# Policy and Elements for a Possible Substantive Patent Harmonization Package

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# **Industry Trilateral (IT3)**:

American Intellectual Property Law Association (AIPLA)
BusinessEurope (BE)
Intellectual Property Owners Association (IPO)
Japan Intellectual Property Association (JIPA)

This Paper is a Work in Progress, and Remains Subject to Approval of the Relevant Bodies of Each Organization

Notice: Language that appears in italic and between brackets, [example], is still under discussion by the Industry Trilateral. Language in adjacent brackets represents possible alternative language.

## **TABLE OF CONTENTS**

I.	Introduction	4
II.	Prior Art	6
	A. Policy Objectives	6
	B. Policy Issues	6
	C. Elements to be Included as Part of a Package	6
	D. Issues Open for Discussion	7
III.	Conflicting Applications	8
	A. Policy Objectives	8
	B. Policy Issues	8
	1. Equal Treatment of Applicant and Third Party	8
	2. Standard for Measuring Distance	8
	3. Period for Anti-Self Collision	10
	4. Treatment of PCT Applications	10
	C. Elements to be Included as Part of a Package	10
	1. First Filed and Published Applications	10
	2. First Filed and Unpublished Applications - Same Applicant	11
	3. First Filed and Unpublished Applications - Third Party Applicant	11
	4. Treatment of PCT Applications	11
	D. Issues Open for Discussion	11
	1. Equal Treatment of First Applicant and Third Party	11
	2. Period for Anti-Self Collision	11
	3. Treatment of PCT Applications	12
	4. Additional Measures to Avoid Abuse	12
IV.	Non-Prejudicial Disclosures (Grace Period)	13
	A. Policy Objectives	13
	1. Protect All Inventors and Applicants Against Loss of Rights Due to	
	Pre-filing Disclosures	13
	2. Provide Legal Certainty for Third Parties	13
	3. Provide a Safety-Net Grace Period That Does Not Encourage a	
	Publish-First Policy	13
	4. Provide a Global Solution	13
	B. Policy Issues	14
	1. Limited Scope of the Grace Period	14
	2. Possible Applicant Requirements for Safety Net Protection	15
	C. Elements to be Included as Part of a Package	17
	1. A Universal Grace Period Should Apply	17
	2. Independent Disclosures are Prejudicial	17
	3. Re-Disclosures by Third Parties are Non-Prejudicial, Subject to	

	Presumptions	17
	4. Timely Filed Prior Art Statements are a Component of Safety Net	
	Protection	18
	5. Administrative Fees are a Component of Safety Net Protection	18
	6. Other Incentives as Components of Safety Net Protection	18
	D. Issues Open for Discussion	18
	1. Duration of Grace Period	18
	2. Statement Details	18
	3. Incentives for a Statement by Applicant	19
	4. Administrative Fees	19
	5. Accelerated Publication	19
	6. Defense for Intervening User	19
V.	Prior User Rights Defense	21
	A. Policy Objectives	21
	B. Policy Issues	21
	1. Scope of Third Party Activity	21
	2. Independence of Third Party Activity	22
	3. Geographical and Commercial Scope of the Defense	22
	C. Elements to be Included as Part of a Package	23
	1. Availability of Rights	23
	2. Qualification for the Defense	23
	3. Relation of Third Party Activity to a Patent Owner	23
	4. Scope of Defense	23
	5. Transferability	23
	D. Issues Open for Discussion	23
	1. Relation of Third Party Activity to Patentee	23
	2. Scope of the Right	24
VI.	Mandatory Publication of Applications	25
	A. Policy Objectives	
	B. Policy Issues	
	C. Elements to be included as Part of a Package	
	D. Issues Open for Discussion	

#### I. INTRODUCTION

The Industry Trilateral (IT3) was formed in 2003 as a basis for industry stake holders in the jurisdictions of the Trilateral Offices (European Patent Office - EPO; Japan Patent Office - JPO; and United States Patent and Trademark Office - USPTO) to jointly engage the Offices in a discussion of substantive and procedural issues involving intellectual property (IP). The IT3 includes the associations of the American Intellectual Property Law Association (AIPLA), BusinessEurope (BE), Intellectual Property Owners Association (IPO), and the Japan Intellectual Property Association (JIPA).

Since April 2014, the Industry Trilateral has engaged in a process of determining whether it would be possible to achieve consensus on a limited package of substantive patent law harmonization issues, or at least an agreement on scope and content of the basic elements to be contained in such a package. The IT3 also has worked toward achieving an agreement in principle on several patent law issues and, where agreement cannot be reached, a narrowing of the issues and an identification of the practical issues that may arise. The desired end result would be an agreement on an overall package that fairly balances the interests of all entities, large and small, individuals and universities, in a patent system that encourages innovation and protects the rights of innovators and third parties. The IT3 recognized that, given the currently wide diversity in relevant practice and principles with respect to these issues internationally, some laws will have to change in nearly every jurisdiction, to some extent, in order to achieve a globally harmonized package. All relevant national and regional laws and practices would be subject to review and revision; none were too sacred to be questioned.

A "First Elements Paper" that outlined the possible bases for an over-all harmonization package was prepared in 2015 and summarized the prior views of the IT3 on the policy objectives, policy issues, elements for inclusion in a harmonization package, and issues open for discussion. (See: <a href="http://www.aipla.org/committees/committee">http://www.aipla.org/committees/committee</a> pages/HarmonizationTF/Committee%20Documents/Industry%20Trilateral%20Policy%20and%20Elements%20for%20a%20Possible%20Substantive%20Patent%20Harmonization%20Package-Subject%20to%20approval.pdf)

The IT3 has continued discussing the basic elements that may form the basis of a substantive patent law harmonization package and has also considered the results of similar discussions on many of the substantive patent law issues for a harmonization package that are being held by other entities, both private (AIPPI/FICPI) and government (e.g., Tegernsee Report/B+ discussions). The IT3 also recognizes that open and comprehensive discussions of these issues among a broad spectrum of stakeholders will be held in the future, such as the EPO-hosted "Cornerstones for Patent Law Harmonisation: a B+ Sub-Group/Industry Symposium" planned for June 2017.

In support of both private and government initiatives and in preparation for the EPO Symposium, and further to continuous IT3 consultations, including discussions held in March 2017 in Seville, this "Second Elements Paper" has been prepared. In addition, high level statements of Objectives and Principles on Grace Period, Conflicting Applications and Prior User Rights, as well as a summary of individual features are attached as Exhibits 1-3 for reference. This Second Elements Paper, in identifying the elements of possible solutions to some of the most critical issues involving substantive patent law harmonization,

represents the results of an additional two years of discussion by representatives within the Industry Trilateral. This Second Elements Paper is presented as a possible starting point for a more inclusive dialogue with regard to substantive harmonization, by (1) presenting policy objectives, (2) identifying policy issues relevant to those objectives as well as relevant interests that have been discussed but not necessarily resolved, (3) explaining proposed and consensus positions, and (4) identifying open issues, where possible, on five key issues that could be included in an overall substantive patent law harmonization package: prior art; conflicting applications, grace period, prior user rights (PURs) and 18 month publication.

This harmonized package as a whole is intended by the IT3 to benefit everyone who participates in a global marketplace by providing a uniform set of clear and balanced principles that will be applicable in all jurisdictions, without preference to any particular interest. It was expressly recognized that this objective can only be achieved by compromise, guided by best practices and in consideration of a fair balance of interests of applicants, third parties and society.

### II. PRIOR ART

#### A. Policy Objectives:

A pre-requisite for any useful discussion of substantive patent law harmonization is an agreement on a common definition as to what constitutes, in principle, prior art against the subject matter claimed in a patent or patent application. Such prior art is an unrestricted public disclosure by anyone, including the inventor, of the subject matter claimed in a patent or patent application, where the disclosure occurs before the filing/priority date of the patent or patent application. The risk that there may be a public disclosure, prior to the filing of a patent application on the subject matter of such public disclosure, provides an incentive for an inventor to prepare and file a patent application as soon as possible.

#### **B.** Policy Issues:

A fundamental principle for a disclosure to be considered as prior art, especially in a first-to-file or first-inventor-to-file system, is that the disclosure must be public, thereby making it available on an unrestricted basis. A related issue is whether an activity that does not result in access to all details of the invention, where there is no ability to analyze the entire content of the disclosure, is a public disclosure that makes the disclosure prior art. A further related issue is whether a disclosure that is made in secret or is covered by a confidentiality agreement, is a public disclosure that makes the disclosure prior art. Yet another issue is whether there are any limitations on the medium, language or geographical location by which a public disclosure is made and becomes prior art.

One possible definition of "prior art" that addresses these issues may be derived from Art. 8 of the Draft Substantive Patent Law Treaty (SCP/10/4) prepared by the International Bureau of WIPO in 2004, the modified text adding "filing" to show the earliest date would apply:

"The prior art with respect to a claimed invention shall consist of all information which has been made available to the public anywhere in the world in any form, before the filing/priority date of the claimed invention."

Note that the critical date is the filing/priority date of the claimed invention and not the application because the pending application may claim priority to a prior filed application that does not include a disclosure of the claimed invention.

A further fundamental principle for discussion is the extent to which prior disclosures by/for/from the inventor or applicant are to be excluded from the definition of prior art. The policy issues related to this principle are discussed in connection with section IV, non-prejudicial disclosures (grace period).

#### C. <u>Elements To Be Included As Part Of A Package</u>

The definition provided in WIPO's SCP 10/4 as amended above is acceptable as a basis for harmonization.

Thus, there would be no limitation on the criterion for a disclosure being prior art based on the medium, language or geographical location of the disclosure.

#### D. Issues Open for Discussion

Since its original introduction in the First Elements Paper, the issue of a definition of "prior art" has not been discussed in detail in the IT3 and appears not to have been discussed at all in the B+ group.

Nonetheless, the issue is important to harmonization and has been retained in this Second Elements

Paper for further discussion at an appropriate time.

#### **III. CONFLICTING APPLICATIONS**

#### A. Policy Objective:

To prevent the grant of multiple patents on substantially the same or identical invention in the same jurisdiction and to minimize the risk to third parties of multiple enforcement proceedings in the same jurisdiction, while permitting an appropriate scope of protection for incremental inventions, a coherent set of rules with regard to conflicting applications is needed. Multiple patents on substantially the same or identical invention, whether owned by the same or different entities, may lead to "patent thickets" that can entrap a third party, because the number and complex relationship of the patents may prevent the third party from identifying and satisfying all rights and holders of such rights for a technology of interest. The coordinated management of conflicting applications in one or more portfolios has the potential to become anti-competitive activity.

Consistent with a first-to-file policy, an earlier filed application may serve as a basis for the rejection of a later filed application. Where the earlier filed application is not published before the filing date of the later filed application, however, the earlier filed application does not strictly meet the standard definition of "prior art" against a later filed application. Where the claimed invention in the earlier and later applications is identical, the claims may be rejected for "double patenting." However, where there are incremental differences between the claimed inventions, there is a need for a clear and uniform standard for determining whether both the earlier and later filed inventions can be patented in the same jurisdiction.

#### **B.** Policy Issue:

1. Treatment of First Applicant and Third Party - One view is that the first-to-file Applicant for an initial invention should be able to freely file subsequent applications on incremental inventions. A principle of "anti-self collision" prevents a first Applicant's own earlier application from being used as prior art against the Applicant's subsequent applications, thereby permitting the first filing Applicant to protect details of the subsequent invention that are only a short "distance" away from the initial invention, subject to a prohibition on double patenting, where by definition there is no "distance." The first filing Applicant's right to get patents on incremental inventions is limited in some jurisdictions by a requirement for a "terminal disclaimer" that forces all related patents to expire at the same time and forces common ownership be maintained.

An additional view is that the later filing third party Applicant must meet a higher "distance" standard than the first filing Applicant, and must show that the claims of the later filed application are not obvious or meet an "enhanced novelty" standard with regard to the first filed application.

A further view in some jurisdictions is that, while the first filed application becomes prior art against third parties upon its publication, the published application is subject to a further grace period for the first filing Applicant. A harmonized treatment of the published application, for both later filing third parties and first filing Applicants, would require at least that, **after publication** of the first filed application, the published application is prior art as of its publication date for the first filing Applicants

and later filing third parties. Thus, in order to get a patent on a subsequently filed application, both the first filing Applicant and the later filing third party must demonstrate that the invention claimed in the subsequently filed application is "patentably distinct" from the disclosure in the first filed application under conventional standards of novelty and inventive step.

Another approach is that a later filed application should be novel in relation to the whole contents of an earlier unpublished application, irrespective of whether or not the applications are filed by the same Applicant.

If there is agreement for such equal treatment of the first filing Applicant and the later filing third party for filings after publication of the first filed application, the remaining issue to be harmonized is the manner in which the first filed application is to be treated, as between the third party and the Applicant, during the period **prior to publication** of the first filed application.

There is agreement that the same Applicant should enjoy "anti-self collision" during a period of 12 or 18 months after filing of the first filed application - that is, the first filed application cannot be prior art against the later filed application of the same Applicant.

Currently, there is no agreement that a third party should be subject to a higher standard of distance between an application that is "Secret Prior Art" (SPA) and a later filed application.

Currently, there is no agreement as to a basis and duration for treating the first filing Applicant and a third party differently with regard to filings made during the period **prior to publication** of the first filed application.

#### 2. Standard for Measuring Distance

The difference in content between the first filed application that has not yet been published (thus, SPA,) and the subsequently filed application of the Applicant or third party is referred to as a legal/technological "distance" that reflects the relevance of the SPA for purposes of determining the patentability of the claims of the subsequently filed application. Where there is an approach that disfavors the patenting of incremental advances, a standard of obviousness may be used as the requisite distance, permitting the combination of SPA with other prior art teachings (a "mosaic") to deny patentability. Others use an "enhanced novelty" standard, which encompasses the specific content of the SPA and at least matter implicit from the SPA disclosure that would be apparent to a person skilled in the art and equivalents. While such shorter distance might be appealing in some jurisdictions, there is concern that on a global basis, differences in scope and meaning of patentability terms, such as "inventive step" and "obviousness," could result in a non-uniform application of a distance standard for conflicting applications.

A proposed standard that has achieved agreement would require that, for a claimed invention in a later application to be patentable over the SPA, the differences between the claimed invention of the later application and the unpublished SPA must "go beyond common general knowledge to one of ordinary skill in the technical field, such common general knowledge not including disclosure solely in one patent disclosure or one journal article." Under one proposal, this SPA distance would apply at least to the

determination of patentability of a third party later filed application. If third parties and first filing Applicants are to be treated equally, this SPA distance would apply to both.

# 3. Period for Anti Self-Collision

If there is agreement that (1) the first filing Applicant and the third party should be treated equally with regard to the availability of the content of the published first filed application as prior art, (2) a SPA distance standard should be applied to a later filing by a third party during the period prior to publication of the application, and (3) anti-self collision should apply to a later filing by the first filing Applicant, can or should there be a basis for third parties and the Applicant to be treated equally during the period prior to the publication of the initial application?

One proposal is to apply with respect to the first filing Applicant an anti-self collision standard for the first 12 months after filing of the first filed application and to apply the SPA distance for the next 6 months, until publication of the first filed application. Another proposal is to apply the anti-self collision standard for the full 18 months after filing of the first filed application, until publication of the first filed application. Other options for treating the third party and Applicant the same, or justifying different treatment, are under consideration.

[4. **Treatment of PCT Applications** - The elements of a harmonized conflicting application policy must also address situations where the first filed application is a PCT application. On the one hand, there does not seem to be any strong policy reason to treat PCT applications differently from any other applications. On the other hand, the double patenting issue does not arise if a PCT application does not enter the national or regional phase in the country involved. A PCT application when published is actually a pending application in all designated countries, and becomes abandoned when it does not enter the national/regional phase (see PCT Article 11(4)). Thus, some feel that, in order to place PCT applications on the same footing as national/regional applications, the PCT applications should have prior art effect in all countries for which the application has active designations as of the PCT application publication date. Some consider that it is necessary for the PCT application to be treated as prior art only in the offices in which the PCT application actually undergoes national/regional entry, due to a concern that PCT applications should not have such a broad effect as compared to the usual Paris-route applications. However, as national/regional stage entry of a first filed PCT application may not occur until 30 (or 31) months after the date the PCT application is first filed, and as patents on subsequently filed applications may be issued rapidly, due to greater efficiencies, patents on the subsequently filed application may issue with a "cloud of uncertainty."

#### C. Elements to be Included as Part of a Package:

**1. First Filed and Published Applications** - the first filed application, upon its publication, is prior art against filings subsequent to such publication for both the same Applicant and third parties.

- [2. First Filed and Unpublished Applications Same Applicant the first filed application is SPA but, due to anti-self collision, cannot be used against filings by the same Applicant after the filing of the first application and during a period of 12 or 18 months after filing of that application.]
- [3. First Filed and Unpublished Applications Third Party Applicant the first filed application is secret prior art and can be used against filings by a third party Applicant after the filing of the first application and before publication of that application. A liberal SPA distance standard is used that requires that differences between the claimed invention of the later application and the unpublished SPA must "go beyond common general knowledge to one of ordinary skill in the technical field, such common general knowledge not including disclosure solely in one patent disclosure or one journal article."]
- [4. Treatment of PCT Applications PCT applications, which are national/regional filings in designated countries, will be treated as prior art in those countries. Details with regard to the conditions for such treatment remain subject to discussion.]

#### **D. Issues Open for Discussion**

**1. Equal Treatment of First Applicant and Third Party** - should there be equal treatment of the Applicant and third parties with regard to applications that are filed after the filing of the first application but where the first application is not yet published at the time of filing a subsequent application?

#### **Current Proposals:**

Different treatment - is justifiable in light of a first to file standard, since the original Applicant should be able to continuously file on enhancements to the original idea as the enhancements evolve during the invention development process.

Same treatment - subsequent filings by third parties and the Applicant should be treated the same, at least for a period of time prior to publication of the initial application.

**2.** Period for Anti-Self Collision - should there be different treatment of an Applicant's subsequently filed application in the period from initial filing to 12 months thereafter and the period from 12 to 18 months thereafter, assuming the application is not already published?

#### **Current Proposals**:

Different SPA distance standards may be applied to third parties and the first filing Applicant for the first 12 months after the first filing but, thereafter, for the next six months, the first filing Applicant and third parties should be treated to the same SPA distance standard.

Different SPA distance standards may be applied to third parties and the first filing

Applicant for the entire 18 months after the first filing.

**[** 3. Treatment of PCT Applications should a PCT application be treated as the first filed application in a particular designated office and used as prior art as of the PCT filing or priority date against a second-filed application in that office.

#### **Current Proposals:**

Treatment 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 or the priority date;

Treatment 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.

# [4. Additional Measures to Avoid Abuse - what additional policies should be adopted or permitted to avoid abuse of a liberalized conflicting application policy <u>Current Proposals:</u>

Adopt anti-self-collision but permit self collision for double patenting - i.e., claiming the same invention;

Adopt an anti-self-collision provision but require a terminal disclaimer where claims of the first filed application and claims of the second filed application are separated by no more than a specified SPA distance (first filed application is not used as prior art, but the patent issuing on the second filed application expires no later than the patent issuing on the first filed application);

Adopt an anti-self-collision provision with a prohibition against separate enforcement of the patents (e.g., the Applicant must maintain common ownership).

#### IV. NON-PREJUDICIAL DISCLOSURES (GRACE PERIOD)

#### A. Policy Objectives

- 1. Protect All Inventors and Applicants Against Loss of Rights Due to Pre-Filing Disclosures-Notwithstanding efforts to educate inventors and Applicants about the risks of unrestricted disclosure of an invention prior to the filing of a patent application on the invention, and to counsel that the application should always be filed before publication, mistakes are made or intentional pre-filing disclosures (PFDs) occur. Unrestricted disclosures may be attributed to several factors, including the rapid growth of international research collaborations, the lack of knowledge and sophistication by small and medium sized enterprises (SMEs) and individual inventors, desires by regulatory agencies worldwide for transparency with regard to information submitted to them, and growing economic pressures from investors and customers. If innovation is to be encouraged as the engine of economic growth, there is a clear need to protect inventors from inadvertent, unauthorized, unintentional, and even intentional disclosures of their patentable information that may later be asserted as patentability-destroying prior art against their subsequently filed applications. Where a grace period applies, eliminating the need to address an Applicant's intent regarding PFDs also simplifies the system and provides certainty, particularly in jurisdictions where proving intent would be difficult or impossible due to lack of meaningful discovery.
- 2. Provide Legal Certainty for Third Parties A third party, who becomes aware of a pending patent application claiming an invention of interest to them, and who also is aware of a public disclosure about the invention prior to the filing date of the application, wishes to know whether the public PFD is prior art to the application. However, where a grace period is permitted and the relationship between the public PFD and the pending application is not known, there is legal uncertainty for the third party. That legal uncertainty may continue beyond the grant of a patent on the application. Third parties (and Offices alike) would want to know with legal certainty whether the public disclosure of the invention before the filing date of the application is prior art to the claims in the pending application or granted patent. A grace period policy should not promote an intentional "publish first" practice.
- **3.** Provide a Safety-Net Grace Period That Discourages a Publish-First Policy A grace period is an exception to the absolute novelty standard and, as such, should be established with criteria and qualifications that encourages inventors and Applicants to "file first," while discouraging the adoption of a "publish first" policy that leads to uncertainty and unpredictability. No separate or additional patent rights should arise from the graced disclosure. A "safety net" grace period for the inventor/Applicant would provide an acceptable balance of interests, where (1) the grace period has a reasonable duration, (2) the grace period exists as a matter of law, (3) the grace period applies only to disclosures by/for/from the Applicant or inventor and does not apply to independent third party disclosures, (4) entitlement to the grace period for disclosures by the Applicant or inventor is subject to an obligation on the Applicant to timely advise Offices and the public about items to be graced, and (5) there are adequate procedures and incentives, such as administrative fees, PURs [only for independent developers], prejudicial effect of

intervening art, and a potential defense for an intervening user, to encourage prompt filing of an application after a public disclosure and notice to Offices and the public about items to be graced.

**4. Provide a Global Solution** - Because patent strategies of Applicants are necessarily global in a global economy, the protections provided by a safety net grace period should be uniform and applicable world-wide. Thus, a globally harmonized approach, endorsed by all jurisdictions, will be necessary. Countries currently with no current grace period and countries currently with differing grace periods must change their laws to implement a single international grace period. Moreover, the core principles of any international grace period should be sufficiently clearly defined to guarantee a uniform and predictable implementation in all jurisdictions.

#### **B. Policy Issues:**

#### 1. Limited Scope of the Grace Period

- a. Grace Period Limited to Disclosures by/for/from the Inventor/Applicant and Includes Disclosures Derived from the Inventor/Applicant Disclosures of a claimed invention that are made prior to the filing of a patent application may be graced only if (1) they originate with the Applicant/inventor himself, whether they are made due to inadvertence or necessity, or (2) they originate with a third party who has obtained access to the invention directly or indirectly from the Applicant/inventor or (3) they originate with a third party who has obtained access to the invention through an abuse in relation to the Applicant/inventor. All types of public disclosure by/for/from the Applicant/inventor, regardless of medium or forum, may be graced.
- **b.** No Grace Period for Independently Developed and Published Subject Matter intervening disclosures of subject matter, which resulted from the independent work of third parties, are always considered potential prior art.
- c. Grace Period for Partially Re-disclosed and Partially Independently Developed and Published Subject Matter In the case where a part of the third party intervening disclosure is derived from the Applicant/inventor and a part resulted from the independent work of a third party is different from the PFD, the redisclosed derived portion would be non-prejudicial, and the different portion would be potentially prejudicial prior art depending on how significant the difference was from the redisclosed derived portion.
- **d.** Presumptions and Burden of Proof for Derived Publications Recognizing that it may be difficult to prove that a third party intervening disclosure was derived from a prior PFD of an Applicant/inventor, certain presumptions are made, subject to rebuttal. For example, where the content of the third party intervening disclosure is the same as or involves insignificant differences over the content of an earlier Applicant/inventor PFD, then the third party intervening disclosure is presumed derived and may not be prejudicial. Similarly, where a part of the content of the third party intervening disclosure is the same as or involves insignificant differences over an earlier Applicant/inventor PFD and a part is not, then only the part of the two disclosures that is the same as or involves insignificant differences over an earlier Applicant/inventor PFD is presumed derived. By the same token, where at

least a part of the third party intervening disclosure involves more than insignificant differences in [format, presentation or ] substance over an earlier Applicant/inventor disclosure, then the respective part is presumed to be not derived and is considered prejudicial. Finally, where no part of the third party intervening disclosure is the same as or involves insignificant differences over an earlier Applicant/inventor disclosure, then none of the third party intervening disclosure is presumed to be derived. As noted, all presumptions or lack of presumptions can be rebutted at least by further evidentiary submissions by the Applicant or any third party, as the case may be.

e. Duration of the Grace Period - Existing grace periods are either six or twelve months long, and a harmonized duration that serves the interests of a broad spectrum of stakeholders should be determined on a global basis. Some feel that, in order to enhance the legal certainty of the patenting process and safeguard the ability of third parties to make informed investment decisions, the duration of the grace period should be minimized, for example not be more than six months. Others feel that maximizing the duration (e.g., 12 months) is necessary to balance Applicant "safety net" interests in business planning and recovery from unplanned or unauthorized disclosures, particularly for individual inventors, SME's and universities that have limited resources. In either case, the grace period should be counted from the effective filing date, i.e., the actual filing date or the priority date, whichever is earlier.

#### 2. Possible Applicant Requirements for Safety Net Protection

The following are possible Applicant requirements that may resolve outstanding issues related to a proper balance among Applicants, third parties and society, and are under discussion.

- a. Timely Filed Prior Art Statement as a Component of Safety Net Protection One component to achieving a balance between the interests of Applicants and third parties for a policy governing non-prejudicial disclosures is a requirement that the Applicant who wishes to exercise the benefits of a grace period for a PFD should be required to make a timely filing of a "Statement" that identifies all PFDs of the Applicant/inventor that are not to be considered as prejudicial. The Statement would serve as a record to identify with particularity each such PFD. Ideally, the Statement would be submitted at the time of application filing or, at least, in sufficient time for the Statement to be made publicly available at the time the application is published by the relevant Patent Office. [A Statement not filed during the prosecution of a patent application, whether due to inadvertence, neglect or lack of knowledge of the Applicant, may be filed after the patent is issued.] Notwithstanding a listing in a timely filed Statement, the qualification of a PFD to be non-prejudicial can be challenged by Offices and third parties [, and the Applicant would bear the burden of proving that a particular PFD meets the requirements for it to be considered as non-prejudicial].
- **b.** Administrative Fees as a Component of Safety Net Protection Administrative fees would provide another component to ensuring that a Statement would be timely filed so that Offices and third parties would be able to know as soon as practicable whether a PFD is considered by the Applicant to be a non-prejudicial disclosure. The administrative fee for failure to timely submit a Statement would be at a level sufficient to incentivize the Applicant to exercise due diligence to identify

all relevant PFDs, and could be at an increasing level during (including appropriate late payment fees) [and after] application pendency to provide an appropriate incentive. Optionally, an escalating administrative fee could be charged from the date of the PFD to the date of application filing to encourage prompt filing. The application of the administrative fees would not require consideration of subjective factors, such as knowledge or intent.

- c. Accelerated Publication as a Component of Safety Net Protection A proposed component for ensuring that a timely filed Statement is made available to third parties as soon as possible is the acceleration of the publication of the application to a date that is 18 months after the earliest PFD that is identified in a Statement. Accelerated publication ensures the same notice to third parties about inchoate rights as if the application was filed the day prior to the disclosure. Further consideration of how this proposal might be consistent with an application filed under the Paris Convention or PCT is required.
- d. Defense of Intervening User as a Component of Safety Net Protection [Yet another proposed component to ensuring that a Statement would be timely filed so that Offices and third parties would be able to know as soon as practicable whether a PFD is considered by the Applicant to be a non-prejudicial disclosure involves the creation of a defense for intervening users (DIU).]

[The DIU would differ from the PUR defense in that the DIUs would be created for third party activity conducted [a defined time **after**] the application filing or priority date, whichever is earlier[, commencing 18 months after the PFD] [commencing at the filing date.] [Also, the DIU would be available after publication, such as in a case where the Applicant intentionally fails to file a Statement until the critical period has expired.] [DIU would accrue in the period between 18 months after a PFD and **before** a Statement is actually filed in an application or before an application is actually published, whichever occurs first - the "critical period" where (1) a third party relied on the absence of publication of a patent application claiming the subject matter of a PFD; and (2) during the critical period started to use the invention commercially and continued such use or started to make serious and effective preparations to use the invention commercially, and (3) did not commercially use the invention from the patent application filing date until 18 months after the PFD.]

[In jurisdictions regardless of whether there is accelerated publication, DIU would accrue where a third party (1) reasonably relied upon the absence of a Statement for a PFD in the file of a patent application that is published claiming the subject matter of a PFD or a patent claiming the subject matter of a PFD; and (2) during the period after discovering the PFD used the invention commercially and continued such use or started to make serious and effective preparations to use the invention commercially, and (3) did not commercially use the invention from the patent application filing date until 18 months after the PFD.

The activity would be judged on the basis of standards similar to those applied to PURs, namely, commercial use or serious and effective preparation for commercial use of the invention. The DIU would be personal, and subject to similar limitations applied to PURs, and would not be available for activities based on abuse/breach of confidence. One difference from a PUR is that a third party must actually rely

to his detriment on the PFD and absence of a subsequent accelerated publication with a statement. Because this is an equitable remedy for such reliance, a third party that independently develops without any derivation from the Applicant's PFD would not be eligible for this defense. An issue is whether and to what extent the DIU can be created where the activity of the third party prior to publication of an application is derived from the PFD in any way. Yet another issue is whether and under what circumstances a DIU can be considered abandoned by a third party. A further issue is whether DIUs can accrue where the Applicant does not consider the PFD to be relevant to patentability of pending claims because it is incomplete or not sufficiently detailed to be enabling, and intentionally is not listed in a Statement. Appropriate incentives, such as the creation of DIUs or the grant of a license under FRAND conditions could be established. A further consideration is compliance with the Paris Convention Article 4B with respect to conventional filings where qualifying activities starts during the priority period.

#### e. Third Party Submissions Pre or Post-Grant as a Component of Safety Net Protection

- A final component to ensuring that a third party can pro-actively force an Applicant to officially declare and demonstrate whether a PFD is to be considered a non-prejudicial disclosure includes procedures for permitting third parties to make (1) a pre-grant submission of the disclosure to the Patent Office (for some a "third party observation") for use by the Examiner in an Office Action and (2) a post grant submission of the disclosure to the Patent Office for comment and proof by the Applicant that the disclosure is graced.

#### C. Elements To Be Included as Part of a Package

- 1. A Universal Grace Period Should Apply as a matter of law, all PFDs of all or part of an invention that are made by/for/from an Applicant/inventor within a universally agreed period of time, prior to the effective filing date of the application claiming the invention, that is the "grace period," shall be non-prejudicial, availability of the grace period being subject to certain conditions (e.g., filing of a Statement claiming a grace period for a specific PFD). However, a grace period should not apply to the publication by an Office of an earlier filed application by the inventor/Applicant.
- 2. Independent Disclosures are Prejudicial disclosures of subject matter that is independently created by third parties, even if disclosed within the "grace period," shall be prior art. If the disclosure is the same as or involves insignificant differences over the Applicant's PFD, it is presumed derived and not prejudicial to the Applicant. [The Applicant should be asked to demonstrate that any intervening disclosure is derived from the Applicant when this is not evident on the face of the relevant documents.] A third party may submit evidence demonstrating independent development to rebut the presumption. Also, a third party disclosure that is based upon evident abuse/breach of confidence is non-prejudicial.
- **3.** Re-Disclosures by Third Parties are Non Prejudicial, Subject to Presumptions A third party re-disclosure of Applicant's own PFD shall not be prejudicial as it is "from" the Applicant/inventor. Recognizing that proof of derivation may be difficult, certain rebuttable

presumptions shall apply. First, if the content of the third party intervening disclosure is the same as or involves insignificant differences over the content of an earlier Applicant/inventor PFD, then the third party intervening disclosure is presumed derived. Second, if the part of the content of the third party intervening disclosure is the same as or involves insignificant differences over an earlier Applicant/inventor PFD and part is not, then only the part of the two disclosures that is the same as or involves insignificant differences over an earlier Applicant/inventor PFD is presumed derived and the part that involves significant differences over an earlier Applicant/inventor PFD would be presumed not derived and prejudicial. Third, where the content of the third party intervening disclosure involves significant differences over an earlier Applicant/inventor PFD it would be presumed not derived and prejudicial. Finally, if no part of the third party intervening disclosure is the same as or involves insignificant differences over an earlier Applicant/inventor disclosure, none of the third party intervening disclosure is presumed to be derived. All presumptions or lack of presumptions can be rebutted by further evidentiary submissions.

- **4.** Timely Filed Prior Art Statements are a Component of Safety Net Protection In order to balance the interests of Applicants and third parties/Offices, Applicants will be required to file a "Statement" that identifies all PFDs of the Applicant/inventor that are not to be considered as prior art. The Statement(s) would identify with particularity each [unique] PFD and would be submitted at any time during prosecution [or after patent grant], but preferably at the time of application filing.
- **5.** Administrative Fees are a Component of Safety Net Protection Administrative fees, at levels sufficient to serve as an incentive to timely submit Statements to the Offices at filing, during prosecution [or after grant], would provide another component to ensuring that a Statement would be timely filed. The details of such fees would be determined by the Offices.
- **6.** Other Incentives as Components of Safety Net Protection Additional incentives for Applicants to file timely Statements would include [accelerated publication and a defense for intervening users.]

#### **D. Issues Open For Discussion**

**1. Duration of Grace Period** - which period would be a best internationally harmonized grace period duration that reflects a best practice, given the diversity in backgrounds of Applicants world-wide?

#### **Current Proposals:**

Discussions have included the necessity, advantages and disadvantages of a 12 month grace period, especially for individual inventors, SMEs and universities. Some have proposed that 6 months would be sufficient.

**2. Statement Details** - is it necessary/desirable at this stage to provide advice as to the form, specific content, certifications and procedures regarding the Statement?

#### **Current Proposals:**

Yes - added details would be useful

No - only the general concept is necessary and details should be left for later.

- **3. Incentives for a Statement by Applicant** Assuming that third parties and Offices will find sufficient for their interest in legal certainty a requirement that the Applicant must make a timely submission of a Statement that identifies PFDs that are to be non-prejudicial, which one or more of the following is **necessary** as an incentive for Applicants to make such timely filing:
  - a. Administrative fees
  - b. Defense for Intervening Users
  - c. Accelerated Publication.
  - [d. Loss of Grace Period]
- **4. Administrative Fees -** assuming there is agreement that at least administrative fees, which preferably are escalating, are required as an incentive for the timely filing of a Statement, should the appropriate administrative fees be:
  - a. specified in detail,
  - b. stated as general guidance, or
  - c. left entirely to individual Offices.
- **5. Accelerated Publication** can accelerated publication of an application to 18 months after an identified PFD date be a practical and effective component of a grace period system that provides legal certainty for third parties? Other considerations with respect to accelerated publication may include the interest in protecting incremental improvements and information in applications that are published even when the application contains subject matter not contained in the PFD.

#### **Current Proposals:**

Yes, it can be implemented globally and serve to provide legal certainty No, it cannot be implemented, especially for PCT applications and Paris convention filings.

6. Defense for Intervening User - What gives rise to the Defense for Intervening Users

#### **Current Proposals:**

[DIUs would be created [if the third party relies on either the] [in the] absence of the accelerated publication of a patent application for that invention [or, if a patent application for that invention has been published at 18 months, no statement concerning the PFD has been filed, and the PFD is not readily identifiable as originating from the Applicant].

[DIUs would be created for third party activity conducted *after* the application filing or effective filing date, whichever is earlier, on the condition that a Statement has not been timely filed that identifies a PFD of the Applicant/inventor.] [The third party would be relying on the PFD, but taking a risk that Applicant filed a patent application the day before the PFD or filed a Statement with the application. By not requiring the third party to wait 18 months from the PFD per a typical freedom to operate strategy, this alternative encourages a third party to risk investment in activities that may lead to infringement.]

#### V. PRIOR USER RIGHTS DEFENSE

#### A. Policy Objectives:

To fairly balance (1) the interests of a third party, who in good faith has [independently without reliance on another inventor's discovery and development] made commercial use of an invention or at least the serious and effective preparation to commercially exploit the invention involving a significant investment (possibly without seeking patent protection for the invention because the third party intends to keep the invention as a trade secret), and (2) the interests of an independent innovator, who later seeks to patent that same invention, a limited PUR defense to a charge of infringement by the owner of the patent should be provided. The third party should not be penalized for selecting trade secret protection over patent protection for the invention but should be permitted to benefit from its investment in the invention and continue its use of the invention, to the extent the commercial use or serious and effective preparation for commercial use of the invention by the third party before the actual filing date or the priority date, whichever occurs first, of the patent is covered by claim(s) of the granted patent. The defense must be sufficient to satisfy the policy objective of fairly and equitably balancing the interests of third parties and patent owners, but should not go beyond what is necessary for entitlement to, and a proper scope of, the defense. Historically, a PUR defense has been viewed by some as an essential complement to the establishment of a grace period.

#### **B. Policy Issues:**

#### 1. Scope of Third Party Activity

In order to qualify for the defense, the third party must have used or have made serious preparation to use the invention before the filing date, for example, made a significant pre-filing investment in the invention that is covered by a claim of a patent granted to the patent owner, including the actual commercial use of the invention or the serious and effective preparation for commercial use of the invention. The scope of investment is determined on the basis of activity conducted prior to the effective filing date of the application that ultimately issues as a patent. The investment must be directed to the commercialization of the patented invention, and must be more than activity directed to basic research or the acquisition and preservation of knowledge about the invention. At a minimum, the qualifying activity must be directed to the entire invention as set forth in one or more claims in the patent, and not simply a part thereof. Further, the qualifying activity may be conducted directly by the third party or *indirectly* through business arrangements with suppliers, vendors, partners or joint venturers. Where the qualifying activity only involves serious and effective preparation for commercial use of the invention, the scope of the qualifying activity may vary, depending on the underlying technology, and no bright line test may be possible. However, a non-exhaustive list of what may evidence serious and effective preparation for commercial use of an invention, directly or indirectly by a third party, includes the following:

(i) selecting and purchasing manufacturing, integration or testing equipment or system components specifically suited to practice the invention;

- (ii) developing software that will control manufacturing equipment or system components specifically suited to make or implement the invention;
  - (iii) constructing manufacturing, assembly, testing or system facilities;
- (iv) initiating the purchase or acquisition of sufficient quantities of raw materials, parts or components specifically directed to the practice of the invention; and
- (v) hiring staff and allocating budget specifically directed or dedicated to the making or implementation of the invention.

#### 2. Third Party Activity

Third party pre-filing activity that is independent of any disclosure by/for/from the patent owner or inventor will qualify as an investment for determining whether the third party is entitled to the PUR defense. Third party pre-filing activities concerning the invention that are based on an abuse or breach of confidence with the patent owner cannot qualify as an investment for determining whether the third party is entitled to the PUR defense. [As a general rule, access in good faith by a third party to a PFD by/for/from the patent owner or inventor will not disqualify the third party from entitlement to the PUR defense.] [If the third party relied upon a PFD by the patent owner or inventor which is graced, to conduct otherwise qualifying activity, the third party will not be entitled to a PUR defense.]

#### 3. Geographical and Commercial Scope of the Defense

Since the patent right has an effect that is limited to the jurisdiction granting that right, it should be required that the third party activity that would qualify for the PUR defense must occur in that same jurisdiction, as the purpose of the defense is to provide a reasonable scope of protection for the investment made by the third party, but no more.

To the extent that a third party qualifies for the PUR defense, the defense should allow for the continued practice of any patented inventions. A court determining the ultimate scope of the defense provided to a third party should recognize several practical factors, including at least: (1) the likely limited amount of investment by the third party prior to the actual filing date or the priority date, whichever occurs first, of the patent application, (2) the likely limited level of product sales, and even product development, prior to the actual filing date or the priority date, whichever occurs first, of the patent application, (3) the likelihood of design changes and improvements that will occur after the actual filing date or the priority date, whichever occurs first, of the patent application volumes, even those projected, after the actual filing date or the priority date, whichever occurs first, of the patent application, (5) abandonment, and (6) the likelihood that the third party may not become aware of an infringement claim until years after the original filing date that cuts off activity that creates entitlement to the PUR defense. The defense, once established, may be lost due to a fact of abandonment of its use of the invention by the third party holding the defense. A non-exhaustive list of the activity that may constitute an abandonment includes:

(i) ceasing its use of the claimed invention in the granted patent to which the defense applies for more than a reasonable period of time, under all relevant circumstances;

- (ii) exiting a market for the commercial embodiment of the invention to which the defense applies; and
- (iii) redesign of the commercial product so that it no longer is covered by any claims of the patent to which the defense originally applied.

The defense is personal to the third party whose activities created the entitlement to the defense, and may not be assigned or sublicensed, but the defense may be transferred to the patent owner or with the sale of the third party company or with an entire line of business to which the defense relates.

#### C. Elements to be Included as Part of a Package:

- **1. Availability of Rights** Rights in the nature of a defense to infringement, rather than an exception to infringement, should be made available to third parties whose activities meet the qualifications for such defense.
- **2. Qualification for the Defense** The third party must make actual commercial use or at least serious and effective preparations for commercial use of the subject matter covered by a claim of a patent, prior to the actual or effective filing date of the application that issued as the patent, whichever is earlier, in the relevant jurisdiction of the patent. The burden of proof to demonstrate qualification for the PUR defense shall be on the third party asserting such defense.
- **3.** Relation of Third Party Activity to a Patent Owner There are three possible scenarios. First third party activities that are based on development independent of the patent owner may be relied upon to demonstrate qualification for the defense. Second, third party activities that are based on abuse/breach of confidence may not be relied upon to demonstrate qualification for the defense. Third, in general, possibly subject to limited exceptions, a third party's access to a PFD by the inventor/Applicant prior to the filing date of the application will not disqualify the third party from acquiring rights to the defense [if independent development can otherwise be proven] [and the defense will be available by commercially using or making serious and effective preparations for use of the invention even after the PFD has been seen by the third party].
- **4. Scope of Defense** The PUR defense permits continued use of the invention on a limited basis, such as use envisioned by such preparations and covered by issued claim(s) of the patent. The defense does not extend to designs that were not the subject of the required preparations and otherwise infringe claims of the patent. All patent rights are subject to the PUR defense, without exception as to patent owner, claimed subject matter or otherwise.
- **5. Transferability** The PUR defense is not transferable by assignment or license, other than to the patent owner or to a purchaser of the entire business or relevant line of business.

#### **D.** Issues Open for Discussion

1. Relation of Third Party Activity to Patent Owner - Can third party activities that are based on information by/for/from the Applicant without breach of any duty or agreement (i.e. innocently) be relied upon to demonstrate qualification for the defense? In addressing this issue, it must be considered that a disclosure of information by/for/from an Applicant may vary widely in content (e.g., part of the invention vs all of the invention), quality (high level suggestion vs detail description) and importance (e.g., availability of similar information from other sources and even the third parties own resources).

#### **Current Proposals:**

[A third party who derives innocently and in good faith, including access to the PFD, can rely upon its activities to demonstrate qualification for the Defense because the third party has the best access to the information and documentation underlying its original development of the invention and any relationship the developers had to the Applicant and its publications.][A third party who derives innocently and in good faith, including access to the PFD, cannot rely upon its activities to demonstrate qualification for the Defense.]

[A third party must independently develop and has the burden of proving independent development to qualify for the Defense because such third party is not innocent or acting in good faith if it relies upon another party's PFD knowing that such innovator might have filed a patent application on the subject matter or might seek patent protection and avail itself of a grace period].

[A third party must independently develop and has the burden of proving independent development to qualify for the Defense because good faith may be construed as not knowing the invention, in that case, the third party should independently develop the invention without relying upon the invention of the Applicant.]

**2. Scope of the Right** - Should there be a hard rule or an equitable standard for a court to determine the scope of the right of a third party to continue using the investment that was made and that qualified the investment as a basis for the PUR defense.

#### **Current Proposals:**

The court will use a Hard Rule that places strict limits on product design, embodiments and volume.

The court will use an Equitable Rule that provides the court with discretion to fashion a fair scope of defense.

#### VI. MANDATORY PUBLICATION OF PATENT APPLICATIONS

#### A. Policy Objectives:

To provide a globally accepted rule for a prompt public disclosure of all patent applications that, within a uniform period of time after the earlier of the filing or priority dates of such applications, are still seeking protection of a disclosed invention. To ensure that all inventions for which patent protection is sought are promptly disseminated to the public, exceptions to this rule should be strictly limited and there should be no exceptions that allow Applicants to opt out.

#### B. Policy Issues:

Official publication of all applications at 18 months from their effective filing date should be required, unless an application has been withdrawn or refused, is subject to national security, or is a threat to public order.

An exception for Applicants would exist prior to the expiration of 18 months, where the application has been officially withdrawn or refused further processing, and no patent right is being sought, such that the availability of trade secret protection for the disclosure is preserved.

An exception for Offices would exist where publication would endanger national security or pose a threat to public order.

In general, the exceptions should be narrowly crafted and the period for Office exceptions should only exist for the period of time essential to serving the purposes of national security and public order.

#### C. Elements to be Included as Part of a Package

All patent applications will be published by at most 18 months from the earlier of the filing date or priority date, with no opt-out, except for applications withdrawn or refused further processing, and those raising concerns for national security and public order.

#### **D. Issues Open for Discussion**

Should Office exceptions be limited to national security and exclude concerns for public order?

#### **Current Proposals**:

Yes

No

Should the Elements acknowledge that inventors/Applicant's should be able to request publication of an application prior to the globally set time frame?

#### **Current Proposals:**

Yes

No [END]