detailed supporting statements/certifying/proving documents to be filed within a fixed period shortly after filing as in JP or KR has the advantage that difficulties in this regard will not prevent the applicant from filing his application quickly where this is deemed expedient.
- 105. The mechanism splitting the requirements of a declaration and the supporting documents appear to be an optimal approach in this respect, balancing the burden on the applicant, with the benefits for both third parties and offices. If they

are filed with the office within 30 days to 2 months (as in CN), this will be in time for the offices to enjoy the full advantage of the declaration in order to streamline the search and examination of the application. All other options considered below would fail to provide this systemic advantage.

#### Option 3: Prior to publication

106. Requiring a statement to be filed prior to publication at 18-months from filing would be necessary to put third parties on notice of the PFDs at the earliest time at which the application can be searched. However, from a systemic point of view, it is then too late for many offices to benefit from the effect of the declaration and additional work, entailing additional costs for the applicant in terms of replying to an extra communication, may be incurred, potentially resulting also in a longer procedural duration to grant and general systemic inefficiencies. If this solution prevailed, fiscal incentives to promote an earlier filing of the declaration/statement, as is the case in KR, should be considered.

#### Option 4: Prior to grant

107. In KR, the declaration may be filed by the date of grant subject to an additional fee. This option allows applicants to rebut an examiner's office action even if it is sent after publication of the application. Legal certainty is maintained post-grant by providing third parties with information on graced disclosures related to enforceable, granted patents.

#### Option 5: Post-grant

108. The policy reasons for waiting for the post-grant phase to allow a now-patentee to signify its reliance on the GP are not immediately apparent. However, arguably, it would be beneficial to allow patentees to list any additional graced disclosures of which they have become aware throughout the procedure as well as post-grant, in order to enhance legal certainty.

## (iv) Consequences of failure to list a disclosure

109. The consequences of failure to list a prescribed PFD may constitute the most difficult aspect of the declaration requirement.

#### **Option 1: No sanctions**

110. Providing no sanctions for failure to list a disclosure in effect makes the filing of a declaration optional.

#### Option 2: Loss of rights

111. At the other extreme, a second option could be loss of rights, ie, the non-listed disclosure is not graced and forms prior art against the application, as is the case currently in JP and KR, where this consequence attaches to disclosures under the control of the applicant or his predecessor in title. Proponents of this option argue that this reinforces legal certainty.

112. However, the consequences of a mistake on the part of the applicant are harsh. Some argue that for inexperienced applicants, a statement requirement sanctioned by loss of rights may result in the penalization of an applicant that the GP was intended to protect. Finally, this option is categorically rejected by an important cross-section of users, in both Europe and the U.S., who believe that on principle, the GP should apply by operation of the law.

#### **Option 3: Administrative sanctions**

- 113. Some users who see the benefits of a statement requirement for third parties and offices nevertheless believe that the statement should not be a substantive requirement for the GP to apply. Given the advantages of the statement for third parties, however, they believe a mandatory statement could be considered for which only administrative sanctions would apply in the event of non-compliance, such as the payment of additional fees. For instance, should the applicant fail to list a disclosure, leading to additional work to be required from the patent office, additional search and/or examination fees as appropriate might have to be paid.
- 114. Additional incentives to list all relevant disclosures of which the applicant is aware would already exist in that search or examination fees are not the only extra cost which would be incurred: an extra response to an office action would be necessary, entailing attorney costs. Moreover, this may result in procedural delays so that in offices where it is otherwise the norm, the applicant may not receive a first opinion on the patentability of his invention in time to make strategic decisions regarding broad geographic protection before the end of the priority period. Some thus believe that a mandatory declaration combined with administrative sanctions could be a workable compromise.
- 115. On the other hand, some believe that if the statement's mandatory nature is enforced only by administrative sanctions, it hardly enhances legal certainty. Moreover, where the GP is invoked in a post-grant proceeding, there would be no sanction then of the failure to declare graced prior art during prosecution. Finally, in offices where fees are low, imposing additional fees may not be effective in encouraging the filing of a declaration.

#### **Option 4: Other sanctions**

- 116. Other sanctions have been suggested, such as *eg.* (a) non-enforceability of the patent until the disclosure is listed with the patent office; (b) reduced damages; (c) the granting of an intervening user defence for third parties having used the invention in good faith; (d) the award of costs in litigation, etc.
- 117. Such sanctions may have a higher incentive potential to promote compliance but arguably, some of them would create legal uncertainty for all, probably increase litigation costs, and considerably reduce the GP's benefits for applicants. Even stakeholders favouring a statement requirement believe that strict requirements for statements may result in more problems than they solve, if non-compliance is harshly sanctioned.

## (v) Possibility to correct/expand statement

118. Some users argue that it should be possible for applicants and patent holders to correct or expand their declaration or submission throughout the life of the application/patent when additional disclosures become known to them. Every listed disclosure brings a quantum of legal certainty for that particular disclosure, and is thus a gain for third parties.

## f) Burden of proof

- 119. It seems to be generally accepted in all jurisdictions that the burden of proving the non-prejudicial nature of a prior disclosure generally should lie with the party invoking the application of the GP.
- 120. However, it has been queried whether there might not be circumstances in which there should be presumptions benefitting the applicant. For instance, in all the situations in which a derivation from the applicant's disclosure is identifiable on the face of the document, such as where there is a link to the applicant's disclosure, or where the form or presentation of the disclosure is identical. Whether such presumption should extend to the circumstances where the substance is identical entails policy ramifications going beyond the mere issue of the burden of proof, as it would arguably change the nature of the GP.

## g) Protection of third parties in good faith

121. In Europe, there is a view that prior user rights protecting third parties in good faith throughout the GP form an integral part of the definition of a safety-net GP. This view is not shared by all.

## E. RELATIONSHIP OF GRACE PERIOD WITH THIRD PARTY RIGHTS

122. In the Objectives and Principles Paper, the B+ Sub-Group noted that the rights of third parties may have a significant effect on the way in which a GP is used. The treatment of third parties in relation to the GP will partly determine whether the GP constitutes a safety-net only or whether it is conceived as going beyond that to provide further advantages to applicants, which some fear may lead to an increased reliance on the GP.

## a) Independent inventors and novelty issues

- 123. As seen, in AU, CA, JP and KR, disclosures of independent inventions by third parties occurring prior to the filing of an applicant invoking the GP constitute prior art against that application.
- 124. If an inventor discloses his invention early, and a third party is the first to file an application on the same invention developed independently, the early disclosure will prevent the third party from obtaining patent rights. However, the third party's application will in turn preclude the early discloser from obtaining a patent as well, leaving both parties free to use their own inventions, but without patent rights.

- 125. Thus, in these countries, the risk of having an independent inventor make a disclosure or file an application on similar subject-matter arguably provides an incentive to file quickly once an early disclosure has been made.
- 126. In contrast, in the U.S., if an applicant discloses his invention prior to filing and in the interval between the first disclosure and the filing of the application by the early discloser, a third party discloses the same subject-matter, invented independently, that disclosure by an independent inventor will be graced. A patent will be granted to the first inventor whose invention has been disclosed (or his successor in title).
- 127. Likewise, if an applicant discloses his invention prior to filing and an application is filed in the interval after such first disclosure for the same subject-matter by a third party having invented it independently, this first application may not prejudice the entitlement of the first inventor whose invention has been disclosed to obtain a patent.
- 128. Thus, under the AIA in the U.S., there is a modicum of protection for applicants who make PFDs. This protection is more limited than that which existed under the First-to-Invent GP, and does not extend to disclosures of subject-matter which is not the same, but which may nevertheless constitute prior art for the determination of non-obviousness. Nevertheless, the policy of the AIA clause is different from GP clauses which exist in the other countries of the Workstream.

## b) Independent inventors and prior user rights

- 129. In AU, CA, JP and KR, independent inventors may claim prior user rights for activities taking place before the filing or, if applicable, the priority date, provided they meet the other prescribed conditions for the rights to accrue. Once again, this is argued by some to create an incentive for applicants to file with celerity.
- 130. In the U.S., to obtain prior user rights, independent inventors must have met all the conditions for prior user rights to arise (actual commercial use of a process in the US in good faith) at least one year prior to the earlier of (a) the effective filing date of the claimed invention, or (b) the date at which the claimed invention was disclosed to the public in such a manner as to qualify as a graced disclosure under the Act. Some argue that the effect of this early critical date is to protect applicants from any risk of prior user rights arising during the GP.

## c) Other parties having used the invention

- 131. This group is often forgotten. It is possible that a third party may have used the invention prior to the critical date, as a result of a trade secret license granted by an independent inventor. In such a case, although post-grant, royalties under the licensing agreement will arguably remain payable to the independent inventor, in most countries, the third party will be able to assert prior user rights vis-à-vis the patent holder.
- 132. Some argue that this factual constellation illustrates the importance of a general requirement of good faith: if a third party has obtained knowledge of the

invention through theft or breach of confidence from an independent inventor, arguably, it would be intolerable to allow him to use his activities as a basis to claim prior user rights vis-à-vis the patent holder.

#### d) Derivation in good faith from the applicant

- 133. The issue of derivation of the invention in good faith from the applicant, however, constitutes the crux of the intersection between the GP and the rights of third parties.
- 134. Particularly in the age of internet, when inventions are disclosed prior to filing, they may "go viral". Users stress the need to clarify at the outset that where the origin of the PFD can easily be determined and the third party fails to make reasonable enquiries of the inventor/applicant regarding the status of the subject-matter, he cannot be considered to be in good faith, and thus, prior user rights would be precluded. Nevertheless, it is possible to imagine situations where the knowledge of the invention is readily available, its origin obscure, and third parties may either use the invention outright or build upon it and make serious investments before an application publishes, Such publication would potentially take place up to 24 or 30 months after it has first become available to the public, depending on whether the GP has a 6 or 12 month duration. In such situations, where should the risks lie?

#### Option 1: Protecting the early discloser

- 135. In JP, KR and the U.S., the situation is clear: the statutes all provide that prior user rights cannot arise where the knowledge of the invention is derived from the applicant. This effectively protects applicants and places the risks of the legal uncertainty stemming from PFDs on third parties.
- 136. Proponents of this approach consider that, just as early disclosers must be protected from re-disclosures of their own invention by third parties destroying the novelty of their invention, they must also be protected against third parties using their invention otherwise the GP becomes a trap for the unwary.

## Option 2: Protecting third parties in good faith

- 137. AU takes the opposite approach. Under the *Australian Patents Act 1990*, Sec. 119, third parties are provided prior user rights where they derive a product, method or process from a graced disclosure that is made by or with the consent of the patentee (or predecessor in title) and they exploit or take definite steps to exploit the product, method or process before the relevant priority date. These rights thus cover third party actions such as independent invention, use of the invention by other third parties, and derivation in good faith from the applicant. In Australia, the prior use exception is considered to be an important balancing provision such that a person who relies on an unfettered disclosure remains free to exploit the invention despite the grant of a patent.
- 138. In CA, Sec. 56 of the *Patent Act* provides that every person who, before the critical date has purchased, constructed or acquired the subject matter defined

by the claim, has the right to use and sell to others the specific article, machine, manufacture or composition of matter patented and so purchased, constructed or acquired without being liable to the patentee. Accordingly, independent inventors and other third parties having used the invention or having derived it from the applicant may all be shielded against infringement actions provided their use of the invention occurred before the critical date.

- 139. Prior to joining the EPC, DE had a GP, and the German Federal Supreme Court adopted an approach protecting third parties as well. In a case dating back to 1964 *"Kasten für Fußabtrittsroste"* (BGH, GRUR 1964, 673), it held that prior user rights accrued where the prior user had derived the knowledge of the invention from the later patent holder, where he had acted in good faith.
- 140. This would seem to coincide with a majority view in Europe. In the EPO Tegernsee survey, in response to an additional question asked by the EPO, 88% of respondents opined that the risk of a PFD should be borne by the applicant, rather than by third parties. Some argue if a GP is adopted, the applicant gets a sizeable benefit in being able to patent an invention which is no longer new. If PFDs are widely recognised to have a destabilising effect on the patent system and lead to legal uncertainty for third parties, as a counterpart for this benefit, mechanisms need to be implemented to protect third parties. It is not only fair, but also creates a disincentive to disclose prior to filing, as well as an incentive to file quickly after a PFD, both of which enhance legal certainty for third parties.

#### e) Discussion

- 141. Prior user rights can be argued to be one of the primary features of a "safety-net" GP. In an internationally harmonised context, beyond policy choices going to a balancing of the private equities between parties, the treatment of third parties can be argued to assume a systemic dimension.
- 142. At the Tegernsee Hearing held at the EPO in 2013, European users articulated a definition of a "safety-net" GP as follows: a GP gracing only disclosures emanating from the applicant's invention, having a 6-month duration, calculated from the filing or, if applicable, the priority date, with a mandatory statement and with prior user rights available throughout the GP until the filing or priority date, provided that the GP was itself internationally harmonised (see Final Consolidated Tegernsee Report (2014) p.26). This result was confirmed by responses to individual questions in the Tegernsee survey.
- 143. The policy pursued by the GP in JP, KR and the U.S., for example, is arguably not that of a strict safety-net GP only, since activities of a third party in good faith based on knowledge of the invention derived from an applicant's graced disclosure do not allow prior user rights to accrue.
- 144. Moreover, in the US, applicants making a PFD are shielded from intervening disclosures of the same subject-matter made by third parties, including independently conceived inventions. Provided the applicants disclosed the same subject-matter, they are also shielded from a third party filing an application first

on such an independent invention. These measures offer protection to the early discloser, and shift the risk of the GP onto third parties.

145. Clearly, applicants making early disclosures should be protected from third parties freeriding in bad faith. However, it is also important to balance the interests of all concerned parties. Some argue that two provisions that achieve this balance are (i) not gracing independent disclosures by third parties and (ii) protecting third parties who in good faith have made use of the invention at a time when the information was freely available to the public and had not been appropriated. These provisions also serve a systemic function deterring PFDs and enhancing legal certainty, which is ultimately in the interest of all stakeholders. This is the approach taken in AU and CA.

# III. TREATMENT OF CONFLICTING APPLICATIONS

## A. INTRODUCTION

- 1. An important issue relevant to patent examination throughout the world is the scope of prior art applicable to the determination of the patentability of an invention. Generally speaking, the state of the art is defined as anything made available to the public in any way, anywhere in the world, prior to the priority or filing date of the application. However, an issue arises when an earlier-filed application, containing the same subject matter claimed in an application later filed in the same office, publishes after the filing date of the later-filed application. In such an instance, the two applications are said to "conflict" because the earlier-filed application does not become publicly available until its publication date (which is *after* the filing date of the later application), and therefore is not prior art—in the typical sense—against the subsequent application.
- 2. Without a rule to address this type of conflict, the result would be the issuance of two patents directed to the same, or substantially the same, subject matter. In order to address this issue, each patent system has adopted rules that give, upon publication, prior art effect to the earlier-filed application as of its filing or priority date. This legal fiction is commonly referred to as "secret prior art" (SPA) because the information is contained in a patent application that is publicly unavailable, but treated as prior art nonetheless. (In this paper, the terms "conflicting applications," "secret prior art," and "SPA" are used interchangeably.)
- 3. A related issue arises if both applications in question were filed by the same applicant. The adoption of rules governing secret prior art could inadvertently lead to "self-collision"—that is, a situation where one of the applicant's own patent applications is used to refuse another, later-filed application—unless a measure for avoiding self-collision ("anti-self collision") is also provided.
- 4. While all patent systems have laws and practices addressing to what extent "secret prior art" qualifies as prior art and whether an applicant's own application can be used to refuse another, there are substantial variations among jurisdictions as to its application and effect. In addition, for several years Group B+ and the Tegernsee Group have been analyzing this issue and the various approaches taken by national patent offices to address it, with a view to developing a harmonized approach.
- 5. In 2015, the B+ Sub-Group on Patent Harmonization issued an "Objectives and Principles" paper<sup>3</sup> (B+/SG/2/10) that identifies, among other things, the following agreed principles regarding conflicting applications:

(i) The grant of multiple patents for the same invention in the same jurisdiction should be prevented;

<sup>&</sup>lt;sup>3</sup> B+ Sub-Group. "Objectives and Principles, with Commentary on Potential Outcomes," May 27, 2015.

http://www.uspto.gov/sites/default/files/documents/20160204\_PPAC\_B%2BSG2\_10\_Objectives\_and %20\_Principles.pdf (accessed April 4, 2016).

(ii) The patent system should allow for the protection of incremental inventions while ensuring that patent rights are not unjustifiably extended;

- (iii) Any system which allows incremental inventions to be patented should:
  - (a) balance the interests of inventors to protect incremental improvements on their own inventions with the interests of third parties to operate in the same field; and,
  - (b) promote innovation and competition.
- 6. The "Objectives and Principles" paper further identifies related issues for which there is a consensus view. The B+ Sub-Group recommended that "[f]urther work should be conducted to compare various alternative approaches, bearing in mind the effects on innovation and competition." To that end, a work stream devoted to further considering matters related to conflicting applications was formed. The group is chaired by the United States Patent and Trademark Office (USPTO) and consists of representatives from CA, the EPO, JP, KR, SE, and the UK.

#### B. RELEVANT STATUTORY PROVISIONS OF WORKSTREAM PARTICIPANTS

#### a) Canada

- 7. Pursuant to paragraphs 28.2(1)(c) and (d) of the Canadian Patent Act, the subject matter of a claim must not have been previously disclosed in an application for a patent that is filed in CA by a person other than the applicant and that has a filing date or a priority date that is before the filing date or any applicable priority date of the relevant claim.
- 8. Simply stated, any relevant material disclosed in a Canadian patent application that is filed by a person other than the applicant and that has a filing date or any applicable priority date that is before the filing date or the applicable priority date of the claim may be cited as novelty-destroying prior art.
- 9. Whether the subject matter disclosed in a co-pending application had been made available to the public or not before the filing of a pending application is not relevant to the determination of whether it is citable under paragraph 28.2(1)(c) or (d). In practice, however, prior art that is still secret when it is identified will only be cited once it has been published.
- 10. Setting aside the cases of double patenting described below, the general rule in CA is that secret prior art can only be used in making lack of novelty rejections and cannot be cited to support an obviousness objection.
- 11. Canadian case law provides a prohibition against double patenting. An applicant cannot be granted more than one patent in respect of the same invention. A claim included in a co-pending application that discloses the subject matter claimed in the pending application but that would not be citable for lack of

novelty under paragraph 28.2(1)(c) or (d) because both applications were filed by the same applicant would constitute a bar under the doctrine of double patenting.

12. The prohibition against double patenting further extends to obviousness objections based on subject matter disclosed in the claims of a co-pending application. However, it is not permissible to combine multiple prior art citations to make an obviousness double-patenting rejection (*i.e.*, Canada has a "no-mosaic" approach to such obviousness rejections). Furthermore, co-pending applications cited in support of double-patenting obviousness may or may not be secret at the filing date or any applicable priority date of the relevant application.

## b) Europe

- 13. Under the European Patent Convention (EPC), the content of European applications that are filed prior to the filing or priority date of the application being examined, and which are published by virtue of Article 93 of the EPC on or after that date, are included pursuant to Article 54(3) of the EPC in the state of the art for the purpose of assessing novelty of the invention. However, as explicitly set forth in the second sentence of Article 56 of the EPC, such applications are not considered to form part of the state of the art for the purpose of determining whether there has been an inventive step.
- 14. The EPC does not provide for anti-self-collision. This means that, at the EPO, conflicting applications are applied in the same manner regardless of whether the earlier and later applications were filed by different entities or by the same applicant.
- 15. In the UK, sections 2 and 3 of the Patents Act 1977 are framed to have the same effect in the UK as Articles 54 and 56 of the EPC respectively. Therefore, the law governing conflicting applications in the UK is equivalent to that outlined above in respect of the EPC. For an application to be considered secret prior art under UK law it must be either a UK national application or a European application (including PCT applications which have entered either the UK national phase or the European regional phase).

## c) Japan

16. Article 29bis of the Japan Patent Act states that no patent shall be granted for an invention claimed in a patent application which is "identical" to the matter disclosed in an earlier application. The scope of the term "identical" in Article 29bis includes cases in which there is no difference between the claimed invention and the matter disclosed in the earlier application, as well as when there is only a "minor difference," such as differences in the embodiments of the means for solving the problem, when the effects produced are not markedly different, and when the subject matter can be derived by a person skilled in the art, considering common general knowledge at the filing date of that application. "Minor differences" may also include equivalents, if they would be easily understood by a person skilled in the art.

17. Article 29bis also provides for anti-self-collision when the same person files both applications. Anti-self-collision is limited, however, by virtue of Article 39, which prevents two patents from issuing where they claim the same invention.

## d) Korea

- 18. The approach to the use of conflicting applications in Korea is similar to that of Japan. Article 29(3) of the Korean Patent Act provides the general rule on conflicting applications, which prevents a patent from issuing on a subsequent application when an earlier-filed, later-published application identically or substantially identically discloses the invention claimed in the subsequent application. As with the law in Japan, Article 29(3) limits the application of this rule where the inventors or applicants identified in the two applications are the same.
- 19. Similar to the approach of Japan, Article 36 of the Korean Patent Act prevents double patenting when the applications in question claim identical or substantially identical inventions. Unlike Article 29(3), Article 36 also applies to applications from same inventor or applicant (no anti-self-collision) and applications filed on the same date.

## e) United States

- 20. The America Invents Act (AIA) made a number of changes to U.S. law regarding the treatment of conflicting applications. Perhaps the most significant change was the abolishment of the *Hilmer* doctrine. Under the *Hilmer* doctrine, pre-AIA 35 U.S.C. § 102(e) limited the effective filing date for U.S. patents (and published applications) as prior art to their earliest U.S. filing date. In contrast, AIA 35 U.S.C. § 102(d) provides that if the U.S. patent document claims priority to one or more prior-filed foreign or international applications, the patent or published application was effectively filed on the filing date of the earliest such application that describes the subject matter. Therefore, if the subject matter relied upon is described in the application to which there is a priority or benefit claim, the U.S. patent document is effective as prior art as of the filing date of the earliest such application, regardless where filed.
- 21. The treatment of conflicting applications in the United States is governed, in part, by 35 U.S.C. § 102(a)(2), which provides that a claimed invention is patentable unless the claimed invention was described in a patent or in a published patent application that names another inventor and was effectively filed before the effective filing date of the claimed invention. This legal authority prevents patents from issuing on later-filed applications when an earlier-filed application by another inventor discloses the claimed invention, implicitly providing for anti-self-collision, as this provision does not apply where the earlier filed application has been filed by the same inventor.
- 22. In contrast to the laws of the other participating jurisdictions, in the United States conflicting applications may be considered by themselves or in combination with other items of "prior art," including other conflicting applications, for purposes of determining whether an invention in a later-filed application would have been

obvious. The section governing obviousness, 35 U.S.C. § 103, provides that a patent for a claimed invention may not be obtained if the differences between the claimed invention and the prior art are such that the claimed invention as a whole would have been obvious before the effective filing date of the claimed invention to a person having ordinary skill in the art to which the claimed invention pertains. Because all the subject matter that is prior art under Section 102 can be used for obvious determinations under Section 103, the prior art effect of conflicting applications is the same for deterring lack of novelty and obviousness.

- 23. There are two legal mechanisms under U.S. law to address double patenting. The first is a statutory prohibition on the same inventive entity obtaining more than one patent containing claims of identical scope. Section 101 of title 35 has been interpreted to limit applicants to "a single patent" per claimed invention.
- The second vehicle is the judicially created doctrine of non-statutory double 24. patenting. Claims in a later-filed pending application that are "patentably indistinct" from the claims in a co-pending application by or patent granted to the same inventive entity will be refused. In this context, patentably indistinct inventions are those inventions that are neither novel nor non-obvious in view of the conflicting prior art. However, the applicant can overcome this ground of double-patenting by filing a "terminal disclaimer." This disclaimer has two main features. The first is the "terminal" provision, which disclaims the portion of the patent term of the pending application that would extend beyond the expiration date of the patent term of the conflicting application or patent. This assures that the applicant does not obtain an unjust timewise extension of patent rights based on claims of patentably indistinct scope emanating from different applications subject to different patent terms. The second feature of the disclaimer is the requirement that all of the applications/ patents involved must be commonly owned. The purpose of this common ownership provision is to prevent infringers from being subjected to multiple lawsuits from different parties holding patents of overlapping scope.

## C. RECENT WORK IN THIS AREA

25. In addition to surveying the laws of the participating jurisdictions, the Group B+ Harmonization Subgroup conducted a study on the usage of secret prior art in patentability determinations. This study aimed to provide empirical data on the frequency by which secret prior art is utilized in rejections as a way to inform consideration of various options for harmonization. Abbreviated results are included here to serve as a tool to better understand the impact of any proposed changes.

Table 1: Freq	uency of Citation	of Secret Prior	Art by Office	e. in 2015
		••••••••••••••••		·, ··· <b>_</b> • · •

Technology	Office									
	CIPO <sup>4</sup>	EPO	JPO	KIPO	UKIPO	USI	РТО			
	Novelty	Novelty	Novelty	Novelty	Novelty	Novelt y	Inventi ve Step			
Biotechnolo gy and Chemistry	0.80%	6.0%	2.00%	0.29%	4.50%	0%	2.5%			
Electrical	0.00%	2.50%	5.00%	0.19%	5.00%	5%	13%			
Mechanical	1.07%	3.0%	2.50%	0.20%	3.50%	2.5%	7%			
Total (Avg. %)	0.64%	3.83%	3.33%	0.22%	4.33%	2.5%	7.5%			

- 26. Table 1 reveals that the frequency of citation of secret prior art for novelty purposes, irrespective of the technology or office, ranges from 0% on the low end to as high as 6.0%, with an average of 2.45%. While these percentages are somewhat low in absolute terms, they tell a rather different story when scaled in relative terms.
- 27. When contemplating options for harmonized treatment of conflicting applications, it is important to consider the impact of USPTO refusals based on SPA for determination of obviousness. In Biotechnology and Chemistry, SPA is used to refuse applications for lack of inventive step in 2.5% of cases, in Electrical: 13% of cases, and in Mechanical: 7% of cases. These numbers are not insignificant and raise the question as to what the effect of a change of practice may be.
- 28. Conversely, it would be important to consider the impact of anti-self-collision in the jurisdictions which have it. The results of the Study carried out indicate that at the EPO and the UK IPO, instances of self-collision form 56.5% and 23.1% of citations of secret prior art respectively. If similar rates exist in the jurisdictions which have anti-self-collision, the impact of these clauses on the system would need to be further investigated.

<sup>&</sup>lt;sup>4</sup> The results below only take into account objections under 28.2(1)(c) or (d) of the Canadian Patent Act.

# D. OPTIONS FOR HARMONIZATION OF THE TREATMENT OF CONFLICTING APPLICATIONS

29. Following completion of the conflicting applications study, the Workstream issued a paper providing various options for harmonization in this area.

#### a) Use of secret prior art in patentability determinations

30. The primary issue when considering a harmonized approach for the treatment of conflicting applications is how the secret prior art should be applied with respect to the later-filed application. The sections that follow provide descriptions of a number of options to address this subject, beginning with practices currently in place in some jurisdictions and then exploring other, alternative approaches.

## (i) Option 1: Novelty Only

- 31. With the novelty-only approach, conflicting applications are relevant for the examination of novelty only. Novelty is applied on the basis of the whole contents approach in an objective manner: it includes matter implicit from the disclosure, which would be immediately apparent to a person skilled in the art, but excludes equivalents or variations.
- 32. Some users point out that this approach is clear, simple to understand, and easy to apply. In addition, while it prevents double patenting (because of the arguably narrow definition of novelty applied, which excludes equivalents), it allows the first applicant broad latitude to fill out the scope of protection for the invention originally filed, based on subsequent incremental innovation.
- 33. However, others argue that this approach may result in patents being granted on closely related inventions, at times resulting in third parties needing licenses from multiple, independent patentees to be able to use the invention, rendering exploitation of the inventions more complex for all parties involved. Opponents further argue that this approach allows the first applicant to extend his or her overall time of protection by filing subsequent applications on minor modifications, obvious variants, and equivalents.

## (ii) Option 2: Enlarged Novelty

34. Another approach treats conflicting applications as prior art on the basis of enlarged novelty. An examination of Japanese patent law will aid in understanding what is meant by enlarged novelty. Under Article 29bis of the Japan Patent Act, no patent shall be granted for an invention claimed in a patent application which is identical to an invention disclosed in a previous application. The term "identical" includes cases where there is no difference between the elements defining the invention as well as where there is only a "minor" difference between these elements—that is, they are "substantially identical." If there is a minor difference in the embodiments of the means for solving the problem, which is an addition, deletion, or conversion of "well-known arts" and does not bring any new technical effects, the two inventions are deemed to be "substantially identical." The concept of "substantially identical" may also include equivalents, if they would be easily understood by a person skilled in the art.

- 35. For example, a claimed invention would be considered substantially identical to the matter disclosed in the secret prior art where, although the claimed invention is different from the matter disclosed in the secret prior art, the difference identified is a minor one which is an addition, deletion, or conversion of "well-known arts" and does not bring any new technical effects.
- 36. As discussed in more detail in the "Conflicting Applications Workstream: Study on Usage of Secret Prior Art in Patentability Determinations," the practice in South Korea is similar to that of Japan. There, "substantially identical" or "substantially the same" refers to the case where non-fundamental matters (secondary matters), not the main technical ideas of the invention are different between the subject matter of the claimed invention and the subject matter of the prior art, such as mere differences in expression, recognition of effects, purposes or use as well as trivial change in embodiment or limitation of use, etc.
- 37. Proponents of this approach believe that "enlarged novelty" offers a possible compromise, given that it lies between the novelty-only approach existing in Europe and the novelty-plus-inventive-step approach practiced in the United States. However, opponents worry that such an approach as defined above offers little predictability, and therefore introduces legal uncertainty.

## (iii) Option 3: Novelty plus Inventive Step (Non-Obviousness)

- 38. Another possible approach is for conflicting applications to be relevant, not only for the examination of novelty, but also inventive step. In practice, this approach allows the first application to be combined with other references, including other co-pending applications in the assessment of inventive step. Therefore, inventions contained in later applications must meet the full patentability requirements of novelty and non-obviousness over the earlier conflicting application.
- 39. This approach is best demonstrated by the United States' treatment of conflicting applications. There, in addition to novelty, the prior art effect of secret prior art also extends to obviousness. As such, conflicting applications may be considered by themselves or in combination with other items of "prior art" (including other conflicting applications) for purposes of determining whether an invention in a later-filed application would have been obvious.
- 40. The section of U.S. law that governs obviousness, 35 U.S.C. § 103, provides that a patent for a claimed invention may not be obtained if the differences between the claimed invention and the prior art are such that the claimed invention as a whole would have been obvious before the effective filing date of the claimed invention to a person having ordinary skill in the art to which the claimed invention pertains.
- 41. Because all the subject matter that is prior art under Section 102 can be used for obvious determinations under Section 103, the prior art effect of conflicting applications is the same for determining lack of novelty and obviousness.

- 42. Because of this, an examiner is able to apply prior art against an application for purposes of a lack of novelty or obviousness rejection even if the prior art reference was not published at the time the application under examination was filed. This policy is intended to encourage applicants to bring subject matter to the public's attention as quickly as possible by filing as early as possible. Second filers should not benefit from delaying their applications, and are therefore subject to the same evidence and disclosures required of those who have filed first and subsequently published.
- 43. Those who favor this approach argue that applying the prior art effect of earlier applications for both novelty and inventive step is a way to prevent the proliferation of overlapping patents held by multiple parties. Another argument in its favor is that, from a first-inventor-to-file perspective, the earlier applicant has taken the necessary steps to communicate the invention in a timely manner to the public and therefore should be able to rely on the filing of that application to prevent any later applicant from obtaining a patent for an obvious variation.
- 44. Opponents of this approach argue that relying on a conflicting application for purposes of determining inventive step takes the legal fiction of secret prior art beyond what is reasonable, as it requires applicants to be inventive in relation to something which could not be known to them, particularly, for example, where a technical problem could only be found in an unpublished application. Moreover, it is considered to unduly favor the first applicant past the post, potentially giving him preferential treatment for incremental improvements which may not have been contemplated at the time of the original filing.

## (iv) Option 4: Novelty plus Single Reference Obviousness (No-Mosaic)

- 45. Given the argued drawbacks with current approaches, discussions on harmonized treatment of conflicting applications have shifted to potential new options. One option is referred to as "no mosaic." Conflicting applications would form part of the prior art for both novelty and inventive step, but the conflicting application could not be combined with another reference. Lack of inventive step would have to exist on the basis of the disclosure contained in that single document.
- 46. This approach would allow greater latitude for applicants to obtain patents for variants which may be considered obvious if prior art documents were allowed to be combined, while limiting the issuance of patents on closely related inventions. Though it could be argued that this approach would be unfair to applicants, since it may extend the legal fiction of secret prior art too far (as explained above, in Option 3).

# (v) Option 5: Mixed Approach

47. Another approach that has been discussed is a US/EPO mixed approach. When the conflicting applications are held by different parties, the US approach would apply—that is, the earlier application would form part of the prior art for both novelty and inventive step for the later-filed application. Thus, applications filed

later by third parties would have to fulfill full patentability requirements over the earlier application for a patent to be granted.

- 48. Where the two applications are held by the same applicant, however, the EPO approach would apply, so that the prior application would be relevant to the determination of novelty only, as applied by the EPO. An applicant's own application secret prior art could be used to form the basis of the rejection.
- 49. This approach, a combination of two opposite approaches, aims to increase the separation between patents held by different parties, whilst avoiding the need for anti-self-collision. But it would still allow for comprehensive production of incremental innovation as appropriate, and avoid the introduction of new concepts that might promote legal uncertainty.
- 50. However, a combination of two systems is still subject to many of the criticisms of the single systems described above. Opponents would argue that allowing secret prior art to be combined for purposes of examining inventive step would be an unreasonable extension of the legal fiction afforded to it. As described below in more detail, others would argue that all applicants should be treated equally.

#### b) Use of an applicant's own work in patentability determinations

- 51. In addition to how secret prior art should be used in patentability determinations, another issue for consideration in devising a harmonized approach to the treatment of conflicting applications is whether an applicant's own prior-filed, later-published application should be used against a subsequent application by the same applicant, a situation referred to as "self-collision." Many jurisdictions provide for anti-self-collision—that is, an applicant's own work will not be treated as if it were prior art in the examination of the second-filed application.
- 52. Those in favor of anti-self-collision believe it is particularly necessary in a first-tofile context where the applicant must rush to the patent office, thereby providing a safe harbor to file additional applications to protect incremental improvements and thus obtaining meaningful, complete protection for the invention for which the application was originally filed.
- 53. Others argue that the patent system should treat all applicants equally, that is, not provide for anti-self-collision. Instead, they propose that the initial determination of the effect of secret prior art should allow for an appropriate distance between the first applicant and subsequent third-party applicants, such that the first applicant is given full latitude to obtain protection for incremental invention as disclosed in the first application filed.
- 54. Related to anti-self-collision are terminal disclaimers. In the United States, an applicant may overcome a double-patenting rejection by filing a terminal disclaimer, which prevents patents on close subject matter from being held in different hands. From the perspective of third parties, terminal disclaimers facilitate both licensing and litigation. In addition, terminal disclaimers also

ensure that any resulting patents will expire upon the date at which the first-filed patent expires, thus preventing undue extension of the patent term.

## (i) Option 1: No anti-self-collision

- 55. As described above, this option would allow an applicant's or inventor's own prior-filed, later-published application to be used against a subsequent application by the same applicant.
- 56. Those in favor of this approach believe that all applications should be treated equally, so that the effect of a prior application on a subsequent application should be the same, independent of whether both applications are held by the same person or not. In their view, there is no good policy reason to favor the first applicant over subsequent applicants. They argue that subsequent applicants have no knowledge of the earlier application and, in practice, will be simultaneous, independent inventors.
- 57. Opponents of this approach believe that innovation and competition are best supported by allowing the first applicant to enjoy the full scope of the invention and disclosure with respect to incremental developments of his or her own invention. This prevents their own applications from being cited against them, while including them in the applicable secret prior art for all other applicants. In addition, this approach concentrates ownership of patentably indistinct inventions in fewer hands.

## (ii) Option 2: Anti-self-collision

- 58. The anti-self-collision option generally provides that an applicant's or inventor's own prior-filed, later-published application will not be used as secret prior art against a subsequent application by the same applicant.
- 59. Proponents of this approach argue that anti-self-collision rewards the first applicant with the opportunity to enjoy the full scope of the invention and disclosure by permitting incremental developments of his or her own invention, while protecting against other applicants. Those in favor of the no-anti-self-collision approach, on the other hand, believe that all applicants should be treated equally.

# (iii) Option 3: Anti-self-collision, but self-collision in double patenting

- 60. A third option— anti-self-collision, but self-collision in double patenting—prevents an applicant's own prior-filed, later-published application from being used as secret prior art against a subsequent application by the same applicant. However, if the later *claims* are not patentably distinct from the earlier claims, the applicant's previously filed application can be used against the subsequent application. This option could also be slightly altered such that a whole contents approach is applied.
- 61. Those in favor of this option argue that the first applicant is rewarded with the opportunity to fill out his application, while also preventing multiple patents from

being granted on the same subject matter. Opponents of anti-self-collision would express the same arguments against this option as those used against the other options described above.

## (iv) Option 4: Anti-self-collision provision with terminal disclaimer

- 62. A fourth option provides for anti-self-collision: that is, an applicant's own priorfiled, later-published application will not be used as secret prior art against a subsequent application by the same applicant. However, where the subject matter of the conflicting applications is patentably indistinct, the applicant would be required to file a terminal disclaimer. The terminal disclaimer would serve to link the two patents, thereby preventing undue extension of the patent term and also facilitating licensing and litigation.
- 63. Those in favor of this option argue that the first applicant is rewarded with the opportunity to fill out his or her application, while the terminal disclaimer takes third-party interests into account. Opponents of anti-self-collision would express the same arguments against this option as against those described above.

## c) Combined Options

**64.** Numerous options with respect to the prior art effect of conflicting applications and treatment of an applicant's own work presents a multitude of potential methods for the treatment of conflicting applications. The differences among these approaches are plotted in Figure 1, which compares the difference of treatment between first applicant and subsequent applicants (x axis) and the distance between patents, i.e. granted claims, held by different parties (y axis) and Figure 2, which compares the different of treatment between first applicants and subsequent applicant between patents (x axis) and the distance between patents held by the same party (y axis).



# Figure 1: Differing Outcomes of Six Different Approaches for the Treatment of Conflicting Applications with Respect to Patents Held by Different Parties

\* Difference of treatment between first applicant and subsequent applicants depends on whether or not the first applicant and the second are the same entity.





\* In this situation, the first applicant and subsequent applicants are the same entities and therefore, the EPO approach would apply – that is, a novelty only approach with no ASC.

\*\* In these options, ASC does not apply where the claimed inventions are identical (or substantially identical in jurisdictions applying enlarged novelty), preventing double patenting. Therefore, the distance between granted claims held by the same party is the same as No-ASC approaches.

## d) Related Issue: Treatment of PCT Applications

65. In addition to the matters discussed above, a related issue is how the earlier-filed application should be treated if it is a Patent Cooperation Treaty (PCT) application. Here again there are differences based on jurisdiction. In Europe, PCT applications become secret prior art as of their international filing or priority date, but only if they enter the respective national/regional phase, which entails that they have been translated into the prescribed language, facilitating the work of examiners, but also circumscribing the pool of secret prior art to that which is necessary to avoid double patenting. This is also the case in Japan and South Korea for PCT applications filed in a foreign language. In the US, however, since the AIA, a PCT application designating the US enters the prior art as of its international filing or priority date, provided it has been published.

# (i) Option 1: Enters secret prior art as of date of publication of the PCT application

- 66. One option provides that an earlier filed PCT application should be treated as prior art in all offices for which there is an active designation at the time of publication of the PCT application as of the earlier of the PCT filing date or priority date.
- 67. Those in favor of this approach argue that PCT applications should be treated the same as other applications. While opponents of this approach argue that double patenting issues do not arise unless the PCT application enters the national/regional phase.

# (ii) Option 2: Enters secret prior art as of date of entry in the national/regional phase

- 68. A second option provides that an earlier filed PCT application should be treated as prior art only in the offices in which the PCT application undergoes national/regional entry as of the earlier of the PCT filing date or the priority date.
- 69. Proponents of this approach would argue that the double patenting issue does not arise if a PCT application does not enter the national/regional phase in the country involved. In addition, some consider it necessary for the PCT application to be treated as prior art only in the offices in which the PCT application undergoes national/regional entry, due to a concern that PCT applications should not have a broader effect compared to Paris-route filings.
- 70. An additional advantage of this approach is that the PCT application becomes part of the secret prior art at a date at which the translation of the application into an official language is available to the patent office, thereby removing issues for applicants and offices caused by foreign-language PCT applications.
- 71. Opponents of this approach argue that PCT applications should be treated the same as national/regional applications and, as such, should have prior art effect

in all countries for which the application has active designations as of the publication date.

# E. CONCLUSION

72. As the offices and stakeholders consider ways to make progress on substantive patent law harmonization, treatment of conflicting applications is arguably the most technical and difficult issue. While the options discussed above seem rather binary, several policy issues arose in the course of the discussions that led to their formulation, including the prevention of double patenting, the protection of incremental innovation, and whether or not applicants should be treated equally. The impacts to the system as a result of any proposed changes must be carefully weighed and considered in light of these policy issues.

# IV. PRIOR USER RIGHTS

## A. INTRODUCTION

## a) Outline of the Paper Concepts

- 1. A prior user right is the right of a party to continue the use of an invention where that use began before a patent application was filed for the same invention.<sup>5</sup> The main purpose of prior user rights is to strike a balance between the interests of the prior user, on the one hand, who may have made a decision not to seek a patent on an invention for instance, to keep the invention as a trade secret and the patentee on the other, who deserves to be rewarded for disclosing the subject matter to the public.<sup>6</sup>
- 2. Prior user rights are provided for by the different national patent legislations and such provisions in national legislation only have national effect. However, whilst the national provisions on prior user rights have some commonalities, there are also differences in the conditions under which they may be acquired.
- 3. Based on this, users of the patent system are in favor of having the rules on the scope and availability of prior user rights harmonized worldwide. In fact, page 96 of the Tegernsee Report shows the results of the questionnaire surveys. The vast majority of respondents in all three regions (Europe, Japan, and U.S.) consider the harmonization of the rules on prior user rights to be either critical or important (84% of respondents to the JPO survey, 81.7% of respondents to the USPTO survey and 74% of respondents in Europe).

# b) Summary of work done at Group B+ Meetings

- 4. This section provides an overview of the discussion within the PUR Workstream, chaired by the JPO, and comprising the delegations of AU, CH, DE, EPO, FR, JP, KR, SE and US.
- 5. In May 2015, the B+ Sub-Group issued the Objectives and Principles Paper, which set forth the following principles governing prior user rights were agreed by the B+ Sub-Group:
  - A third party who has started using an invention in good faith prior to the filing of a patent application for that invention by another party should have a right to continue to use that invention.
  - The circumstances under which prior user rights arise, including the extent to which they rely on actual use having taken place, should balance the interests of third parties to protect their investments with the interests of the inventor/applicant.

 <sup>&</sup>lt;sup>5</sup> Please note: In the United State, prior user rights aren't "rights" per se. Instead, the AIA provides for a "prior use defense," which is a limited defense to patent infringement.
 <sup>6</sup> Cited from page 76 of the "Consolidated Report on the Tegernsee User Consultation on Substantive Patent

<sup>&</sup>lt;sup>6</sup> Cited from page 76 of the "Consolidated Report on the Tegernsee User Consultation on Substantive Patent Law Harmonization" issued in May 2014; hereinafter referred to as the Tegernsee Report). http://www.epo.org/news-issues/issues/harmonisation.html

- 6. Also, in the "Objectives and Principles," a consensus was reached on the following two items:
  - Prior user rights should not arise through mere possession or knowledge of an invention by a third party.
  - Prior user rights should be limited to the territory in which the activity giving rise to prior user rights has taken place.
- 7. This section of the Background Document summarises the work which was carried out within the Prior User Rights Workstream, which resulted in 2 papers being drawn up: the first, in May 2016, dealt with general issues pertaining to the definition of prior user rights, including the requirements of use or preparations to use the invention for rights to arise, the critical date, the requirement of good faith, the territorial scope of prior user rights and issues going to the scope of the rights.<sup>7</sup>
- 8. This was followed by a second paper, issued in September 2016,<sup>8</sup> reviewing the case law of the members of the Workstream regarding the requirements for preparations to use an invention to qualify for prior user rights and the scope of the right, and whether changes in the volume of use, modifications of the embodiment of the invention and changes to the manner of working of the invention are allowed after the critical date. Both papers are available on the B+ website. For users who are interested in the work which preceded the efforts within the Group B+, reference is made to the Tegernsee process, and in particular the Final Consolidated Tegernsee Report, which can be found on the Tegernsee dedicated website.<sup>9</sup>
- 9. At the outset, it is remarked that whether prior use by a third party in good faith based on knowledge derived from a graced disclosure by the inventor/applicant" should lead to prior user rights is an issue dealt with within the context of the grace period in the present paper.
- 10. Also, it should be noted that the "prior user rights system" in this Paper include the following legal systems: (1) legislative texts granting non-exclusive licenses for inventions to parties based on their prior use of the inventions; (2) legislative texts providing a prior user defense against a patent infringement suit.
- 11. Finally, reference is made to Annex 1, (p. 66 et seq.) for information concerning the office positions for each of the set of options presented below.

group\_workstream\_on\_prior\_user\_rights\_further\_work\_on\_the\_scope\_of\_prior\_user\_rights\_en.pdf

<sup>&</sup>lt;sup>7</sup>http://documents.epo.org/projects/babylon/eponet.nsf/0/A3EB2FE2F8A5AD71C1257E6D0057194A/ <u>\$File/b+sub-group\_prior\_user\_rights\_en.pdf</u>

<sup>&</sup>lt;sup>8</sup>http://documents.epo.org/projects/babylon/eponet.nsf/0/B9FCD331876A7BB8C12580C100387DFE/ <u>\$File/b\_plus\_sub-</u>

<sup>&</sup>lt;sup>9</sup> http://www.epo.org/news-issues/issues/harmonisation.html

## B. DEFINING PRIOR USER RIGHTS

## a) Requirements for Accrual of Prior User Rights

- 12. In most of the jurisdictions represented within the B+ Sub-Group requirements for prior user rights to arise involve either actual use or "(serious and effective) preparations" for use (although the terminology varies from one jurisdiction to another), as is the case in Japan, Germany, Korea, Australia, Sweden, and Switzerland. In the U.S., prior user rights accrue only when actual use has taken place".
- 13. Among the jurisdictions that were studied, only in France do prior user rights arise when the inventions are in one's "possession", ie knowledge of the invention suffices. However, as stated above, in the "Objectives and Principles," a consensus was reached on the idea that "[P]rior user rights should not arise through mere 'possession' or knowledge of an invention by a third party." Nonetheless, it should be noted that some voiced opinions that: any proof being submitted to the courts for supporting evidence of "possession" of inventions would often be enough to meet requirements in other jurisdictions for recognition of serious and effective preparations.<sup>10</sup>
- 14. Also, in some jurisdictions where preparations for use suffice for prior user rights to accrue, their regulations qualify in some way the necessary extent of these preparations (examples: "definite steps" in Australia; "special preparations" in Switzerland; and "necessary arrangements" in Germany). Meanwhile, regulations in some other jurisdictions, such as Japan and Korea, simply indicate "preparations." Thus, we find that the extent of preparations to use inventions required differs among the jurisdictions at least in terms of their descriptive expressions. However, the extent of the preparations should be determined by the courts, depending on the facts and circumstances of individual cases.
- 15. Based on the above, two options exist as possible thresholds for prior user rights to accrue:
  - o Option 1: Actual use or [serious and effective] preparations for use
  - o Option 2: Actual use of the invention only

<sup>&</sup>lt;sup>10</sup> Page 12 of "Report on Prior User Rights."

http://www.uspto.gov/sites/default/files/ip/global/prior\_user\_rights.pdf

- (1) "(Serious and effective) preparations" for use
- 73. In June 2016, the Japan Patent Office (JPO) kindly asked the member offices of the Workstream on Prior User Rights to provide information as to court decisions, to find the extent of "preparations" which should be required to determine whether the "preparations" are "serious and effective". Thanks to the offices' kind cooperation, the JPO received responses from all the member offices including the U.S and France, where "preparations" are not regarded as requirements for the accrual of prior user rights, and the Spanish Patent and Trademark Office (SPTO). For more details about court decisions provided from each member, please see the document referred to in note 7.
- 16. The JPO compiled a table of terms indicating the threshold of preparations required to qualify for prior user rights as used in each jurisdiction. The table is below.

Country	Terms determining "(serious and effective) preparations"
AU	definite steps
СН	special preparation
DE	necessary arrangements
FR	intellectual possession
ES	serious and concrete preparation
JP	Preparations
KR	preparing (preparations)
SE	substantial preparations
UK	effective and serious preparations
US	N/A <sup>11</sup>

Based on above table, it can be understood that, among the jurisdictions, various terms are used to indicate the extent of preparations required for prior user rights to arise.

17. Then, when reviewing the information provided by each office, court decisions on the extent of preparations among the jurisdictions can be greatly affected by the facts and circumstances of individual cases. The courts of almost all jurisdictions emphasise that whether preparations for use have been carried out by the third party in such a manner as to satisfy the threshold for prior user rights to accrue, is to be approached on a case by case basis, with regard to the facts of the case.

<sup>&</sup>lt;sup>11</sup> In the U.S., preparations do not suffice for rights to arise because U.S. law requires actual use of the invention.

- 18. To get a thorough understanding of the case law, it is necessary to look at the facts of each case in greater detail, and bear in mind that preparations, which by definition are an ongoing process of a dynamic nature, are difficult to prove based on a single direct piece of evidence, but are often proven on the basis of several pieces of indirect evidence. Nevertheless, a summary of examples of qualifying preparations to use include: filing for a marketing authorization for the invention (DE); importing of the invention and preparation of advertising material, considered to be preparations to sell the invention (ES); where the invention is not a mass-production product (industrial heating furnace), work on design and seeking estimates from sub-contractors, as well as submitting bids even though no order was received (JP); manufacture of a trial product by a sub-contractor and delivery to ordering party (JP); completion of drawings of a mold, ordering materials for a trial product and beginning to manufacture the mold (JP); in a single case: in-depth design study, mini-production run, commissioning of a third party to design and build machinery required to produce invention on a pilot plant scale; production of products for testing purposes (wind tunnel tests and strength tolerance tests) so that at critical date, design was settled and final preparations for full-scale production underway (UK).
- 19. However, in some countries, the courts have developed tests to assist the courts in making these determinations. German courts have articulated a three-pronged test to identify whether "necessary arrangements" have taken place:
  (1) the serious preparations must objectively be of a nature to make the exploitation of the invention possible; (2) a definitive decision to undertake a commercial use of the invention must have been taken by the user and (3) the intention must be to start the exploitation of the invention in the immediate future (which means that preparations must be ongoing at the critical date).
- 20. The elements of this test are also found in other countries, such as Japan, for instance, where the Supreme Court has set out that the person must have expressed in a manner and to an extent which is objectively recognizable, an intention to immediately work the invention. (Judgment of the Supreme Court of Japan, the Second Petty Bench, October 3, 1986; Case No. 1986 (O) 454). In some decisions in Japan, courts have taken into consideration the following factors: (1) development of inventions; (2) completion of inventions; (3) preparations for the business of working of inventions; (4) starting or implementing the business involving the inventions. Based on this chain of events involving inventions, the courts determine the stage which prior users have reached at the critical date, and whether the prior users are entitled to claim prior user rights involving these inventions.
- 21. In Switzerland, the Federal Supreme Court has held that for prior user rights to accrue, "concrete" preparations must have been made to implement the invention; the prior user should have detailed and objective knowledge of the invention allowing him to carry it out; the prior user has the intent to work the invention on a commercial scale in the near future and over some time; and investments made in order to implement the invention should reach a certain extent.

22. In the UK, courts have held that the preparations must be "effective" and that a decision to use the invention must exist. Preparations have been deemed to qualify for prior user rights where they are "so advanced as to be about to result in the infringing act being done".

#### (2) Actual use of the invention

23. Requiring actual use of the invention means that at least one of the acts which would be reserved to the patent holder had the patent been granted at that time, has been carried out by the prior user, ie the invention has been used, and this use is of a commercial nature. As mentioned, this is the threshold for prior user rights to accrue in the United States.

## b) Critical Date for Accrual of Prior User Rights

- 24. In all the B+ Sub-Group jurisdictions, except the U.S., regulations clearly state that prior user rights are effective on the filing date of a patent application (or at the time of filing a patent application). And, when patent applications claims priority, the "priority date of the patent application" should be the critical date.
- 25. On the other hand, only the U.S. sets the critical date for accrual of prior user rights to be "at least one year before the earlier of either the effective filing date or the date of the first disclosure to the public."
- 26. The issue of the relationship between user prior rights and the grace period is not within the scope of this workstream. Nonetheless, it should be noted that, when considering possible harmonization of the date on which prior user rights are provided," we need to consider a potential relationship with the grace period to some extent.
- 27. Based on the above, we present the following three options as possible solutions to the differences in the issues with regard to the critical date for prior user rights to accrue:
  - Option 1: Regardless of whether there are priority claims or not, the filing date of a patent application should be the critical date.
  - Option 2: The filing date, or, if applicable, the priority date of the application should be the critical date.
  - Option 3: The date prior to the earlier of either the effective filing date of a patent application (i.e. priority date or actual filing date) or the date of disclosure during the grace period should be the critical date.
- 28. With regard to Option 1, under Article 4 B of the Paris Convention, the effects of priority claim are stipulated as follows. "Any subsequent filing shall not be invalidated by reason of any acts accomplished in the period from the date of filing of the first application to one of the member countries of the Paris Convention to the date of filing of a subsequent application claiming priority to one of the other member countries, in particular, another filing, the publication or

exploitation of the invention. And such acts cannot give rise to any third–party right." Based on this, if the filing date of a patent application is to be the critical date despite the existence of a valid priority claim, this will violate the Paris Convention. Therefore, Option 1 cannot be an effective option.

## c) The Requirement of "Good Faith"

- 29. In the "Objectives and Principles," it is stated: "[A] third party who has started using an invention in good faith ... should have a right to continue to use that invention". A consensus was reached on the idea that acting in "good faith" is a requirement for prior user rights to arise, although the concept was not further defined in the document. Also, even in countries in which the requirement of "good faith" is not clearly stated in their statutes, the courts of most countries require "good faith" or a requirement equivalent to acting in "good faith".
- 30. The "Objectives and Principles" Paper does not clearly state what the term "good faith" exactly means in this context. In other words, although, consensus has been reached on the necessity of requirements to establish requiring "good faith," for prior user rights to arise, no consensus was reached on the exact meaning and details of the requirements.
- 31. Whilst there appears to be a consensus amongst delegations that a prior user must be in "good faith" in order for prior user rights to arise to protect his investment, among the jurisdictions reviewed, there seems to be two manners of approaching this issue : (1) The conduct of the prior user is assessed only in relation to the applicant/patentee; (in other words, whether or not knowledge of the invention is acquired independently from patent rights holders or their predecessors in title); and/or (2) the conduct of the prior user is assessed in absolute terms by whether the acquisition of the knowledge of the invention and the activities undertaken to use such invention have been carried out in "good faith", ie such acts are neither unfair, fraudulent, or in breach of any statute, duty or agreement, vis-à-vis any person, not just the applicant, so that the fact of prior user rights arising for this party does not breach elementary principles of fairness or equity. As can be seen from the statute in the U.S., these two approaches may be cumulative.
- 32. The issue is thus two-pronged:

General Requirement of "Good Faith":

- Option 1: There should be a general requirement of "good faith", meaning that neither the acquisition of the knowledge of the invention nor the activities of the prior user have been carried out in breach of any statute, duty or agreement, so that the accrual of the prior user right is equitable under the circumstances.
- Option 2: There should be no general requirement of "good faith."

#### Derivation from the Applicant or the Legal Predecessors:

- Option 1: Activities based on information derived from the applicant in "good faith" as defined in the general requirement qualify for a prior user right.
- Option 2: Activities based on information derived from the applicant in "good faith" as defined in the general requirement do not qualify for a prior user right.

#### d) Territorial Scope of Prior User Rights

- 33. With regard to the territorial scope where prior user rights are being used, the "Objectives and Principles" suggests a view, on which a consensus was reached, stating "[P]rior user rights should be limited to the territory in which the activity giving rise to prior user rights has taken place."
- 34. In almost all the jurisdictions, for prior user rights to accrue, regulations clearly state that the acts of working inventions or preparations to use the invention should be conducted within the territory covered by the relevant patents.
- 35. During the meeting of the B+ Workstreams in Washington in February 2016, the issue was raised as to whether prior user rights should apply to the entire world.. Since then, it was decided that the issue of the territoriality of the scope of the prior user right, which has extremely complex ramifications, should be put aside for the time being, and other issues focused upon.
- 36. Given these facts, it may not be appropriate for this Paper to discuss any best possible solutions with regard to this issue. Nonetheless, the possible options are as follows:
  - Option 1: Prior user rights have effect only in the country/region in which the prior qualifying activities took place.
- Option 2: Once acquired against a patent in one jurisdiction, prior user rights extend to all countries where the patent holder has obtained protection for that same subject-manner.
- 37. In the "Objectives and Principles" paper, consensus was reached by the B+ Sub-Group on Option 1, which was also supported by all the Workstream member offices.

#### e) Exceptions to Prior User Rights depending on the Types of Patent Rights Holders

- 38. No jurisdiction except the U.S. provides for exceptions to the accrual of prior user rights based on the type of patent holder.
- 39. The Tegernsee Report shows that, in response to a question as to whether or not exceptions to prior user rights should be granted to certain patents, the vast majority of the respondents in all three regions, i.e. Japan, the U.S., and Europe, were against exceptions being provided to prior user rights (82.3% of

respondents to the Japanese survey, 87.4% of respondents to the European survey, and 92.7% of respondents to the U.S. survey, (Page 93-94.)).

- 40. Based on the above, we present the following two options as possible solutions to the differences in the issue:
  - Option 1: Exceptions to prior user rights should be allowed for certain types of patent rights holders.
  - Option 2: There should be no exceptions to prior user rights depending on the types of patent rights holders.

## f) Acts for Prior User Rights to Accrue

- 41. In most of the jurisdictions represented in the Workstream, the acts of working patent inventions under Article 28 of the TRIPS Agreement are stipulated to qualify as acts for prior user rights to arise in their regulations. In the first place, prior user rights are exceptions to the prohibition for third parties to work inventions covered by a patent. Meanwhile, in some jurisdictions, specific acts of working inventions are defined as activities giving rise to prior user rights. Such definitions may not be identical to the definitions of the acts reserved to the patent holder post-grant, i.e. the definition of infringement. Where such differences arise and the definition of activities qualifying for prior user rights is narrower, then some prior activities will not be protected, and will have to be stopped by the prior user upon grant of a relevant patent.
- 42. Accordingly, when it comes to presenting possible solutions to this issue, the following two Options can be considered:
  - Option 1: Acts giving rise to prior user rights should match the acts of working invention exclusively reserved to the patent holder post-grant (i.e. the acts that constitute infringement of patent).
  - Option 2: Differences between the definition of acts giving rise to prior user rights and the definition of the acts of working an invention exclusively reserved to the patent holder post-grant are allowed.

## g) Issues going to the scope of the prior user right

- 43. In some jurisdictions, statutes specifically address some of these issues. Meanwhile, in other jurisdictions, there is no binding regulation on them. However, in most jurisdictions, specific rules seem to be determined by the courts.
- 44. As stated above, in some cases, these issues are to be determined by court decisions, depending on the facts and circumstances of individual cases. Accordingly, from the perspective of advancing harmonization, there are some voiced opinions that consensus should be reached on these issues, whilst others feel they should be considered at a later stage.

- 45. However, in term of possible options toward harmonization, we may discuss at least whether or not these changes should be allowed.
- 46. The JPO kindly asked the Workstream members to provide information, such as court decisions, in their jurisdictions, about "changes in volumes of use of inventions," "changes to embodiments of inventions," and "changes in types of acts of working inventions." The JPO received the responses from all of the Workstream member offices, as well as the SPTO. Based on the responses, the JPO analyzed and sorted them into the following three groups about whether or not these changes are allowed in each of the jurisdictions: (1) changes are allowed; (2) changes are not allowed; and (3) no case law.
- 47. The results are listed in the following table. Please note that, even when offices wrote "changes are allowed," but based their decisions not on case laws but on academic theories, the JPO categorized them "No case law" Also, please refer to the ANNEX of the document referred to in note 7 for more details about court decisions provided from each member.

	Changes in volumes	Changes to embodiments	Changes in types of acts
AU	No case law	No case law	No case law
СН	No case law	No case law	No case law
DE	Allowed	Allowed	Allowed
FR	No case law	No case law	No case law
ES	No case law	No case law	No case law
JP	Allowed	Allowed	Not allowed
KR	No case law	Allowed	No case law
SE	No case law	No case law	No case law
UK	No case law	Allowed	Not allowed
US	Allowed <sup>12</sup>	No case law	No case law

Based on the results of the analysis, it can be found that, there are no court decisions on these issues in most jurisdictions.

# (i) Changes in volume of use of the invention

48. With regard to changes in volume of use of invention, possible issues include, for example, whether prior user rights owners should be allowed to expand their volume of production or/and sales areas, after other parties filed patent applications for the same inventions. Concerning this issue, in some jurisdictions, prior users are allowed to change the volume within their business

<sup>&</sup>lt;sup>12</sup> In the U.S. there is currently no case law on this matter, but the language of the statute states that changes in volume are permitted.

objectives. Meanwhile, in other jurisdictions, volume changes are limited to those that have been used or planned to be used before the critical date on which prior user rights accrue, and further changes are not allowed.

- 49. In the jurisdictions where the courts have dealt with the issue, and in the US, by virtue of the statute, modifications in the volume of use after the critical date are allowed.
- 50. Therefore, if we present possible solutions to the issues, the following can be considered: Changes in Volume of Use of the Invention
  - Option 1: Volume changes should be allowed.
  - Option 2: Maximum production levels should be determined by the levels of use existing [or effectively and seriously prepared for] prior to the critical date.

#### (ii) Changes to embodiments of invention

- 51. With regard to modifications of the embodiment of invention, possible issues include, for example, whether or not prior user rights owners can manufacture slightly different products after other parties filed patent applications for the same inventions. Concerning this issue, in some jurisdictions, embodiments of inventions used under prior user rights should be those used before the critical date. If, after the critical date, the embodiments are changed to those that are likely to infringe patent rights, prior user rights may not apply to such embodiments. Among the jurisdictions where court decisions were made on this issue, changes were allowed, but in some jurisdictions, subject to certain conditions or limitations.
- 52. German law, for instance, allows changes to the device used which are plain equivalents or obvious to the person skilled in the art. The criterion for assessing changes is the scope of objective possession/knowledge of the invention at the critical date, assessed by the person skilled person in the art. The prior user cannot use additional features of the protected invention going beyond his original possession of the invention if they are covered by the patent specification.
- 53. The UK allows variations, as the courts have held that if the protected act had to be "exactly the same", the protection given by the prior user rights would be illusory. Prior user rights are intended to give a practical protection to enable a man to continue doing in substance what he was doing before.
- 54. The options in respect to Changes to Embodiments of Invention are the following:
  - Option 1: Changes to embodiments of invention should be allowed.
  - Option 2: Changes to the embodiments of the invention should be possible subject to well-defined conditions

• Option 3: No changes to the embodiment should be allowed.

#### (iii) Changes in types of acts carried out to work the invention

- 55. With regard to change in types of acts carried out to work invention, possible issues include, for example, whether prior user rights holders are allowed to change the types of their acts (e.g. manufacture, use, sale, importation, stocking of the invention, etc...) from one to another, after patent applications were filed. Concerning this issue, in some jurisdictions, no changes in the types of acts carried out to work the invention are allowed. Meanwhile, in some other jurisdictions, changes in the types of acts carried out to work invention are allowed.
- 56. In Germany, the prior user may modify the embodiment of the invention, but this is subject to certain rules. German courts approach this issue on a case by case basis. Modifications which are not contained in the patent specification, or which would be obvious to the average person skilled in the art are allowed. However, the courts have drawn a line: where the modification goes beyond the embodiment which was the object of the prior use or serious preparations, it cannot encroach further into the subject-matter protected by the patent (see BGH, GRUR 2002, 231, 234 "Biegevorrichtung"). In particular, the prior user will be barred from adopting any modification he has learned from the patent specification.
- 57. In Japan, a prior user who has merely bought and sold an invention prior to the critical date is prevented from beginning to manufacture the invention after the critical date (see Judgment of the Nagoya District Court, April 28, 2005). Likewise, a prior use confined to importing and selling the invention will give rise to rights in respect of these two acts of working the invention, (see Judgment of the Tokyo District Court, January 28, 2000).
- 58. In the UK, it has been held that if a person has in good faith imported a product which would have infringed had the patent been in force, prior user rights enable him to continue to import the product, but not to sell it, unless the importation amounted to an effective and serious preparation to sell it.
- 59. Considering about the extent to which the changes should be allowed, for example, a court decision on point in the U.K. determined that "In deciding whether the activity is substantially the same, *all the circumstances must be taken into account.*" (*Lubrizol Corporation v. Esso Petroleum Co. Ltd. (No.2) [1997] RPC 195 (Patents Court, Jacob, J.)*) Like this, the extent to which the changes should be allowed seem to be depending on the specific backgrounds facts and circumstances of individual cases.
- 60. The options with respect to changes in Types of Acts Carried Out to Work the Inventions are the following:
  - Option 1: Prior users may change from one type of the act of working the invention to another without any limitations.

- Option 2: Prior users may change from one type of working the invention to another, subject to certain limitations, ie provided that the nature of their business is not thereby modified.
- Option 3: The scope of the prior user rights should be limited to the types of acts done [or seriously prepared for] prior to the critical date

## C. CONCLUSION

- 61. The purposes of the prior user rights system include elimination of adverse effects caused by the first-to-file system and relief measures for third parties who have made significant investments on the inventions for which patents are filed. In order to achieve harmonization of the prior user rights system, there are still some issues to be solved, including the stability of patent rights, the consistency of patentability, and appropriate balancing of the interests of patent rights holders and third parties.
- 62. As the reviews stated above, in the member jurisdictions that are studied in this Paper, a variety of measures are taken to deal with the issues.
- 63. For example, in term of the requirements for obtaining prior user rights, some jurisdictions are focusing on relieving third parties who have made significant investments on their inventions, while other jurisdictions are placing greater importance on avoiding legal uncertainties.
- 64. When conducting discussions on the harmonization of patent systems, it is essential to consider the best possible solutions in terms of achieving harmonization without imposing heavy burdens on the jurisdictions, while giving serious consideration to each solution from various perspectives.

# ANNEXE 1 OFFICE POSITIONS ON PRIOR USER RIGHTS

Alone amongst the Workstreams, the Prior User Rights Workstream requested input from participating offices on where they stood with regard to these issues.

# a) Issues for which a consensus has been reached by all the Workstream member offices:

#### (i) Requirements for Accrual of Prior User Rights:

 Prior user rights should not arise through mere possession or knowledge of an invention by a third party.

#### (ii) Territorial Scope of Prior User Rights:

 Prior user rights should be limited to the territory in which the activity giving rise to prior user rights has taken place.

#### (iii) Acts for Prior User Rights to Accrue:

 Acts giving rise to prior user rights should match the acts of working invention exclusively reserved to the patent holder post-grant (i.e. the acts that constitute infringement of patent).

There should be a general requirement of "good faith", meaning that neither the acquisition of the knowledge of the invention nor the activities of the prior user have been carried out in breach of any statute, duty or agreement, so that the accrual of the prior user right is equitable under the circumstances.

# b) Issues for which a consensus has not been reached by all the Workstream member offices:

- (i) Requirements for Accrual of Prior User Rights
- Option 1: Actual use or [serious and effective] preparations for use<sup>13</sup> (Supported by AU, CH, DE, EPO, FR, JP, KR, SE)
- Option 2: Actual use of the invention only (Supported by US)

#### (ii) Critical Date for Accrual of Prior User Rights

- Option 1: Regardless of whether there are priority claims or not, the filing date of a patent application should be the critical date.
- Option 2: The filing date, or, if applicable, the priority date of the application should be the critical date.

(Supported by AU, CH, DE, EPO, FR, JP, KR, SE)

 Option 3: The date prior to the earlier of either the effective filing date of a patent application (i.e. priority date or actual filing date) or the date of disclosure during the grace period should be the critical date.

(Supported by US)

<sup>&</sup>lt;sup>13</sup> France mentioned that, although neither Option 1 and 2 reflect the current state of its system, "preparations" done for actual use of inventions are often adduced as evidence to prove that the requirements of "possession" of the invention has been met.

- (iii) Derivation from the Applicant or the Legal Predecessors
- Option 1: Activities based on information derived from the applicant in "good faith" as defined in the general requirement qualify for a prior user right. (Supported by AU, CH, DE, EPO, FR, SE)
- Option 2: Activities based on information derived from the applicant in "good faith" as defined in the general requirement do not qualify for a prior user right. (Supported by JP, KR, US)

# *(iv)* Exceptions to Prior User Rights depending on the Types of Patent Rights Holders

• Option 1: Exceptions to prior user rights should be allowed for certain types of patent rights holders.

## (Supported by US)

• Option 2: There should be no exceptions to prior user rights depending on the types of patent rights holders.

(Supported by AU, CH, DE, EPO, FR, JP, KR, SE)

#### (vi) Scope of prior user rights

#### (a) Changes in Volume of Use of the Invention

- Option 1: Volume changes should be allowed.
  - (Supported by AU, DE, FR, JP, KR, US, SE)
- Option 2: Maximum production levels should be determined by the levels of use existing [or effectively and seriously prepared for] prior to the critical date. (Supported by CH)

At this time, due to differing views amongst its Contracting States, the EPO cannot express support for either of these options.

#### (b) Changes to Embodiments of Invention

- Option 1: Changes to embodiments of invention should be allowed.
- Option 2: Changes to the embodiments of the invention should be possible subject to well-defined conditions.

#### (Supported by AU, DE, FR, JP, KR, US, SE)

 Option 3: No changes to the embodiment should be allowed. (Supported by CH)

At this time, due to differing views amongst its Contracting States, the EPO cannot express support for any of these options.

#### (c) Change in Types of Acts Carried Out to Work the Inventions

• Option 1: Prior users may change from one type of the act of working the invention to another without any limitations.

(Supported by AU)

- Option 2: Prior users may change from one type of working the invention to another, subject to certain limitations, ie provided that the nature of their business is not thereby modified.
  - (Supported by DE, FR, KR)
- Option 3: The scope of the prior user rights should be limited to the types of acts done [or seriously prepared for] prior to the critical date.
  - (Supported by CH, JP, SE)

At this time, due to differing views amongst its Contracting States, the EPO cannot express support for any of these options. Further, at this time, the US cannot support any of these options.