GROUP B+ WORKSTREAM REPORT ON NON-PREJUDICIAL DISCLOSURES / GRACE PERIOD

For discussion by the B+ Sub-Group at its meeting on 17-18 May 2016 in London

Members of the Workstream: Australia, Canada, Denmark, European Commission, European Patent Office, France, Germany, Hungary, Japan, South Korea, Spain, Sweden, Switzerland, United States

This document has been agreed by the member delegations of the Workstream, who expressly reserve their positions with regard to the substance discussed therein.

Whilst some delegations are participating in this exercise on the understanding that "nothing is agreed until everything is agreed", this view is not shared by all delegations.

I. INTRODUCTION

- In Geneva, in October 2015, the Group B+ mandated the creation of 4 Workstreams on issues relating to substantive patent law harmonisation. The Grace Period Workstream on Non-Prejudicial Disclosures / the Grace Period, chaired by Margot Fröhlinger of the EPO, comprises 13 participant members: AU, CA, CH, DK, DE, ES, EU, FR, HU, JP, KR, SE, US, 5 of which operate patent systems which include full-fledged grace periods: AU, CA, JP, KR and US.
- 2. In May 2015, the B+ Sub-Group issued its "Objectives and Principles paper" (hereinafter "OP Paper"), which highlighted areas of consensus between the participating members, as well as alternatives, where differences of opinion remained.
- 3. The state of play within the B+ Sub-Group is that there is no consensus as to the principle of a full-fledged grace period (as opposed to protection for qualified international exhibitions or disclosures in evident abuse of the inventor/applicant only), as evidenced by the title "Non-prejudicial disclosures / grace period." Likewise, the only type of disclosures for which there is a consensus that they should be graced are those resulting from breach of confidence and theft of information.
- 4. Within the Workstream, the EPO delegation has to be mindful that not all the 38 EPC Contracting States are in favour of a grace period, and therefore, nothing in this paper should be construed as implying that the EPO is advocating the adoption of a grace period. Nevertheless, it has to be recognised that if there is to be multilateral harmonisation on this issue, users have expressed the wish that it be on the basis of a package containing a grace period which will, to some degree and subject to some conditions which are yet to be determined, encompass disclosures made by the applicant.
- 5. 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.
- 6. Any system which allows an invention to be patented after disclosure should take account of and balance the needs of:
 - a) inventors/applicants, regardless of their level of IP expertise
 - b) third parties (including those who could claim prior user rights)
 - c) those whose primary focus is dissemination of knowledge and information
- 7. 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

- 8. Meanwhile, the Industry Trilateral (hereinafter "IT3") issued a paper in May 2015, "Policy and Elements for a Possible Substantive Patent Harmonization Package", in which they were able to agree that "a grace period should apply" as one element of a package (IT3 Paper, p. 7) to all disclosures by the applicant or his predecessor in title occurring during the grace period, as well as disclosures from third parties based upon evident abuse of the applicant. However, disclosures by third parties of independent inventions should not be graced.
- 9. The objectives of this document are to move the work of the Group B+ forward by expanding the areas of consensus within the B+ Sub-Group, in light of the further areas of consensus achieved within the IT3 Paper and the progress reported on by the Industry Trilateral in Alexandria, VA, on 22 and 23 February 2016, at the Workstreams/Industry Trilateral Meeting and the Meeting of the Trilateral Offices respectively, with the OP Paper as a starting point. It is aimed to do this through careful collating and review of salient policy arguments, drawing in particular from recent feedback obtained from stakeholders. Resolutions/White Papers emanating from AIPPI and FICPI are also taken into account, as well as AIPPI National Group Reports on Q.233, "Grace period for patents", issued in 2013.

II. POLICY ISSUES

10. At the outset, it would be helpful to agree on the intended function of the grace period, as this has an impact on the formulation of its details.

A. Function of the grace period

11. There are several ways in which a grace period can be defined, as evidenced by the current international landscape in this regard. However, there are three basic policy objectives which can be pursued.

Option 1: Protection of disclosures resulting from evident abuse of the applicant or falling within the purview of the Paris Convention on International Exhibitions only

- 12. At one end of the spectrum, it is possible to define "non-prejudicial disclosures" narrowly, applying only to qualified 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 grace period."
- 13. This option puts 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.
- 14. It results in a system which brings a high degree of legal certainty. Since 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, this system results in innovators filing first, and publishing their inventions later.

- 15. An important cross-section of European stakeholders according to the Tegernsee Survey, 43.8% of European respondents (see Final Consolidated Tegernsee Report (2014), p. 17 and 137) are against the grace period on principle (although universities and SMEs were underrepresented in the survey, Ibid. p.13). They fear that if Europe moves to a grace period, and it is itself internationally harmonised, this will result in a paradigm change, so that inventors/applicants will disclose first and file thereafter, which, it is argued, would result in high levels of legal uncertainty for all stakeholders.
- 16. In addition, those who support this option argue that a grace period would increase the complexity of the patent system and generate additional costs for freedom-to-operate opinions and litigation prejudicial to all parties involved, including those which the grace period is intended to protect.
- 17. Finally, proponents of this approach argue that it 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.
- 18. 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.

Option 2: A safety net grace period

- 19. A grace period 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 of their invention for whatever reason to be able nevertheless to obtain patent protection, but stopping short of making the use of the grace period seem attractive or actively promoting early disclosure by granting further benefits to the applicant.
- 20. A grace period defined as a strict safety net will grace pre-filing disclosures 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. (It may be noted here that some Workstream delegations 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 grace period 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 up the approach thus: "if the grace period is a true safety-net, then applicants will want to rush to file once they become aware of a pre-filing disclosure".
- 21. 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.

- 22. Those who oppose the option of a strict safety-net grace period 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.
- 23. For the sake of clarity, a "safety-net" grace period does not imply a narrower scope of protection for the pre-filing disclosures of the applicant's invention, tied to either intent or other circumstances. What sets it apart from the grace period described in option 3 is the balance set between the benefit of the grace period for applicants and the mitigation of the impact of the risks for third parties which the operation of the grace period creates, also reflecting a policy decision to incentivise early filing rather than early disclosure.

Option 3: A grace period with additional protection for applicants

- 24. A grace period may also be conceived differently, in that it may 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 grace period, 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. It is interesting to note that grace periods of the first-to-invent have been construed by some to be "a part of the functions of the first-to-invent system preserved until the present" (See the AIPPI Japanese Group, Report on Q.233, 2013, p.6).
- 25. It is argued further that early disclosure brings benefits to society at large, by making new information available to the public earlier, so that it can be built upon by others. Thus, in some cases, such behaviour should be promoted.
- 26. In particular, such a grace period may also favour small and medium sized applicants by allowing them to test the invention on the market commercially without risk prior to incurring the costs of patenting. It may also promote the patenting of better developed inventions and lead to 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 grace period, rather than filing first. It is also argued that legal certainty will decline in direct proportion to the increase in the level of use of the grace period.

B. Preferred characteristics of an international norm

28. In the exercise of harmonisation, sifting through the desirable features of a norm will primarily be determined by policy objectives. However, the special context of harmonisation, where rules will be interpreted by courts of different legal systems, entail that norms should ideally present additional characteristics, which are perhaps less important in a national context.

- 29. In general, 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.
- 30. Beyond that, in its substance, the rule should be fair, balanced and nondiscriminatory. It should support the patent system's objectives of promoting innovation and competition, as well as patent quality.
- 31. Finally, as agreed by the B+ Sub-Group in the OP Paper, an international grace period should:

take account of and balance the needs of:

- a) inventors/applicants, regardless of their level of IP expertise
- b) third parties (including those who could claim prior user rights)
- c) those whose primary focus is dissemination of knowledge and information

and

- 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

III. EXPERIENCE WITH GRACE PERIODS

- 32. Five members of the Workstream operate patent systems featuring a grace period applicable to disclosures made by the inventor/applicant or his legal successor, all of which have been modified over time:
 - Australia (Move to a general grace period, 2002)
 - Canada (Move to first-to-file, 1987)
 - Japan (Expansion of the scope of the grace period, 2011)
 - Korea (Modifications to the grace period 2001, 2006, 2012 and 2015)
 - U.S. (Move to First-Inventor-to-File, adoption of the AIA, 2011)
- 33. The following sections are based on information provided by the respective members of the Workstream.

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		
 re-disclosures of applicants' invention by third parties 	Yes	Yes*	Yes	Yes	Yes		
- disclosures made in evident abuse of the applicant	Yes	Yes	Yes	Yes	Yes		
 disclosures made without the applicant's consent 	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	N1/A	N1/A			N1/A		
Declaration of intent to benefit from grace period	N/A	N/A	Х	Х	N/A		
Document for the grace period application certificate			X	х			
Proving document/ supporting statement			Х	Х			
When can the grace period 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.		

Protection of third parties

	AU	CA	JP	KR	US
Protection of third parties					
Prior user rights available for third parties during grace period	Yes	Yes	Yes	Yes	No
May arise where knowledge of invention derived from applicant's graced disclosure	Yes	Yes	No	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 grace period can only be invoked if a (complete) patent application is made within a prescribed period. The grace period 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 disclosures related to public trials, if a priority application is filed 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 grace period 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. ***** An additional fee is required to invoke the grace period later than the filing date.

B. Statistics on the use of the grace period

1. Australia

34. Australia does not have specific data at hand as to the use of the grace period. Anecdotally, the frequency of use of the provision is quite low. A poll conducted of all patent examiners indicated that between 5 and 10% of examiners (IP Australia has approximately 400 examiners) have dealt with about 1 application benefitting from the grace period within a recent 12-month window.

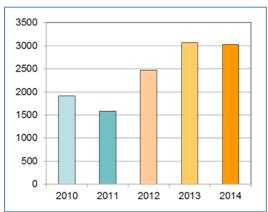
2. Canada

35. In Canada, the use of the grace period is not monitored and no data is available.

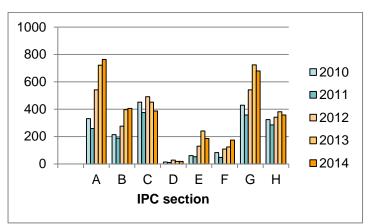
3. Japan

36. In Japan, prior to the amendments to the Patent Act in 2011, which came into effect on 1 April 2012, the scope of the grace period was limited, confined to a prescribed list of types of disclosures which was not comprehensive. The reform in 2011 created a general grace period 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 grace period, of circa 80%, even though in terms of

the percentage of overall applications, the frequency remains at less than 1%, if one considers that in 2014, more than 3000 applications claimed the benefit of the grace period out of a total of roughly 326 000 applications filed at the JPO.



Applications invoking the grace period in Japan 2010-2014



Applications invoking the grace period in Japan according to IPC section

4. Korea

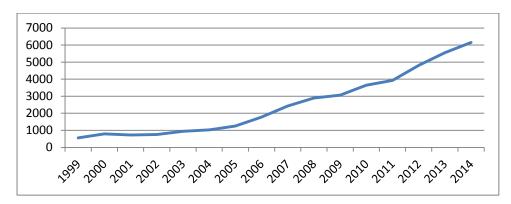
- 37. In Korea, the grace period has evolved over time. Prior to 2001, the grace period was limited and applied only to disclosures without the consent of the person entitled to file a patent, experimental use, written publications and exhibitions authorised by the government. This was expanded in 2001 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 grace period became a general grace period applying to all disclosures, and in 2012, in the wake of 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.
- 38. The first observation is that the rate of claiming the benefit of the grace period has steadily risen in Korea since 1999, with a first marked acceleration occurring after expansion of the grace period to all disclosures in 2006. One of the biggest increases occurred once the duration of the grace period was extended from 6 to 12 months. At 6148 cases for roughly 210 300 applications per annum in 2014,

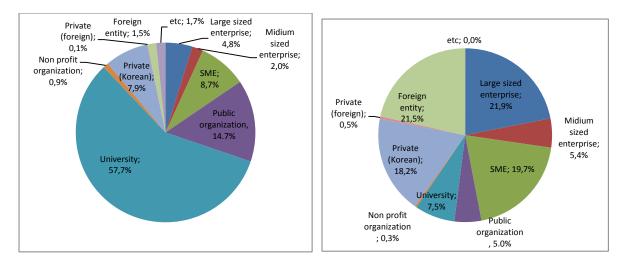
the rate at which the grace period is invoked in Korea has doubled in just 5 years (partially reflecting the rise in patent applications in Korea), and is now used in about 2,9% of applications.

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
Expansion ↑ All dis							sure	s ↑		Duration: 12 months ↑							

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

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





Use of the grace period breakdown (2014)

Total patent application breakdown (2014)

39. Interesting additional information provided by KIPO shows that academic researchers are the main users of grace period system, at 57,7%, with only 1,5% of foreign applicants claiming the benefit of the grace period, which may reflect the impact of calculating the grace period from the national filing date. It is also clear that SMEs use the grace period more than large enterprises.

5. United States

- 40. Obtaining accurate and meaningful statistics on the use of the grace period in the United States is difficult for a number of reasons.
- 41. First, under 37 CFR 1.77(b)(6), an applicant can include upon filing a "statement regarding prior disclosures by the inventor or a joint inventor" in the patent application's specification. However, because this statement is part of the specification, and is not presented in a separate form, the USPTO does not have a convenient way to track such submissions. Accordingly, it does not have any data on the number of applicants who use this method to notify the office of pre-filing disclosures.
- 42. Second, since the grace period operates as a matter of law, USPTO personnel are not required to apply a disclosure as prior art under 35 U.S.C. 102(a)(1) if it is apparent from the disclosure itself that it is by the inventor or a joint inventor. Specifically, Office personnel will not apply a disclosure as prior art under 35 U.S.C. 102(a)(1) if the disclosure: (1) was made one year or less before the effective filing date of the claimed invention; (2) names the inventor or a joint inventor as an author or an inventor; and (3) does not name additional persons as authors on a printed publication or joint inventors on a patent.(MPEP 2153.01(a)). As can be expected, the USPTO does not have any data on the number of times where this situation occurs.
- 43. Therefore, only in cases where a rejection has been made, can the USPTO offer any statistics on the use of the grace period. 37 CFR 1.130(a) and (b) provide for declarations of attribution (showing that the potential prior art subject matter originated with one or more members of the inventive entity) or of prior public

disclosure (showing that the potential prior art subject matter was preceded by an inventor-originated disclosure of the same subject matter), respectively. Although the language of rule 130 suggests that a rejection must have been made in order to submit a declaration, in practice the office generally does not refuse to accept a 130(a) or 130(b) declaration if it were submitted pre-emptively, i.e. before there was a rejection of record. Therefore, the only way to determine the number of declarations submitted to overcome rejections dealing with graced disclosures is to review the case files of applications containing rule 130 declarations. As of January 19, 2016, the USPTO received about 118 Rule 130 affidavits out of approximately 540,000 AIA applications. It should be noted that this is just an estimate as it is calculated via manual review of application files, when prompted by certain reporting codes. Caution is urged in drawing conclusions about the frequency of the use of the grace period at the USPTO from this data alone.

C. Impact of grace period on patent office operations

1. Australia

- 44. In Australia there is no declaration requirement. The office is generally informed as to a grace period invocation during the course of examination in response to an examination report. Examiners generally do not rely on the grace period in the first instance to disregard a publication for novelty or inventive step purposes, as they will not be aware of all the facts relevant to the case. However, if an applicant wishes to invoke the grace period such that prior art may be excluded, they may do so in rebuttal of novelty and inventive step objections.
- 45. In the situation of an unrepresented applicant, examiners are encouraged to draw the applicant's attention to the existence of the grace period provisions in the form of a note in the examination report. The applicant might then be able to rebut an objection with an invocation of the grace period.

2. Canada

- 46. No declaration is required in Canada. When an examiner, during a prior art search, identifies a piece of prior art whose content and publication date are such that it appears relevant to a determination of novelty or obviousness, the examiner assesses whether that disclosure was made by the applicant (or inventor) within 12 months of the filing date of the application. If the examiner concludes that it is the case, no novelty or obviousness objection is raised on the basis of that disclosure. If the examiner concludes that it is not the case, an objection is raised.
- 47. The applicant may also, in their response to the examiner's report, bring to the examiner's attention that they are the author of the disclosure or that the author of the disclosure obtained knowledge directly or indirectly from the applicant. When satisfied of that fact (either based on an affidavit to that effect submitted by the applicant or on their independent search), the examiner withdraws the objection.

3. Japan

- 48. In Japan, if inventions are not disclosed against the will of persons having the rights to obtain patent rights for these disclosed inventions, a mandatory declaration is required to be filed with the application, with a proving document to follow within 30 days, in order to invoke the grace period. Consequently, in a case where an application lacks a declaration at the time of filing, once the first notice of reasons for refusal have been sent, whether or not disclosures are eligible for the grace period cannot be points at issue.
- 49. On the other hand, when inventions are disclosed through breach of confidence or theft of confidential information, etc., against the will of persons having the rights to obtain patent rights for these disclosed inventions, the applicant may argue, even after the reasons for refusal are notified, in a written argument that those disclosures should be graced.

4. Korea

- 50. In Korea, during the formalities examination, formality examiners check whether the filing has taken place within the grace period, the relationship between the discloser and the applicant/inventor and the proving documents. If an application doesn't meet the requirement under Article 30 of the Korean Patent Act, the examiner requests the applicant to amend the application or the proving documents. If the applicant doesn't provide the required amendments within the designated period, the request for the application of the grace period may be rejected.
- 51. With regard to substantive examination, the grace period does not have a big impact on the examination process. In most cases, examiners conduct examination in the same way as for any other application. The only difference is that examiners need to read the declaration to identify and confirm that the disclosures are graced.
- 52. In some cases, a declaration could not have been made before the substantive examination. In this case, there is a possibility that applicants may argue that the prior art items cited by examiners are graced disclosures. In case the disclosure was against the applicants' will, they may submit such proof as necessary. If the disclosure was made by the applicants, they may submit a declaration with an additional fee. Examiners might then have to conduct additional searches and send an additional office action. KIPO has no statistics for these cases, but they seem to be very rare according to interviews with examiners.

5. United States

53. 35 U.S.C. 102(b)(1)(A) provides that a disclosure which would otherwise qualify as prior art under 35 U.S.C. 102(a)(1) may be disqualified as prior art if the disclosure is made: (1) one year or less before the effective filing date of the claimed invention; and (2) by the inventor or a joint inventor. Thus, a disclosure that would otherwise qualify as prior art under 35 U.S.C. 102(a)(1) will not be treated as prior art by Office personnel if the disclosure is made one year or less

before the effective filing date of the claimed invention, and the evidence shows that the disclosure is by the inventor or a joint inventor. What evidence is necessary to show that the disclosure is by the inventor or a joint inventor, requires case-by-case treatment, depending on whether it is apparent from the disclosure itself or the patent applications specification that the disclosure is by the inventor or a joint inventor. Manual of Patent Examining Procedure (MPEP) 2153.01(a).

- Office personnel will not apply a disclosure as prior art under 35 U.S.C. 102(a)(1) 54. if it is apparent from the disclosure itself that it is by the inventor or a joint inventor. Specifically, Office personnel will not apply a disclosure as prior art under 35 U.S.C. 102(a)(1) if the disclosure: (1) was made one year or less before the effective filing date of the claimed invention; (2) names the inventor or a joint inventor as an author or an inventor; and (3) does not name additional persons as authors on a printed publication or joint inventors on a patent. This means that in circumstances where an application names additional persons as joint inventors relative to the persons named as authors in the publication (e.g., the application names as joint inventors A, B, and C, and the publication names as authors A and B), and the publication is one year or less before the effective filing date, it is apparent that the disclosure is a grace period inventor disclosure, and the publication would not be treated as prior art under 35 U.S.C. 102(a)(1). If, however, the publication names as joint inventors A and B, and the publication names as authors A, B, and C), it would not be readily apparent from the publication that it is by the inventor (i.e., the inventive entity) or a joint inventor and the publication would be treated as prior art under 35 U.S.C. 102(a)(1). MPEP 2153.01(a).
- 55. Applicants can include a statement designating any grace period inventor disclosures in the specification (See 37 CFR 1.77(b)(6) and MPEP §608.01(a)). An applicant is not required to use the format specified in 37 CFR 1.77 or identify any prior disclosures by the inventor or a joint inventor (unless necessary to overcome a rejection), but identifying any prior disclosures by the inventor or a joint inventor may expedite examination of the application and save applicants (and the Office) the costs related to an Office action and reply. If the patent application specification contains a specific reference to a grace period inventor disclosure is by the inventor or a joint inventor, provided that the prior disclosure does not name additional authors or joint inventors and there is no other evidence to the contrary. The applicant may also provide a copy of the grace period inventor disclosure (e.g., copy of a printed publication). MPEP 2153.01(a).
- 56. The Office has provided a mechanism for filing an affidavit or declaration (under 37 CFR 1.130) to establish that a disclosure is not prior art under AIA 35 U.S.C. 102(a) due to an exception in AIA 35 U.S.C. 102(b). See MPEP § 717. In the situations in which it is not apparent from the prior disclosure or the patent application specification that the prior disclosure is by the inventor or a joint inventor, the applicant may establish by way of an affidavit or declaration that a grace period disclosure is not prior art under AIA 35 U.S.C. 102(a)(1) because the prior disclosure was by the inventor or a joint inventor. MPEP § 2155.01 discusses the use of affidavits or declarations to show that the prior

disclosure was made by the inventor or a joint inventor under the exception of AIA 35 U.S.C. 102(b)(1)(A)for a grace period inventor disclosure. MPEP 2153.01(a).

AIA 35 U.S.C. 102(b)(1)(A) also provides that a disclosure which would 57. otherwise qualify as prior art under AIA 35 U.S.C. 102(a)(1) may be disqualified as prior art if the disclosure was made: (1) one year or less before the effective filing date of the claimed invention; and (2) by another who obtained the subject matter directly or indirectly from the inventor or a joint inventor. Thus, if a prior disclosure upon which the rejection is based is by someone who obtained the subject matter from the inventor or a joint inventor, and was made one year or less before the effective filing date of the claimed invention, the applicant may establish by way of an affidavit or declaration that the prior disclosure is not prior art under AIA 35 U.S.C. 102(a)(1) because the prior disclosure was by another who obtained the subject matter directly or indirectly from the inventor or a joint inventor. MPEP § 718 and MPEP § 2155.03 discuss the use of affidavits or declarations to show that a prior disclosure was by another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor under the exception of AIA 35 U.S.C. 102(b)(1)(A) for a grace period inventororiginated disclosure. MPEP 2153.01(b).

D. Impact of changes to the grace period on applicant behaviour

1. Australia

- 58. There have been a number of material changes to Australian legislation governing the grace period.
- 59. General grace period: Amendments to the legislation in 2002 moved to a general grace period, beyond the circumstances of publication before a learned society, recognised exhibition, or via working through reasonable trial and error. The prescribed circumstances for invoking the grace period were extended to general publication or use of the invention. The time frame for the general grace period is 12 months before the filing of a complete application.
- 60. Supporting Statement: Amendment to the legislation in 2013 removed supporting statement requirements in relation to the prescribed circumstance of recognised exhibitions. Prior to the amendment the applicant was required to file a notice at the time of filing the application and a statement from the authority responsible for the exhibition.
- 61. *Grace period changed to 12 months for prescribed circumstances:* Amendment to the legislation in 2013 extended the period for invoking the grace period in the absence of a basic or provisional application from 6 months to 12 months, for circumstances of publication through learned societies and recognised exhibitions.
- 62. Applicant/Patentee disclosure of the invention graced for inventive step: Amendment to the legislation in 2013 removed the limitation that an applicant/patentee-led graced disclosure would only to apply to information that

could deprive an invention of novelty and not to information that could deprive an invention of an inventive step. The legislation was amended to refer simply to information made publically available rather than to information being made available "through any publication or use of *the invention*".

- 63. Feedback from users suggests that the current grace period provisions provide legal certainty in the form of grace for any public disclosure as there is no uncertainty about whether a particular disclosure is a prescribed circumstance. It is also noted that residual requirements for filing statements that invoke the grace period have been removed as they were considered an unnecessary regulatory burden.
- 64. Besides these points, changes to the legislation do not appear to have had a measurable impact on applicant behaviour. Australia has not noted any significant strategic reliance on the grace period provisions, or a reduction in the imperative for early filing. It is worth noting that in order for the applicant to take advantage of the grace period a complete application needs to be filed rather than a priority document.

2. Japan

65. Under the past grace period system before Japan revised its Patent Act in 2011, the scope of the grace period was limited to disclosures which had been prescribed in the Patent Act, and did not cover all the needs of users. Based on this, in order to respond to user needs, the Patent Act was revised to expand the scope of the grace period. As a result, all disclosures are eligible for the grace period when they are the results of acts conducted by persons or entities, which have the rights to obtain patents. Thanks to this legal revision, the grace period system becomes simple and clear, and all disclosures by parties having the rights to obtain patent rights are eligible for the grace period. By making the grace period system more user-friendly so as to cover the needs of users, the JPO aimed at: (1) the wider and more effective use of the patent system by SMEs and universities; and (2) promoting collaboration between industry and academia. In fact, after the revision was made, the number of applications using the grace period increased significantly.

3. Korea

66. As noted above, revisions to the grace period in Korea broadening its scope to become a general grace period covering all types of disclosure in 2006 and extending the duration from 6 to 12 months in 2012 caused important increases in the use of the grace period by applicants. The increase in use appears to be accelerating.

4. United States

67. The AIA maintains a 1-year grace period, but with some differences with respect to pre-AIA law. First, the critical date – the date from which the grace period for an application is counted – is the earliest effective filing date of the application, which under the AIA includes claims of foreign priority. Second, while the scope

of the AIA grace period has many similarities with respect to the pre-AIA grace period, the AIA grace period has different implications for disclosures by third parties. As described earlier, the AIA grace period is specific to inventor or inventor-derived disclosures. Third party disclosures prior to the inventor's earliest effective filing date generally count as prior art. While this is also an implication of how the pre-AIA grace period works (a disclosure by a third party prior to the applicant's filing date is generally prior art unless applicant is able to "swear behind" it), the AIA grace period, however, provides that if the inventor disclosed the invention then later filed within the grace period, an intervening disclosure of or filing of an application for that subject matter by a third party *may* be deemed not to prejudice the inventor's entitlement to a patent.

E. Observations and discussion

Current trends in jurisdictions with a grace period

- 68. In jurisdictions without a declaration requirement, often, there are no reliable statistics on how frequently the grace period is used or indications as to the types of pre-filing disclosures. Therefore, it is not really known how the grace period is used in those jurisdictions. In such systems, the grace period is invoked as a defence in response to an examination report during prosecution of the patent, or later on, as a defence to an invalidity suit.
- 69. Statistics from countries with a mandatory declaration requirement are much more enlightening, due to the fact that the declaration allows for monitoring. These statistics suggest that the frequency of use of the grace period is quite low, and thus, it may well be that the grace period is mainly used as a "safety-net", although it is pointed out that some of the main users of the grace period e.g. in Korea, are academic researchers and SMEs, whose use of the grace period may be a result of publication based on pressures associated with research institutions.
- 70. The trend in the past twenty years in the members of the Workstream operating a grace period within a first-to-file system has undoubtedly been towards an expansion of the grace period.
- 71. The opposite trend is noticeable where countries have moved away from first-to-invent system. Until 1987, Canada was a first-to-invent jurisdiction with a grace period of two years' duration, covering disclosures in patents and printed publications anywhere, as well as resulting from prior public use or sale in Canada. The grace period extended to disclosures from the applicant or inventor, but also to independently created information (by later inventors). In 1987, Canada switched to a first-to-file system, reducing its grace period from two years to 12 months, and ceasing to grace disclosures of independently created information.
- 72. In the U.S., the scope of the grace period under the AIA has been narrowed when compared to the previous act, due to the U.S. 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 grace period nevertheless remains the broadest and most generous grace period of all those examined here, and its policy objectives appear to go beyond those of a safety-net as considered in option 2 above.

73. As the scope of application of the grace period has broadened, in those jurisdictions in which monitoring the grace period is facilitated by the filing of a mandatory declaration, not surprisingly, data collected clearly shows an increase in use of the grace period by applicants. Particularly noteworthy in this respect, however, is the increase in use of the grace period in response to an extension of the duration of the grace period from 6 to 12 months in Korea.

The European perspective on considerations relating to an internationally harmonised grace period

- 74. If one looks at the number of cases in which the grace period is used in Japan and Korea (the U.S. not being in a position to determine the total number of cases in which the grace period is used), the question from a European perspective is whether the pressure for Europe to adopt a grace period is motivated solely by the intent to save the (relatively) few applicants who are denied patent rights because of the absence of a grace period in Europe, or whether the pressure stems from the desire allow national provisions to deploy their intended effects and carry out their policy objectives going beyond a safetynet to actually protect early disclosers.
- 75. Indeed, the fact that the EPC and also China do not operate full-fledged grace periods has an impact on the use of the grace period 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 the grace period is only invoked by global players in countries which have a grace period when something goes wrong, or when there are compelling reasons to make an early disclosure of the invention.
- 76. The AIPPI Australian Group (Report Q233, pp.7 and 12) mentions that in Australia, applicants are discouraged from relying on the grace period <u>because of the inconsistent approach taken across various jurisdictions</u>, which in turn is cited as a reason to support international harmonisation of the grace period. Moreover, positive benefits of the grace period are perceived by the Australian Law Reform Commission to include "the sharing and publication of research results at an earlier stage without fearing loss of potential patent rights", opining that "the successful operation of a grace period requires it to be implemented at global level, which has not yet occurred", (*Genes and Ingenuity. Gene patenting and human health*, ALRC Report 99, Part 14, pp. 1-4), thereby suggesting that a rather important shift in practice would be expected to occur if harmonisation came to pass.
- 77. In Canada, the policy reasons behind the grace period include: providing applicants with limited financial resources time to assess the commercial viability of their inventions, protecting unsophisticated applicants from inadvertent pre-

filing disclosures and facilitating early public dissemination of research results by academic applicants (see AIPPI Canadian Group (Report Q233, 2013, pp. 3-4). In Canada, <u>due to the lack of a grace period in some jurisdictions</u>, the AIPPI Canadian Group states that best practice is to use the grace period not as a filing strategy, but rather to protect applicants from inadvertent pre-filing disclosures (ibid., p.5).

- 78. The Operational Guidelines for Applicants to Seek the Application of Exceptions to Lack of Novelty of Invention, Corresponding to the Patent Act Article 30 Revised in 2011, in Japan, kindly advise applicants who plan to file an application overseas to give consideration to the exceptions to lack of novelty in each country before they file in Japan, invoking the grace period.
- 79. Thus, regardless of the policy intent in the framing of national provisions, the absence of a grace period in Europe in particular appears to have prevented these grace period provisions from deploying their intended effects and carrying out their policy objectives.
- 80. The net effect has been to maintain the paradigm of filing first and disclosing later in all jurisdictions, including those with grace periods, unless something goes terribly wrong, or there is a very good reason for the applicant to choose to disclose early, such as rapid publication of an academic article or exposing the invention at an important trade show, etc... Thus, it can be argued that regardless of how the provisions are framed, all grace periods around the world currently tend to be used, at least by global players, as "safety-nets", meaning that if they have a choice, they generally choose not to disclose, but if something goes wrong or cannot be avoided, the grace periods in those jurisdictions will catch them and preserve their rights.
- 81. Therefore, it can be deduced that the effect of a global grace period which would <u>truly function as 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 grace period.
- 82. Stakeholders from these countries often argue that empirical evidence shows that there are no problems with their grace period in general and in particular with legal uncertainty. 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 China in case of a pre-filing disclosure.
- 83. However, it is argued that it would be wrong to conclude as is currently done that past and present experience in these jurisdictions shows that the <u>grace</u> <u>period clauses</u> offering further benefits to the applicant could form the blueprint for the articulation of an international norm, without any consequences for legal certainty.
- 84. The majority of European users who favour an international grace period 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.

- It is argued by some that to replace the deterrent effect of the lack of a grace 85. period in Europe and in China, an internationally harmonised grace period should have disincentives to pre-filing disclosures built in to ensure that it is used as a safety-net, preserving legal certainty, and not as a strategic option, or as a default due to sloppy practices. These disincentives should include: (a) publication of independent inventions prior to the filing or priority date constitute 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 (see AIPPI French Group, Report on Q233, 2013, pp. 22-23). In discussing the definition of the grace period, it is argued that these considerations need to be borne in mind. As stated by a European user "We are not in favour of a grace period. But if Europe gets one, we will use it." Thus, in attempting to agree to an international norm, some stakeholders 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. In striking a balance in this respect, the greatest attention to detail is needed in all aspects of the grace period, and all these aspects need to be addressed together.
- 86. Finally, there is also another reason for which many European users are proponents of a safety-net grace period: the grace period 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 be set so that this advantage for applicants is balanced by protection of the interests of third parties acting in good faith.

Perspective of those currently having a grace period

- 87. All the jurisdictions in the subgroup outside of Europe, including Australia, Canada, Japan, Korea, and the United States have provisions in their patent laws directed to a grace period. In a number of jurisdictions, these provisions have withstood, and in many cases were expanded, during legislative changes.
- 88. Although opponents of the grace period argue that the legal uncertainty faced by third parties that comes with adoption of a grace period 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, applicants in jurisdictions having a grace period who may have experience with both the benefits associated with the grace period and the perceived harms, albeit, as explained in the previous section, where the use of the grace period was tempered by the absence of a grace period in Europe and China, continue to advocate for adoption of a harmonized grace period.
- 89. Specifically, according to the results of the Tegernsee Study (p. 17) the vast majority of the respondents in Japan and the U.S. supported a grace period (Japan: 78%; U.S.: 79%).

- 90. The Group B+ has agreed that an international grace period should take account of and balance the needs of...those whose primary focus is dissemination of knowledge and information...and encourage research and development. A recurring theme throughout jurisdictions currently having a grace period is the importance of academic research and the patent systems' role in fostering innovation and progress.
- 91. In the Tegernsee Report on the Grace Period (p. 15), the USPTO noted that during AIA negotiations, Congress recognized the grace periods' ability to facilitate research collaboration. Moreover, positive benefits of a broad grace period are perceived by the Australian Law Reform Commission to include "the sharing and publication of research results at an earlier stage without fearing loss of potential patent rights" (*Genes and Ingenuity. Gene patenting and human health,* ALRC Report 99, Part 14, pp. 1-4). Canada also agrees that facilitating early public dissemination of research results by academic applicants (see AIPPI Canadian Group (Report Q233, 2013, pp. 3-4) is a key policy aim of the grace period.
- 92. A study commissioned by the UK IPO and the USPTO further describes the sentiments of academics and researchers in both Europe and the United States. Respondents noted" 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 grace period 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 Grace Period 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 Grace Periods, SPA Future Thinking, p. 6, available at

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/41 5743/Patent_Grace_Periods_ERE_Report_-_1150.pdf)

- 93. In addition to academic and research interests, the grace period 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.
- 94. While proponents of a "safety-net" grace period argue that the adoption of an internationally harmonised grace period may lead to an upheaval of the world-wide patent system due to applicants actively disclosing prior to filing, this fear seems unfounded given that in most jurisdictions, some controls are in place

such that applicants place their rights at risk in the event that they disclose the invention before filing an application.

Conclusion

95. Thus, in harmonising the grace period internationally, finding the proper balance between competing interests and promoting the chosen policy objectives requires a determination of the set of controls which are appropriate.

IV. EFFECT OF THE GRACE PERIOD

Agreement within IT3, Paper p. 5:

"A grace period is an exception to the normal novelty standards and as such should not give rise to any rights."

A. General effect

- 96. It is suggested that the effect of the grace period should be to remove an item disclosed by the applicant from the prior art. The content of the disclosure should not need to be considered. This is the simplest approach.
- 97. As the prior graced disclosure is removed from the prior art, this non-prejudicial effect should extend to both novelty and inventive step.
- 98. The AIPPI French Group (Report on Q.233, 2013, p. 23) emphasised that the need to examine whether the content of the disclosure is identical or similar to that of the subsequently filed application should be avoided. This was the case under the Japanese law prior to the revision of the law in 1999. At the EPO, to determine whether an invention displayed at a prescribed international exhibition is a non-prejudicial disclosure falling under the purview of Art. 55(1)(b) EPC, the identity of the invention displayed and the invention claimed is checked by the Examining Division. (See *Guidelines for Examination in the* EPO, B VI-5, 5.5.) It is also currently necessary in the US in cases in which there is an intervening publication or filing of an application by a third party of an independent invention disclosure by the applicant and the filing of his application. If the disclosures are co-extensive, the second disclosure by a third party will also be graced. This implies a close analysis of the two disclosures.
- 99. However, current U.S. law goes further than this, in that if an independent third party files an application for the same subject-matter contained in a first pre-filing disclosure, a prior filing of an application by the third party may not prejudice the first discloser's entitlement to a patent. Thus, theoretically, the grace period protects the first discloser against interference from independent inventors, through either disclosure or filing of an application, but to be fair, under current USPTO practice, that scope of protection is extremely narrow.

100. Nevertheless, it cannot be denied that within a first-to-file context with a safetynet grace period, the first person to disclose his invention will be the only one who shall be able to obtain a valid patent. Thus, being the first to disclose and invoking the benefit of the grace period does have an influence on the <u>entitlement</u> to the patent. In most jurisdictions with a grace period, if the first disclosure prior to filing is not made by the applicant, it is not graced, and no patent will be granted to that applicant. The person having first disclosed will be able to get a patent through operation of the grace period, but only if a third party has not published the invention independently in the meantime.

B. Should other effects be considered?

Impact on the publication date of the application

- 101. A number of users advocate that invoking the grace period should have an impact on the publication date. In an attempt to ensure that the legal uncertainty existing under any system is not prolonged by a grace period (currently, in Europe, the 18 months during which a disclosure may have been preceded by an application, so that the public cannot ascertain the ultimate status of the information), some users have suggested that the application should be published after 18 months, computed from the date of the earliest graced disclosure. (Proposed *inter alia* by the AIPPI UK Group, Report on Q233, (2013), pp. 8-9). After all, if the invention has already been published, the rationale for postponing publication by a further 18 months to allow the applicant to withdraw his application in time, should no meaningful protection be able to be obtained, no longer exists.
- 102. Despite the good policy intentions underlying this proposal, it is argued that there are problems: the filing date of an application is easy to ascertain. The date of the earliest graced disclosure could be more problematic to determine, and would presuppose the existence of a declaration filed early in the granting procedure. A perhaps more minor concern is that this might cause logistical difficulties for offices.

V. DEFINITION OF THE GRACE PERIOD

A. Graced disclosures

103. The discussions in this section and references to the OP Paper are all subject to the caveat: "Notwithstanding that there is no consensus on the introduction of a grace period covering disclosures by the applicant, there is agreement that, if such a system were to be introduced..." (See OP Paper, p.3).

1. Types of disclosures

104. There is convergence between the B+ Sub-Group and the IT3 on this important point, a point of view shared by both the AIPPI (See AIPPI Resolution Q233,

2013, p.3) and FICPI (White Paper on Grace Period, FICPI/WP/2013/01, hereinafter "FICPI White Paper 2013", p.6).

- 105. It was agreed by the B+ Sub-Group in the "Objectives and Principles paper", that a grace period system "should be simple, with the same rules applying to all applicants and <u>all types of disclosure</u> deriving from the applicant, regardless of the intention and characteristics of the applicant." (See OP Paper, p.4.)
- 106. Moreover, the wording of the IT3 element to be included in a package is unequivocal: "Disclosures by the inventor/applicant during the grace period are non-prejudicial".

Suggested approach:

All disclosures of the invention of the applicant by him (or his predecessor in title) which may potentially form prior art should be graced, regardless of the type of disclosure or its circumstances.

- 107. Limiting the application of the grace period to particular categories of disclosures or circumstances increases the complexity of the system, raises legal uncertainty for both applicants and third parties and has the potential to increase litigation costs. Because harmonised rules on the grace period should be simple to apply and not unnecessarily increase the complexity of the system, a blanket provision covering 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.
- 108. This would mean that all the following constellations which are widely deemed to be worthy of protection on policy grounds would be covered: Academic publications; 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.
- 109. Moreover, it should be clear that 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, even if the prior disclosure only encompasses a part of the invention, or more than the invention, should be graced.

2. Origin of disclosures

a. Disclosures made in abuse of the applicant's rights

110. There is broad agreement both within the B+ Sub-Group and in the IT3 that disclosures made as a result of breach of confidence or theft of information, in

abuse of the applicant's rights, should be non-prejudicial. This is sound policy and is reflected in some manner or another in the laws of all the Workstream members' national law, including under Art. 55(1)(a) EPC and in the national laws of the EPC Contracting States. Here, the straightforward wording of the IT3 could be adopted as an element to be included in an agreed package.

Agreement within B+ SG, OP Paper, p. 2

...'there is consensus that applicants should be given an opportunity to patent their invention where it has been disclosed due to breach of confidence or theft of information".

Agreement within IT3, Paper p.7

Disclosures made in evident abuse of the applicant, as a result of breach of confidence or theft of information, should be graced.

Publication of an application at 18 months by a patent office

- 111. Most legal systems with a grace period consider that the publication by a patent office in due course of an application made by the applicant does not constitute a graced disclosure, since it occurs after an application for the subject-matter in question has already actually been filed. This is the case *e.g.* in Korea. However, other jurisdictions, such as Canada, grace such publications.
- 112. Here, it should be noted that there is no consensus within the IT3 on this point. The IT3 paper mentions two options in this regard: (1) a published application is graced; (2) it is not. No arguments are provided. On the other hand, the AIPPI Resolution on Q233 of 2013 expressly calls for a "proper" publication of an application not to be graced (p.3, 2b)).
- 113. 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 would allow the applicant to extend his period of protection by filing outside the priority period, but within the grace period applicable to the disclosure constituted by the 18-month publication of the application.
- 114. 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. In case T 0585/92, an EPO Board of Appeal was called upon to decide this issue and tested the limit of what was considered to constitute "evident abuse of the applicant" under Art. 55 EPC. The Board found that this erroneous publication by a patent office was a "lamentable error" or a "simple mistake", but that it did not fall within the purview of Art. 55(1)(a) EPC. This decision was amply criticised by the user community.
- 115. If a general grace period graces disclosures made without the applicant's consent, such an erroneous publication of an application by a patent office would presumably be graced. In the alternative, it could be held to be a re-disclosure of

the applicant's invention through a third party, which is also graced in most jurisdictions with a full-fledged grace period.

b. Disclosures by the applicant or his predecessors in title

- 116. The B+ Sub-Group has no agreed principle on this issue.
- 117. Users within IT3 have stated that they view harmonisation to be desirable on the basis of a full-fledged grace period going beyond disclosures occurring in evident abuse of the applicant's rights but applying also to disclosures on the part of the inventor/applicant or with his consent. Care should be taken not to misinterpret this as a license to adopt any grace period at all. Many of the participants which agree with the general statement below, only do so on the condition that it is part of a harmonization package and that certain safeguards be built into the definition of a grace period. Agreement on the metes and bounds of the definition of the grace period beyond this general statement of principle remains to be achieved.

Agreement within IT3, Paper p. 7:

"Disclosures by the inventor/applicant during the grace period are nonprejudicial"

c. Re-disclosures of applicant's invention by third parties

118. This issue can be flagged as one which has the potential to present challenges in practice, particularly when the origins of the re-disclosures of the invention cannot on their face be traced back to the applicant. Both the FICPI White paper 2013 and AIPPI Resolution on the grace period Q.233 of 2013 endorse the gracing of disclosures made by third parties where such information is derived from the inventor/applicant. There was no agreement within the IT3 on this point and the IT3 Paper (p. 5) discusses alternatives.

Option 1: "A third-party disclosure based upon information derived without breach of any duty or agreement (ie innocently) is prejudicial'.

119. If this course of action were adopted, it would clearly apply to the re-disclosure by a third party of a graced pre-filing disclosure 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 grace period completely ineffective.

Option 2: "Such a disclosure is non-prejudicial"

120. In a case in which 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 would seem like 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.

121. 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).

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

- 122. However, the complexities of reality must be addressed, and there may be redisclosures mingling 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.
- 123. The IT3 paper states that "Some suggest that, in the case where part of the third party publication is derived from the applicant and part is independent, that the derived portion would be non-prejudicial, and the independent portion would be prejudicial" (pp. 5 and 7). This view is also broadly shared by user groups in different regions. As stated by the AIPPI Swedish Group: "Any disclosure which includes (but which may go beyond) subject- matter derived from the inventor should be graced to the extent that it is derived from the inventor. Only the additional subject-matter (not derived from the inventor) should constitute prior art" (Report on Q 233, 2013, p. 8).
- 124. This approach is sound in theory. However, it is observed that 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 freedom-to-operate 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 re-disclosed by the third party.
- 125. Informal written user feedback received since the meeting of the Workstream with the Industry Trilateral in February raised additional issues in this respect: how does an applicant show that a subsequent disclosure by a third party was derived from an earlier disclosure made by him, particularly if the origin of this potential re-disclosure is unclear? Should there be a presumption that a subsequent disclosure has been derived from the applicant's earlier disclosure? This feedback suggests that further analysis is needed on the practical ramifications of this point. Ultimately, the system will have to distribute the risks and obligations in a coherent and balanced manner.

d. Disclosures by third parties of independent inventions

126. Here, there is agreement within the IT3, and this position is adopted also by both AIPPI (see AIPPI Resolution Q233, 2013, p.3) and FICPI (see FICPI White Paper 2013, p.6).

Agreement within IT3, p. 7:

"Disclosures by third parties during the grace period [which are] independently invented are always prejudicial"

- 127. If disclosures by third parties are generally graced, the mere fact of disclosing an invention creates a first-mover advantage for the inventor/ applicant, which in turn creates an incentive to publish quickly and early, prior to filing, which is a stated policy objective in some countries. Some users have seen in such a mechanism a "priority right" of sorts, which trumps the first-to-file rule, which they do not consider to be desirable.
- 128. 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.
- 129. In Australia, Canada, Japan and Korea, disclosures of independent inventions by third parties occurring prior to the filing of an applicant constitute prior art against this application even if the applicant invokes the grace period.
- 130. Excluding such disclosures from the grace period creates an incentive to file early during the grace period, as any independent intervening disclosure may imperil the patentability of the invention.
- 131. This is one of the pillars of a "safety-net" grace period, as opposed to a grace period with further benefits for the applicant. Such clauses put the risk of a prefiling disclosure on the shoulders of the applicant which would benefit from the effect of a grace period.

B. Duration

- 132. The grace periods of most countries have a duration of either 6 or 12 months. Perusing WIPO comparative tables, the 12-month grace period appears to be more prevalent than the 6-month grace period, but the latter is not a marginal phenomenon.
- 133. In the Tegernsee Survey, a majority of respondents in Japan and Europe favoured a 6-month grace period (Japan: 64.6%; Europe: 56.7%), whereas almost the identical majority of users in the U.S. (U.S.: 64.9%) preferred a 12-month grace period (see Final Consolidated Tegernsee Report, p. 138). Overall, respondents tended to prefer the duration currently provided by their national provisions. However, it should be noted that at the Tegernsee Symposium focused on Grace Period held in Tokyo in 2014, more than half of the respondents to the survey held at the Symposium supported a 12-month grace period.

Option 1: 6 months

- 134. Within the Workstream, non-prejudicial disclosures under the EPC and the national law of most of the EPC Contracting States are subject to a 6-month term. Japan has a 6-month grace period (although with the signature of the TPP Agreement, it is expected to move soon to a 12-month grace period). It can be noted that China's limited grace period is also confined to 6 months.
- 135. In the Tegernsee Survey, European users included a 6-month grace period as an element of their definition of a "safety-net" grace period (Final Consolidated Tegernsee Report (2014), p.26; EPO Tegernsee Report (2013), p. 55).
- 136. 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, while others disagree and believe that 12 months is necessary.
- 137. Some stakeholders argue that 6 months do not afford the necessary time to prepare and file applications, and in some instances, to obtain the necessary funding that enables the inventor to prepare adequately the application.
- 138. However, if it is hypothetically the case that (i) the grace period may be invoked at any time, *ie* even post-grant, for pre-filing disclosures of which the inventor/applicant or successor in title were not aware of at the time of filing, and (ii) the effect of the grace period is to remove the item which was disclosed prematurely from the prior art, (so that no analysis of the content of the graced disclosure would be required), it is unclear why 6 months would not be sufficient for a carefully prepared patent application to be filed.
- 139. Compared to a 12-month grace period, a 6-month grace period does not only promote early filing after a pre-filing disclosure, (in line with agreed principle (iv)b) of the B+Sub-Group's paper, see OP Paper, p. 3), it forces it to occur within that definite time frame.
- 140. Limiting the grace period 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 is being appropriated or will be appropriated, would grow from the current 18 months in Europe, to 24 months in the case of a 6-month grace period. 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 appears to be a proper compromise.
- 141. Some users in favour of a 6-month grace period state that of all the features of the grace period, the duration of the grace period is perhaps the least vitally important, as long as all the other features are appropriately configured. Others disagree and see in a shorter duration an essential element balancing the

interests of applicants in the benefit of a grace period, with the interests of third parties – and ultimately, all stakeholders - in optimising legal certainty.

Option 2: 12 months

- 142. In the other jurisdictions represented within the Workstream, Australia, Canada, Korea and the U.S. all have 12-month grace periods. Moreover, both AIPPI and FICPI support a 12-month term (AIPPI Resolution Q.233, p. 4; FICPI, White Paper 2013, p.9).
- 143. It has been argued that, since all the jurisdictions in the workstream operating a grace period either have or will adopt a 12-month period, for those in favour of the 6-month grace period, the question should rather be whether there is a compelling reason to decrease that duration.
- 144. It has also been argued that from a policy perspective, if one wishes to cover field testing for pharmaceuticals or agricultural chemicals, a 12 months' duration is perhaps better adapted to the needs of those industries.
- 145. The AIPPI-U.S. Group points out that US stakeholders have consistently identified a one-year duration for the grace period to be preferable in view of the "need to facilitate research collaboration, encourage open dissemination of research results, provide time to obtain critical funding, and perform research into the efficacy of an invention and alleviate burdens on small and medium-sized enterprises and individual inventors." (Report on Q233, 2013, p. 3)
- 146. The argument has been repeatedly brought by some users that 12 months is essential to a large company in order to be able to sort things out once a disclosure has occurred, determine what has been disclosed and what not, and elaborate an IP strategy in consequence prior to filing.
- 147. Others argue that for third parties, extending the grace period 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. As observed by one participant at the EPO Tegernsee Symposium in 2015, in some areas of technology, this can represent an entire product cycle.
- 148. Moreover, a 12-month grace period does not only bring advantages for applicants. If intervening disclosures and the filing of applications by third parties can be novelty-threatening for an applicant having made a pre-filing disclosure – a norm which exists in most jurisdictions and is clearly supported by users in the IT3 – it has been argued that for those who would avail themselves of the full length of the grace period, a further 6-month extension also raises the risk that such intervening disclosures or applications will occur prior to the applicant's filing, and may end up thus constituting a trap for the unwary.

3. Further considerations in balancing policy goals and interests

149. It has also been observed by some users that if a shorter grace period provides a useful safety net for a larger percentage of applicants, this would be

preferable. The AIPPI Swedish Group stated that the issue should become: how many more applicants would be helped by a 12-month grace period and does that additional number justify the lengthening of the duration of the legal uncertainty for all stakeholders (Report on Q233, 2013, p. 7).

- 150. The only data on this point is that gathered by KIPO when their national law was changed from 6 to 12 months. This data is not easy to read. On the one hand, the increase in use of the grace period has clearly accelerated since the shift from 6 to 12 months in Korea. However, one cannot simply check the level of use of the grace period immediately before and after the change: the levels of use of the grace period have been increasing at variable rates since the beginning of the data presented by KIPO, starting in 1999.
- 151. An extremely quick and unscientific analysis (aimed at giving a feel for the <u>order</u> <u>of magnitude</u> of the practical difference between the longer and shorter duration of the grace period in Korea), shows that on average since the general grace period covering all disclosures was introduced in Korea in 2006 until the lengthening of the grace period in 2012, an average of 431 <u>additional</u> applicants each year invoked the grace period. In the three years since the grace period has been extended to 12 months, there were on average 740 <u>additional</u> applicants claiming the benefit of the grace period each year.
- 152. As suggested by the AIPPI Swedish Group, this gain should be balanced against the costs of lengthening the duration of the legal uncertainty by an additional 6 months for <u>all stakeholders</u> of the patent system.

C. Date from which the grace period is calculated

- 153. There are two methods currently for computing the grace period: 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. The Industry Trilateral did not address this point in its paper. FICPI was unable to come to an agreement on this point.
- 154. From the point of view of legal uncertainty for third parties, some users have observed that the two approaches are equivalent, since the date of publication of the applications remains the same.

Option 1: National filing date

- 155. Many jurisdictions calculate the grace period from the national filing date (within the Workstream: Australia, Canada, the EPC, Japan, Korea).
- 156. Those in favour of this critical date argue that calculating the grace period from the priority date provides an unwarranted extra period of patent protection.
- 157. Moreover, calculating from the filing date provides more security for the applicant, as if priority is not validly claimed, any pre-filing disclosure occurring more than 12 months prior to the national filing date will no longer be covered by the grace period.

158. It has been argued by FICPI that similar issues may arise for the applicant if new features are added to a subsequent national filing, which are not found in the priority document. Assuming the later application is filed after the expiry of the grace period, these new features may be found not to be inventive over the pre-filing disclosures (see FICPI White Paper 2013, p.7).

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

Agreement within B+ SG, OP Paper, p. 4

"The duration of the grace period should be harmonised, and calculated from the priority date [where applicable]."

- 159. Calculating the grace period from the effective filing date, ie the filing date or, if applicable, the priority date, is the solution adopted under the AIA in the U.S., as well as in China. It is also the approach recommended by AIPPI (AIPPI Resolution 2013, p.4) and that preferred by stakeholders in all regions polled according to the Tegernsee Survey (Japan: 63%; U.S.: 64% and Europe: 70%, see Final Consolidated Tegernsee Report (2014), p.139; Informal consultation in Korea on the basis of the Tegernsee joint questionnaire: 60%).
- 160. Some users have argued that a grace period 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 grace period. For those having the choice, applicants are forced to choose between invoking the grace period and enjoying the full term and advantages of a priority period.
- 161. Moreover, calculating the grace period 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.
- 162. To sum up, calculating the grace period from the national filing date results in less flexibility for the applicant, but more legal certainty, whereas calculating the grace period 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 some jurisdictions where priority is not validly claimed.

D. When can the grace period be invoked?

- 163. 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 grace period cannot be invoked anymore. (For this reason, such countries usually deal with disclosures in evident abuse of the applicant or without the consent of the applicant in separate provisions.)
- 164. In the majority of countries in the world, however, the grace period can be invoked at any time, including post-grant in invalidity suits. This line is not

incompatible with a declaration/submission requirement, but it then necessarily implies that the submission of amendments and corrections by the applicant after the critical date for filing the declaration/submission must be allowed in some manner.

165. Moreover, thought should be given to how this feature of the grace period interacts with its duration. If a12-month duration is the time limit by which the grace period 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. Assuming a disclosure occurs when the inventor/ applicant is in the final stages of perfecting his invention, how long does an innovative entity usually wait before filing an application on an invention which has been "completed" and reduced to practice? On the other hand, it has been pointed out that academic publications may occur further upstream, at a time when the invention is far from being in the final stages of perfection.

E. Declaration/Statement

- 166. Whilst there is agreement on several features of the grace period pertaining to the benefits it should bestow upon applicants, possible balancing features which intended to preserve the interests of third parties or those of the general public are much more controversial.
- 167. The declaration or "statement", a term preferred by the Industry Trilateral, is one of those features. Some jurisdictions impose strict requirements in order for applicants to invoke the grace period. Systems like these are established to add transparency to the system, enhance legal certainty and provide for increased examination efficiency. The policy argument is that where an applicant enjoys the benefit of the exception of the grace period, which comes at the expense of legal certainty to third parties, it is reasonable to require him to list any pre-filing disclosures he has made in order to alleviate that very uncertainty.
- 168. 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.
- 169. The B+ Sub-Group agreed that if a grace period 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, and it was agreed to conduct further work on the matter. The EPO, JPO and USPTO finalised a paper entitled *Promoting Transparent Use of the Grace Period*, in September 2015, portions of which are reproduced here.
- 170. There are a number of mechanisms which are currently in use in terms of claiming the benefit of the grace period: declaration requirements (statements, proving documents, certificates of exhibition), optional submissions to the office prior to examination. Some offices have no formal requirements, and deal with the issue in the course of examination.

171. Finally, some users have observed that the rapid dissemination of information made possible by the internet and the world-wide-web may amplify certain grace period issues and increase the need for a statement. On the other hand, other users have pointed out that these developments may well be tempered in the future by improvements in tracking technology and research tools, and when the time comes, some norms may need to be adjusted to account for such future technological improvements.

a. General principle

Option 1: No Declaration / optional declaration

- 172. Where no declaration or formal statement is necessary to invoke the grace period, applicant burden is at its lowest. This allows applicants with less understanding of the patent system to rely on the grace period without being subject to strict requirements that if not abided by could result in loss of patent rights. Having no formal declaration requirement also protects large corporations from necessarily expending additional resources to monitor for potential disclosures relative to applications filed naming the company as assignee or inventive entity.
- 173. Neither Canada nor the U.S. have a mandatory declaration requirement, and Australia 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.
- 174. While a declaration is not required in the U.S., the USPTO suggests that applicants declare any disclosures subject to the grace period at the time of filing of the application, to avoid examination delays (see 37 CFR 1.77(b)(6)). The rules also set forth a process by which applicants can declare entitlement to the grace period for a disclosure identified in a rejection, by filing an affidavit containing the relevant information (see 37 CFR 1.130). Such declarations remain entirely optional.
- 175. Both AIPPI and FICPI believe that applicants should not be required to file a mandatory declaration (AIPPI Resolution, 2013, p.4; FICPI White Paper 2013, p.9).
- 176. Setting aside the benefits to applicants, having no declaration requirement can lead to some examination inefficiency. The examiner, having no notice that a prior disclosure should be graced, will likely reject the claim based on that disclosure. If later presented with information that the disclosure should be graced, the examiner may be required to issue another office action, leading to an additional response by the applicant, in which case the costs to the applicant may be increased and the examination period may be prolonged.
- 177. Another consideration is the effect on third parties when a declaration is not required. Third parties bear the brunt of such a rule in terms of legal uncertainty. When a third party discovers an item of potential prior art, absent a declaration, 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 pre-filing

disclosure 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 freedom to operate opinions for third parties as well as the cost of litigation.

Option 2: Mandatory declarations / statements

Agreement within IT3 (Report, Alexandria), Slide 8:

The applicant should have the obligation to file a "Statement".

- 178. Those in favour of mandatory declarations/statements assert that such requirements help to balance the increased legal uncertainty that comes with the adoption of a grace period. Declarations can also help increase examination efficiency in a time when offices are facing large backlogs of unexamined applications, with a positive effect on both pendency and overall costs for the system.
- 179. However, mandatory declarations are not without their drawbacks. The burden lies with the applicant to know of and report any pre-filing disclosures, usually at or near the time of filing.
- 180. Not all user groups are against declarations. In Japan and Korea, declarations are mandatory in principle (in the regulations of some other members of the Workstream, official certificates of exhibition are required where the invention has been shown at a prescribed international exhibition, but these will not be examined further here). These measures appear to be supported by users in those countries (Japan: 64%; Korea: 58% of respondents to the Tegernsee joint questionnaire administered in the respective countries). Moreover, ALLEA (Federation of European Academies of Sciences and Humanities), which is lobbying strongly in favour of a grace period on behalf of universities and public research entities, supports a declaration "for reasons of legal certainty".
- 181. In Japan, (1) upon filing, a declaration that the grace period is invoked for the application is required which may be included in the application, and then within 30 days of the filing of the application; (2) the filing of a document in a standardized form for submitting proving documents for application of the grace period accompanied by proving documents with regard to all disclosures of the invention resulting from an act of the right holder are required. There is no requirement to list 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. Applicants may not amend, correct or add any information to these documents once submitted. Failure to list a disclosure.
- 182. In Korea, the mechanism is similar, in that applicants declare their intention to invoke the grace period in the application form, upon filing, and filing "proving

documents" within 30 days, in which case, there is no fee. However, the declaration of intention to invoke the grace period 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. If the invention was disclosed against the will of the inventor/applicant, there is no need to declare this, but at the appropriate time, the applicant must prove that the disclosure was against his will.

- 183. For some, one of the additional aspects of a mandatory declaration would be to help preserve the current paradigm of filing first and disclosing later. It is suggested that if applicants are aware that they must monitor pre-filing disclosures, they will probably pause to think about making such disclosures in a manner which would not occur in the absence of a declaration.
- 184. Muddying the waters of the discussions on mandatory declarations is the fact that some stakeholders make assumptions on the scope of the obligation and the penalties applicable, which are then used to justify a blanket refusal of mandatory declarations in general, whereas each aspect needs to be evaluated individually. For the purpose of the argument, the following sections assume that there would be a mandatory declaration requirement.

b. Scope of obligation

- 185. The extent of the burden on the applicant to file a declaration largely depends on the scope of this obligation.
- 186. The IT3 considers four alternatives: the applicant (1) must inform the office of all pre-filing disclosures; (2) must inform of disclosures of which he is aware; (3) may (should"?) inform the office; or (4) need not inform. This covers a broad range of approaches, but not that existing currently in Japan and Korea. Both (3) "may" and (4) "need not" are covered under Option 1 above, dealing with no declaration or an optional declaration. There is a need to consider the scope of an obligation only where such an obligation exists, ie where a declaration would be mandatory. The three options are presented in decreasing order of burden on the applicant.

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

187. An absolute obligation to inform of any pre-filing disclosures, 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, it is suggested that this would not be a workable rule, as it would tremendously increase legal uncertainty for applicants and would have the potential to render the grace period completely useless, even as a safety net.

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

Agreement within IT3 (Report, Alexandria), Slide 8:

"The obligation should be to list in the statement those disclosures known to the applicant. The qualifier "known" would need to be further defined."

- 188. Some users suggest that the requirement could be limited to those disclosures "of which he is aware", that the applicant should declare pre-filing disclosures "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.
- 189. Moreover, some users urge steering away from any subjective factors such as knowledge or intent, as they cannot be investigated or proven under globally applicable standards, particularly in jurisdictions without discovery procedures.
- 190. Some users have suggested that one way to address this issue in the case of corporate applicants would be to define who is required to submit a statement. If it is the entire corporate entity, expected to list all disclosures of which its' employees, sub-contractors under its control or partners in a joint venture are aware, then these users argue that this would impose an unacceptable burden on applicants. Thus, it has been suggested that the obligation to file a statement could be incumbent on the inventor and the "team" filing the application, similar to the persons in the U.S. who must submit an Information Disclosure Statement. On the other hand, if the obligation is watered down so that there is no need for a corporate entity to attempt to keep track of pre-filing disclosures, this would completely hollow out the intended benefits of the statement.
- 191. User feedback suggests that these and other detailed practical issues pertaining to the obligation to file a statement will need further consideration, part of which will certainly occur in the process of agreeing on the further qualification of the concept of knowledge of the applicant within the Industry Trilateral.
- 192. While a declaration/statement system should allow an applicant or even a patent holder to add to the declaration/statement any pre-filing disclosures 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

- 193. In both Japan and Korea, as seen, the mandatory declaration extends to disclosures of the invention resulting of an act of the applicant or his predecessor in title. This encompasses all disclosures by the applicant as well as those made with his consent. On the other hand, it eliminates any issues regarding redisclosures 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.
- 194. It must be observed that despite the strict application of the declaration requirement, the Japanese and Korean systems do not offer the same level of legal certainty as the EPC, since re-disclosures of the applicant's invention by third parties do not need to be listed by the applicant, but remain graced. In Korea, 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.
- 195. Although this option does not result in a declaration necessarily containing complete information, for any items listed, there is clarity, which is a net gain for third parties. Moreover, if the fact of a prior disclosure by the applicant is listed, this tips off third parties that other disclosures after the date of that prior disclosure 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.

c. Required content of supporting statements

- 196. In Korea, the proving document should include information on the <u>date</u> of disclosure, the <u>person</u> having disclosed, the <u>type</u> of disclosure and the <u>contents</u> of the disclosure. In addition, if required, applicant must prove that the disclosure was made by a person entitled to obtain a patent.
- 197. In Japan, the proving document should include the <u>date</u> and <u>place</u> of publication, the <u>person</u> having disclosed the invention, and the <u>contents</u> of the invention disclosed, in enough detail that the subject-matter so disclosed can be identified. The Operational Guidelines specify in detail the information needed according to some possible types of disclosure.
- 198. Users in favour of a declaration have made varied suggestions regarding the scope of the obligation for the applicant. According to the Swedish AIPPI National Group Report above, the applicant should disclose <u>what</u> has been disclosed regarding the invention prior to filing, <u>when</u> and <u>how</u>. This echoed the AIPPI UK Group, Report on Q233, 2013, (p.8) which suggested that the date and circumstances of disclosure should be declared. If the disclosure was in written form, a copy of the disclosure should be filed with the declaration. If the

disclosure was non-written, then sufficient details to establish how the disclosure took place and what was disclosed should be included.

199. In contrast, the AIPPI Swiss Group (Report Q233, 2013 (p.7) took the view that the applicant should be required to disclose only the respective act or disclosure (and, presumably, its date), without being obliged to disclose the content of the disclosure.

d. Time of filing of declaration/submission

200. With regard to the time of filing of the declaration, the IT3 paper considers 4 alternatives: (1) On filing; (2) Within a fixed time after filing; (3) When the disclosure becomes known to the applicant; (4) Prior to publication of the application. Once again, the following options are based on the assumption that the policy underpinnings of a declaration are accepted.

Option 1: Filing of the application

- 201. Most jurisdictions providing for a declaration/submission require at least the statement that the grace period is intended to be invoked at the time of filing, with certifying documents following later. Some argue that there is wisdom in requiring the indication of a need to invoke the grace period on the application itself: the easiest way would be by providing a box for applicants to tick on the application form.
- 202. It is also argued by some that there should be a provision allowing such a declaration to be made later if need be, for instance, when the applicant only becomes aware after filing of the need to invoke the grace period.

Option 2: Within a fixed period after filing

- 203. 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 has the advantage that difficulties in this regard will not prevent the applicant from filing his application quickly where this is deemed expedient.
- 204. In Japan, proving documents must be filed within 30 days of filing, and they cannot be amended thereafter. In Korea, proving documents may be filed within 30 days of filing, with no fee attached. However, it is permissible to file such documents later, provided an additional fee is paid (see above). In China, supporting statements must be filed within 2 months of filing.
- 205. 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, this will generally 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.

Option 3: Prior to publication

Agreement within IT3 (Report, Alexandria):

The Statement should be filed in time for it to be published together with the application.

- 206. In Alexandria, VA, the Industry Trilateral reported that they agreed that a Statement should optimally be available prior to the publication of the application. Requiring a Statement to be filed prior to publication would be necessary to put third parties on notice of the pre-filing disclosures at the earliest time at which the application can be searched. This is the latest point in time at which applicants could file the Statement whilst still preserving the interests of third parties, so it is understandable that it is attractive to users.
- 207. However, this point in time is sub-optimal from a systemic point of view. If the declaration has to be filed shortly prior to 18-months from filing, this is too late for many offices to benefit from the effect of the declaration and additional work, which would entail 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.
- 208. If this solution prevailed, then thought might be given to follow Korea's example, and provide fiscal incentives to promote an earlier filing of the declaration/ statement by the applicant.

Option 4: Prior to grant

209. In Korea, 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 actions 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. However, this approach entails that many of the benefits of the declaration are lost at the time at which it would be most helpful, for third parties as well as for offices, for which an increase in examination burden would result.

Option 5: Post-grant

210. The policy reasons for waiting post grant to allow a now-patentee to signify reliance on the grace period 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.

e. Consequences of failure to list a disclosure

- 211. The consequences of failure to list a prescribed pre-filing disclosure may constitute the most difficult aspect of the declaration requirement.
- 212. The Industry Trilateral has not been able to reach an agreement on the consequences of not filing a declaration or failing to list an item which should have been declared. It states, however, that a "*key concern is the protection of innocent third party interests*". Some users have specified that their concern is for third parties who believe in good faith that the disclosure constituted prior art and start using the disclosed invention.

Option 1: No sanctions

213. The first possibility is to provide no sanctions. However, this in effect makes the filing of a declaration optional.

Option 2: Loss of rights

- 214. At the other extreme, the second option could be loss of rights, ie, the non-listed disclosure is not graced and forms prior art against the application.
- 215. Proponents of this option argue that this reinforces legal certainty. In Japan and in Korea, where a pre-filing disclosure should have been listed, yet it is not, the consequence is loss of rights. It should be noted that this consequence attaches only to disclosures under the control of the applicant or his predecessor in title, which he would then have the duty to be aware of. Thus, all arguments going to the injustice of loss of rights where there is lack of knowledge of a re-disclosure by a third party or a disclosure in breach of confidence are obviated, since these disclosures do not fall within the scope of the applicant's obligation to declare.
- 216. However, the consequences of a mistake on the part of the applicant are harsh, and due to the fact that re-disclosures by third parties are not required to be listed, this system nevertheless does not result in maximum legal certainty.
- 217. Opponents of this option also argue that where an applicant is new to the patent system or may not have an understanding of patent rules and procedures, a declaration requirement with loss of rights as a sanction may result in the penalization of an applicant that the grace period was intended to protect.
- 218. Finally, from a pragmatic point of view, it must be recognised that a declaration sanctioned by loss of rights is categorically rejected by an important cross-section of users, in both Europe and the US, who have repeatedly called for recognition of the principle that the grace period should apply by operation of the law.

Agreement within the IT3 (Report, Alexandria)

Although there is no consensus on the consequences of non-compliance with the Statement requirement, there is "agreement that financial penalties may be appropriate in certain circumstances".

- 219. Some users who see the benefits of a declaration requirement for third parties and offices nevertheless believe that the declaration should not be a substantive requirement for the grace period to apply. Given the advantages of the declaration for third parties, however, they believe a mandatory declaration could be considered for which only administrative sanctions would apply in the event of non-compliance, such as the payment of additional fees.
- 220. 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.
- 221. It must be recalled that additional incentives to list all relevant disclosures of which the applicant is aware already exist in that search or examination fees are not the only extra cost which will be incurred: an extra response to an office action will be necessary, entailing attorney costs.
- 222. Moreover, this may result in procedural delays so that in offices where it is otherwise the norm, the applicant may not have 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.
- 223. On the other hand, some hold the view that if the declaration's mandatory nature is enforced only by administrative sanctions, it hardly enhances legal certainty. Moreover, in post-grant proceedings, where the grace period is invoked in a revocation proceeding there is no sanction then of the failure to declare graced prior art during prosecution.
- 224. It has also been pointed out that where offices have low fees, imposing additional fees may not be effective in encouraging the filing of a declaration.

Option 4: Other sanctions

225. Other sanctions may be envisaged, such as *eg.* non-enforceability of the patent until the disclosure is listed with the patent office, reduced damages or the granting of intervening rights for third parties having used the invention in good faith, the award of costs in litigation, etc.

226. Such sanctions may have a higher incentive potential to promote compliance but arguably, they would create legal uncertainty for all, probably increase litigation costs, and considerably reduce the grace period's benefits for applicants. Even stakeholders who are in favour of a declaration requirement point out that "strict requirements for declarations may result in more problems than they solve, particularly if there are harsh penalties for not complying with applicable rules" (see AIPPI UK Group, Report on Q233, 2013, p.8).

f. Possibility to correct/expand declaration/submission

- 227. Some users argue that it should be possible for applicants to correct or expand their declaration or submission. Every listed disclosure brings a quantum of legal certainty for that particular disclosure, and is thus a gain for third parties.
- 228. As mentioned above this is possible in Korea, upon payment of an additional fee, up until the earliest of 3 months after either the date of the receipt of the decision granting the patent (date by which the registration fee must be paid for the patent to be granted) or the grant date, whichever is earlier.
- 229. Some argue that it would be desirable and should be possible to add to the list throughout the life of the patent, where additional disclosures, whether prescribed for declaration or not, become known to the patent holder.

g. Conclusion

230. It is suggested that it is in the balance found between the extent of the obligation to list disclosures and the sanctions for failing to comply that a compromise may be achieved on the matter of declarations. [Given the number of existing options, further analysis should take place once the options have been reduced by consultations with users.]

F. Burden of proof

Agreement within IT3, p.6:

"The applicant should bear the burden of proving that a particular disclosure meets the requirements for it to be considered as non-prejudicial".

231. It seems to be generally accepted in all jurisdictions that the burden of proving the non-prejudicial nature of a prior disclosure should lie with the party invoking the application of the grace period.

G. Protection of third parties in good faith

The European perspective

232. At the Tegernsee Hearing held at the EPO in 2013, the European users articulated their own definition of a "safety-net" grace period as follows: a grace

period 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 declaration and with prior user rights available throughout the grace period until the filing or priority date, provided that the grace period was itself internationally harmonised as part of a package comprising both classical first-to-file and mandatory 18-month publication, a result which was confirmed by responses to individual questions in the Tegernsee survey.

- 233. Thus, in Europe, some users are of the view that prior user rights protecting third parties in good faith throughout the grace period form an integral part of the definition of a safety-net grace period.
- 234. Moreover, it would seem that a majority of European stakeholders believe that the benefits to the applicant of the exception to novelty presented by the grace period should be balanced by protections for third parties in good faith. This is as much to achieve an equitable outcome between the parties as well as to create a disincentive to pre-filing disclosure, characterising the grace period as a safetynet: a provision to be used exceptionally in case of mishap or where truly compelling reasons exist for making a pre-filing disclosure.

Other perspectives

235. In this respect, as noted in the Final Consolidated Tegernsee Report (p.27), there appears to be a fundamental divergence between many European users and users in Japan and the United States, who consider that the grace period and prior user rights are two distinct concepts, although in the meantime, it appears to have become more accepted that there is a link between the grace period and prior user rights, as evidenced by e.g. IT3 Paper, pp.7-8, AIPPI Resolution on Q233, 2013, p. 3, AIPPI Canadian Group, Report on Q.233, 2013, p. 6, FICPI White Paper 2013, pp.8-9; FICPI Position on Prior User Rights, FICPI/WP/2015/001, hereinafter "FICPI White Paper 2015".

VI. RELATIONSHIP OF THE GRACE PERIOD WITH THIRD PARTY RIGHTS

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

A. Independent inventors and novelty issues

238. As seen, in Australia, Canada, Japan and Korea, disclosures of independent inventions by third parties occurring prior to the filing of an applicant invoking the grace period constitute prior art against that application.

- 239. 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.
- 240. 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.
- 241. 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).
- 242. 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.
- 243. Thus, under the AIA in the US, there is a modicum of protection for applicants who make pre-filing disclosures. This protection is more limited than that which existed under the First-to-Invent grace period, 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 grace period clauses which exist in the other countries of the Workstream.

B. Independent inventors and prior user rights

- 244. In Australia, Canada, Japan and Korea, independent inventors are able to 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.
- 245. 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 U.S. 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.
- 246. Some argue that the effect of this early critical date is to protect applicants from any risk of prior user rights arising during the grace period.

C. Other parties having used the invention

- 247. This group is often forgotten. It is possible that a third party may have begun using 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.
- 248. It is argued by some that this 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

- 249. The issue of derivation of the invention in good faith from the applicant, however, constitutes the crux of the intersection between the grace period and the rights of third parties.
- 250. 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 pre-filing disclosure 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 becomes 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, potentially up to between 24 and 30 months after it has first become available to the public, depending on whether the grace period has a 6 or 12 month duration. In such situations, where should the risks lie?

Option 1: Protecting the early discloser

- 251. In Japan, Korea 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 risk of the legal uncertainty stemming from pre-filing disclosures on third parties.
- 252. 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 grace period becomes a trap for the unwary.
- 253. It should be noted that users in these jurisdictions appear to support this approach. In the Tegernsee Survey, a majority of respondents to the Japan (67%) and U.S. (59%) surveys were of the opinion that where there was derivation from the applicant, no prior user rights should accrue, even if such

derivation had occurred in good faith. (See Final Consolidated Tegernsee Report, 2014, p. 143). When the Tegernsee Survey was administered in Korea, 83% of respondents shared this view.

Option 2: Protecting third parties in good faith

Agreement within IT3 (Report, Alexandria)

Principle: There needs to be a proper balance of third party prior user rights versus patentee rights.

- 254. As far as the IT3 position is concerned, at the meeting of the Trilateral Heads with the Industry Trilateral in Washington, in February 2016, a slide was shown reporting agreement on the following statement: "Activities based on information independently derived from the applicant, without breach of any duty or agreement, ie innocently, may qualify for a prior user right or a similar right". However, a subsequent communication from one of the participating IT3 associations clarified that it was withdrawing its support for that statement.
- 255. Australia takes the opposite approach to that taken under option 1. Under the *Australian Patents Act 1990*, Sec. 119 (appended), 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 cover 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.
- 256. It can be noted that the FICPI White Paper 2015 considered the Australian provision as a possible model for an international norm, which would be easy to apply in court proceedings, but recommended a broader approach, namely that prior user rights arise not only in the case of independent invention, where "the prior user exploited the invention based on knowledge which was in the public domain at the time the prior user started commercial use or had completed significant preparations for such use"; but also where the prior user derived non-public knowledge from the applicant and started prior use with his direct or implied consent, so that there was no abuse in relation to him.
- 257. A similar approach to that of Australia was also recommended by the AIPLA in its response to the B+ Sub-Group's OPP paper in August 2015: "*Third party activities, prior to the Applicant's filing date or priority date (if claimed) and based on innocent and good faith use of an Applicant's disclosure, may qualify for prior user rights.*"

- 258. In Canada, Sec. 56 of the *Patent Act* provides that every person who, before the claim date of a claim in a patent 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 or the legal representatives of the patentee for so doing. The claim date is the filing date or the priority date if priority was successfully claimed. Accordingly, independent inventions, 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 claim date.
- 259. Prior to joining the EPC, Germany had a grace period, and although the statute did not expressly provide for this issue, the German Federal Supreme Court adopted an approach protecting the third party 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.
- 260. 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 pre-filing disclosure should be borne by the applicant, rather than by third parties. Some argue if a grace period is adopted, the applicant gets a sizeable benefit in being able to patent an invention which is no longer new. If pre-filing disclosures 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 such a pre-filing disclosure, both of which enhance legal certainty for third parties.
- 261. Finally, from the point of view of the general public, it is often argued that one advantage of the grace period is that of early disclosure, which is said to potentially accelerate innovation by making information available earlier. This is only useful to society if incremental innovation is thereby promoted. This will be the case only if third parties in good faith may build upon knowledge freely available to the public without the fear of losing their investments, and are able to make business decisions with a sensible amount of legal certainty. Some have pointed out that the uncertainty issue in relation to the grace period should not be overestimated, as there already is legal uncertainty for third parties due to the fact that for up to 18 months after a disclosure, until the application is published, there will always be a risk that an application has been filed, with no prior user rights accruing. However, others counter that the balancing of interests should be different in the period prior to the filing of the application, and that after 18 months under the current system in Europe, a third party can rely on information being in the public domain. Extending this period of legal uncertainty, by up to 6 to 12 months, which, it has already been pointed out, in some industries is an entire product cycle - is precisely the point which is being discussed.

E. Discussion

- 262. Prior user rights can be argued to be one of the primary features of a "safety-net" grace period. 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.
- 263. The policy pursued by the grace period in Japan, Korea and the U.S., for example, is currently arguably not that of a strict safety-net grace period only. In these countries, 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.
- 264. Moreover, in the US, applicants making a pre-filing disclosure are shielded from intervening disclosures made by third parties of an independently conceived invention covering the same subject-matter, or filing an application first on such independent invention, early disclosure trumping first-to-file in this particular case on the issue of entitlement. These measures offer protection to the early discloser, and shift the risk of the grace period onto third parties.
- 265. Clearly, applicants making early disclosures should be protected from third parties freeriding in bad faith. However, some argue that not gracing independent disclosures by third parties and protecting third parties in good faith who have made use of the invention at a time when the information was freely available to the public and not appropriated are two provisions which balance the private equities between the parties, as well as serve a systemic function deterring pre-filing disclosure and enhancing legal certainty, which is ultimately in the interest of all stakeholders.

VII. INTERACTIONS BETWEEN THE FEATURES OF THE GRACE PERIOD

- 266. It is suggested that it would be fruitful to reflect on possible interactions between the various features of the grace period.
- 267. For instance, some believe that if the balance is properly struck between the interests of the applicant and those of third parties, ie there are adequate prior user rights arising throughout the grace period, a declaration requirement, and third party disclosures are invalidating, then the duration of the grace period becomes somewhat less important, and a 12-month grace period could be envisaged.
- 268. Conversely, assuming the duration of the grace period is 12 months with the intent to benefit applicants, if the balance struck between the benefits to the applicant and the protection of third parties results in a risk for the applicant that he may not fully enjoy the benefits of the grace period due to an intervening publication, an application filed by a third party, or third parties acquiring prior user rights, then a longer duration may actually have the potential to become a trap for applicants. Does a 6-month grace period then become in the interest of both applicants and third parties?

269. If the grace period may be invoked at any time, and declarations, if any, may be amended, does this impact on the importance of the duration of the grace period in any way?

VIII. CONCLUSIONS

270. Below, an attempt has been made to summarise the areas of agreement within the IT3, based on the IT3 Paper, the results of the London Meeting in December 2015, and those of the Washington meeting in February 2016. In addition, areas of convergence between agreed elements within the IT3 and the positions of the B+ Sub-Group in the OP paper are indicated in bold.

A. Areas of convergence within the IT3

Regarding these areas of convergence, the principle of reviewing all elements as a full package expressly applies to harmonisation work within the IT3. Moreover, since the users have expressed the wish that multilateral harmonisation take place on a package of issues, it would be preferable for current substantive efforts at working level within the Group B+ to take place on this basis. However, it should be noted that while several delegations are participating expressly on the basis that nothing is agreed until everything is agreed, some delegations are open to dealing with points separately.

Moreover, it should be borne in mind that the fact that a principle has been endorsed by the B+ Sub-Group does not necessarily indicate that it is unanimously agreed in its present form by all members of the Group B+.

Finally, regarding the IT3, the elements below are subject to a review of all elements as a full package and subject to the final approval by the competent bodies of each industry group organization.

A grace period should apply.

A grace period is an exception to the normal novelty standards and as such should not give rise to any rights.

All disclosures of the invention of the applicant by him (or his predecessor in title) which may potentially form prior art should be graced, regardless of the type of disclosure or its circumstances.

Disclosures made in evident abuse of the applicant, as a result of breach of confidence or theft of information, should be graced.

Disclosures by third parties during the grace period of inventions which have been independently invented are always prejudicial.

The duration of the grace period should be harmonised, and calculated from the filing date, or, where applicable, the priority date* (**It is understood that the*

Industry Trilateral recognises that harmonization of the grace period "can only be achieved if the grace period is calculated from the filing, or if applicable, priority date, but there is no agreement yet".)

The applicant should have the obligation to file a "statement".

The obligation should be to list in the statement those disclosures known to the applicant. The qualifier "known" would need to be further defined.

The statement should be filed in time for it to be published together with the application.

The applicant should bear the burden of proving that a particular disclosure meets the requirements for it to be considered as non-prejudicial.

Activities based on information independently developed qualify for prior user rights.

B. Alternatives where differences remain

Application of the grace period to the publication of an application in due course by a patent office? Yes/No

Status of disclosures by third parties where part of the disclosure is independently developed and part of it derived from the applicant:

- Prejudicial
- Non-prejudicial
- Derived part non-prejudicial and non-derived part prejudicial

Duration: 6months/12 months

Consequence of not filing a statement – with protection of innocent third party interests a key concern:

- Loss of rights
- Administrative sanctions
- Impact on enforcement

Activities based on information derived from the applicant without breach of any duty or agreement, ie innocently, may qualify for a prior user right or a similar right: Yes/No

C. Possible way forward

- 271. Discussions in the margins of the meetings in Washington as well as informal individual comments on the first draft of the workstream document received from users suggest that behind agreement on broad principles within the IT3, there are difficult practical issues which users are struggling to deal with.
- 272. The following issues which are illustrative, not exhaustive have been highlighted by users as potentially benefitting from the creation of scenarios to

determine how the rules contemplated in the current IT3 agreed elements would play out in practice, and where additional considerations may be warranted.

- 273. Regarding the declaration/statement:
 - Who should be responsible for filing the declaration/statement?
 - What is the extent of the obligation of due diligence for the applicant?
 - Where there is re-disclosure of the applicant's invention by a third party, how does the applicant show that this is the case? (Input from Japan and Korea on their national practice might be particularly helpful here.)
 - Assuming that the burden of proof rests on the applicant to show that a prefiling disclosure is graced: where subsequent disclosures are identical, should there be an exception so that the presumption would be that they are graced, even if their origin is untraceable?
- 274. Thought could be given to asking the users to contribute a more complete list of practical issues which would benefit from work on scenarios, which could then be contemplated in a potential further B+ work cycle according to modalities to be determined.

ANNEX: LEGISLATIVE TEXTS

I. <u>GRACE PERIODS IN GPWS MEMBERS' JURISDICTIONS</u>

AUSTRALIA

PATENTS ACT 1990 - SECT 24 Validity not affected by making information available in certain circumstances

(1) For the purpose of deciding whether an invention is novel or involves an inventive step or an innovative step, the person making the decision must disregard:

(a) any information made publicly available in the prescribed circumstances, by or with the consent of the nominated person or <u>patentee</u>, or the predecessor in title of the nominated person or <u>patentee</u>; and

(b) any information made publicly available without the consent of the nominated person or <u>patentee</u>, through any publication or use of the invention by another person who derived the information from the nominated person or <u>patentee</u> or from the predecessor in title of the nominated person or <u>patentee</u>; but only if a complete application for the invention is made within the prescribed period.

(2) For the purpose of deciding whether an invention is novel or involves an inventive step or an innovative step, the person making the decision must disregard:

(a) any information given by, or with the consent of, the nominated person or the <u>patentee</u>, or his or her predecessor in title, to any of the following, but to no other person or organisation:

(i) the Commonwealth or a State or Territory, or an authority of the Commonwealth or a State or Territory;

(ii) a person authorised by the Commonwealth or a State or Territory to investigate the invention; and

(b) anything done for the purpose of an investigation mentioned in subparagraph (a)(ii).

PATENTS REGULATIONS 1991 REG 2.2 Information made publicly available--recognised exhibitions

(1) This regulation sets out:

(a) for paragraph 24(1)(a) of the Act--a circumstance in relation to information made publicly available by, or with the consent of, the nominated person, patentee or predecessor in title of the nominated person or patentee; and

(b) for <u>subsection 24(1)</u> of the Act--a period for making a complete application for an invention if the circumstance applies.

Circumstance--invention shown, used or published at recognised exhibition

(2) The circumstance is that the information has been made publicly available because the invention was:

(a) shown or used at a recognised exhibition; or

(b) published during a recognised exhibition at which the invention was shown or used. Period

(3) The period for making a complete application for the invention is:

(a) if the complete application claims priority from a basic application made within 6 months of the day of the showing, use or publication--12 months from the day the basic application was made; or

(b) if the complete application is associated with a provisional application made within 6 months of the day of the showing, use or publication--12 months from the day the provisional application was made; or

- (c) otherwise--12 months from the day of the showing, use or publication.
 - (4) In this regulation:

"Paris Convention " means the Paris Convention for the Protection of Industrial Property of 20 March 1883, as in force for Australia on the commencing day.

"recognised exhibition " means:

(a) an official or officially recognised international exhibition within the meaning of Article 11 of the Paris Convention or Article 1 of the Convention relating to International Exhibitions done at Paris on 22 November 1928, as in force for Australia on the commencing day; or

(b) an international exhibition recognised by the Commissioner by a notice published in the *Official Journal* before the beginning of the exhibition.

REG 2.2A Information made publicly available--learned societies

(1) This regulation sets out:

(a) for paragraph 24(1)(a) of the Act--a circumstance in relation to information made publicly available by, or with the consent of, the nominated person, patentee or predecessor in title of the nominated person or patentee; and

(b) for <u>subsection 24(1)</u> of the Act--a period for making a complete application for an invention if the circumstance applies.

Circumstance--information read before learned society or published by or on behalf of learned society

(2) The circumstance is that the information has been made publicly available in a paper:

- (a) read before a learned society; or
- (b) published by or on behalf of a learned society.

Period

(3) The period for making a complete application for the invention is:

(a) if the complete application claims priority from a basic application made within 6 months of the day of the reading or publication--12 months from the day the basic application was made; or

(b) if the complete application is associated with a provisional application made within 6 months of the day of the reading or publication--12 months from the day the provisional application was made; or

(c) otherwise--12 months from the day of the reading or publication.

REG 2.2 B Information made publicly available--reasonable trial of invention

(1) This regulation sets out:

(a) for paragraph 24(1)(a) of the Act--a circumstance in relation to information made publicly available by, or with the consent of, the nominated person, patentee or predecessor in title of the nominated person or patentee; and

(b) for <u>subsection 24(1)</u> of the Act--a period for making a complete application for an invention if the circumstance applies.

Circumstance--working of invention for reasonable trial

(2) The circumstance is that:

(a) the information has been made publicly available because the invention was worked in public; and

(b) the working of the invention was for the purposes of a reasonable trial of the invention; and

(c) because of the nature of the invention, it was reasonably necessary for the working to be in public.

Period

(3) The period for making a complete application for the invention is:

(a) if the complete application claims priority from a basic application made within 12 months of the start of the public working of the invention--12 months from the day the basic application was made; or

(b) if the complete application is associated with a provisional application made within 12 months of the start of the public working of the invention--12 months from the day the provisional application was made; or

(c) otherwise--12 months from the start of the public working of the invention.

REG 2.2C Information made publicly available--other circumstances

(1) This regulation sets out:

(a) for paragraph 24(1)(a) of the Act--a circumstance in relation to information made publicly available by, or with the consent of, the nominated person, patentee or predecessor in title of the nominated person or patentee; and

(b) for <u>subsection 24(1)</u> of the Act--a period for making a complete application for an invention if the circumstance applies.

Circumstance

(2) The circumstance is that the information has been made publicly available in circumstances other than the circumstances described in <u>regulations 2.2</u>, 2.2A and 2.2B.

Period

(3) The period for making a complete application for the invention is 12 months from the day the information was made publicly available.

REG 2.2D Information made publicly available without consent--period

For <u>subsection 24(1)</u> of the Act, for information made publicly available in the circumstances mentioned in paragraph 24(1)(b) of the Act, the prescribed period for making a complete application for an invention is 12 months from the day the information was made publicly available.

<u>CANADA</u>

Subject-matter of claim must not be previously disclosed

28.2 (1) The subject-matter defined by a claim in an application for a patent in Canada (the "pending application") must not have been disclosed

(a) more than one year before the filing date by the applicant, or by a person who obtained knowledge, directly or indirectly, from the applicant, in such a manner that the subjectmatter became available to the public in Canada or elsewhere; Inventions must not be obvious

28.3 The subject-matter defined by a claim in an application for a patent in Canada must be subject-matter that would not have been obvious on the claim date to a person skilled in the art or science to which it pertains, having regard to

information disclosed more than one year before the filing date by the applicant, or by a person who obtained knowledge, directly or indirectly, from the applicant in such a manner that the information became available to the public in Canada or elsewhere;

<u>JAPAN</u>

Article 29

(1) An inventor of an invention that is industrially applicable may be entitled to obtain a patent for the said invention, except for the following:

(i) inventions that were publicly known in Japan or a foreign country, prior to the filing of the patent application;

(ii) inventions that were publicly worked in Japan or a foreign country, prior to the filing of the patent application; or

(iii) inventions that were described in a distributed publication, or inventions that were made publicly available through an electric telecommunication line in Japan or a foreign country, prior to the filing of the patent application.

(2) Where, prior to the filing of the patent application, a person ordinarily skilled in the art of the invention would have been able to easily make the invention based on an invention prescribed in any of the items of the preceding paragraph, a patent shall not be granted for such an invention notwithstanding the preceding paragraph.

Article 30

(1) In the case of an invention which has fallen under any of the items of Article 29 (1) against the will of the person having the right to obtain a patent, such invention shall be deemed not to have fallen under any of the items of Article 29 (1) for the purpose of Article 29 (1) and (2) for the invention claimed in a patent application which has been filed by the said person within six months from the date on which the invention first fell under any of said items.

(2) In the case of an invention which has fallen under any of the items of Article 29 (1) as a result of an act of the person having the right to obtain a patent (excluding those which have fallen under any of the items of said paragraph through the publication in the bulletin pertaining to inventions, utility models, designs or trademarks), the preceding paragraph shall also apply for the purpose of applications of Article 29 (1) and (2) for the invention claimed in a patent application which has been filed by said person within six months from the date on which the invention first fell under any of said items.

(3) Any person seeking the application of the preceding paragraph shall submit to the Commissioner of the Patent Office, at the time of filing of the patent application, a document stating that fact and, within thirty days from the date of filing of the patent application, a document proving the fact (in the next paragraph referred to as "Proving Document") that the invention which has otherwise fallen under any of the items of Article 29(1) is an invention to which the preceding paragraph may be applicable.

(4) Notwithstanding paragraph (3), where, due to reasons beyond the control of the person submitting Proving Document, the person is unable to submit Proving Document within the time limit as provided in the said paragraph, the person may submit Proving Document to the Commissioner of Patent Office within 14 days (where overseas resident, within two months) from the date on which the reasons cease, but not later than six months following the expiration of the said time limit.

<u>KOREA</u>

Patent Act Article 30 (Inventions not Deemed to be Publicly Known, etc.)

(1) If an invention of a person having a right to obtain a patent falls under any one of the following subparagraphs, on condition that the invention is filed within 12 months from the filing date, the invention shall not be deemed to fall under any subparagraph of Article 29 (1) when applying Article 29(1) or (2) to the claimed invention.

- 1. When a person having a right to obtain a patent has caused his/her invention to fall under any subparagraph of Article 29 (1): Provided that it is excluded where the relevant application or the registration of a patent for the relevant invention is published in the Republic of Korea or a foreign country pursuant to a treaty or Act;
- 2. When the invention falls under any subparagraph of Article 29 (1) against the intention of the person having the right to obtain a patent
- (2) Any person intending to have paragraph (1)-1 applied shall file a patent application stating the intention and then submit a document proving the relevant facts to the Commissioner of the Korean Intellectual Property Office within 30 days from the filing date.
- (3) Regardless of paragraph (2), where the applicant pays supplementary fee prescribed in the Presidential Decree, it is allowed to submit a document stating the intention to have the paragraph (1)-1 applied or a document to prove relevant facts within one of the following periods.
 - 1. Period for amendment allowed pursuant to Article 47(1);
 - 2. Within 3 months from the receiving date of a copy of decision of allowance pursuant to Article 66 or a copy of a trial decision to cancel a decision of refusal pursuant to Article 176(1) (limited to trial decision which decided registration); Provided that if the date to register establishment of the patent right according to Article 79 is earlier than that within 3 months from the receiving date, it shall be applied.

UNITED STATES

AIA, 35 U.S.C. §102(b)(1)-(2):

(b) [Prior Art] Exceptions.—

(1) **Disclosures made 1 year or less before the effective filing date of the claimed invention.**—A disclosure made 1 year or less before the effective filing date of a claimed invention shall not be prior art to the claimed invention under subsection (a)(1) if –

(A) the disclosure was made by the inventor or joint inventor or by another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor; or

(B) the subject matter had, before such disclosure, been publicly disclosed by the inventor or a joint inventor or another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor.

(2) **Disclosures appearing in applications and patents.**—A disclosure shall not be prior art to a claimed invention under subsection (a)(2) if-

(A) the subject matter disclosed was obtained directly or indirectly from the inventor or joint inventor;

(B) the subject matter disclosed had, before such subject matter was effectively filed under subsection (a)(2), been publicly disclosed by the inventor or a joint inventor or another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor; or

(C) the subject matter disclosed and the claimed invention, not later than the effective filing date of the claimed invention, were owned by the same person or subject to an obligation of assignment to the same person.

II. PRIOR USER RIGHTS

<u>AUSTRALIA</u>

PATENTS ACT 1990 - SECT 119

Infringement exemptions: prior use

(1) A person may, without infringing a <u>patent</u>, do an act that exploits a product, method or process and would infringe the <u>patent</u> apart from this subsection, if immediately before the priority date of the relevant claim the person:

(a) was exploiting the product, method or process in the patent area; or

(b) had taken definite steps (contractually or otherwise) to exploit the product, method or process in the <u>patent</u> area.

Note 1: This section applies in relation to a <u>patent</u> granted as a result of an application filed on or after the commencement of Schedule 6 to the <u>Intellectual Property Laws</u> Amendment Act 2006 (which repealed and substituted this section).

Note 2: <u>Section 119</u> of this Act as in force before the commencement of that Schedule continues to apply in relation to <u>patents</u> granted as a result of earlier applications.

(2) Subsection (1) does not apply if, before the priority date, the person:

(a) had stopped (except temporarily) exploiting the product, method or process in the <u>patent</u> area; or

(b) had abandoned (except temporarily) the steps to exploit the product, method or process in the <u>patent</u> area.

Limit for product, method or process derived from patentee

(3) Subsection (1) does not apply to a product, method or process the person derived from the <u>patentee</u> or the <u>patentee</u>'s predecessor in title in the <u>patented</u> invention unless the person derived the product, method or process from information that was made publicly available:

(a) by or with the consent of the <u>patentee</u> or the <u>patentee</u>'s predecessor in title;

and

(b) in the prescribed circumstances mentioned in paragraph 24(1)(a).

Exemption for successors in title

(4) A person (the *disposer*) may dispose of the whole of the disposer's entitlement under subsection (1) to do an act without infringing a <u>patent</u> to another person (the

recipient). If the disposer does so, this section applies in relation to the recipient as if the references in subsections (1), (2) and (3) to the person were references to:

- (a) the disposer; or
- (b) if the disposer's entitlement arose because of one or more previous applications of this subsection--the first person:
 - (i) who was entitled under subsection (1) (applying of its own force) to do an
- act without infringing the patent; and
- (ii) to whom the disposer's entitlement is directly or indirectly attributable.

Definition

- (5) In this section:
- "exploit " includes:

(a) in relation to a product:

- (i) make, hire, sell or otherwise dispose of the product; and
- (ii) offer to make, hire, sell or otherwise dispose of the product; and
- (iii) use or import the product; and
- (iv) keep the product for the purpose of doing an act described in subparagraph (i), (ii) or (iii); and
- (b) in relation to a method or process:
 - (i) use the method or process; and
 - (ii) do an act described in subparagraph (a)(i), (ii), (iii) or (iv) with a product resulting from the use of the method or process.