REPORT ON THE

EPO CONSULTATION OF EUROPEAN USERS

ON

THE TEGERNSEE STUDIES

AND

THE TEGERNSEE JOINT QUESTIONNAIRE

EUROPEAN PATENT OFFICE

JUNE 2013

EPO Report on the Tegernsee Consultation of European Users

Executive Summary

I. Introduction

In October 2012, four studies on the grace period, 18-month publication, the treatment of conflicting applications and prior user rights were completed by the Tegernsee Experts Group (TEG), whereupon it was decided to gather stakeholder input on the basis of the four studies, in such a manner that data could be usefully compared across regions. The TEG was then entrusted with the drawing up of a Tegernsee Joint Questionnaire (TJQ), to be administered by all the Tegernsee delegations in their respective jurisdictions, as well as with the organising of regional Roundtables or Hearings of users.

The resulting TJQ, to which the EPO added a few questions, was posted on the EPO website from 10 January 2013 until 1 March 2013. It gathered a total of 81 responses, 69 for the grace period survey, 63 for 18-month publication, 52 for conflicting applications and 54 for the prior user rights sections of the TJQ.

At the outset, several methodological caveats are necessary: the sample of users which responded to in the EPO TJQ was small and not representative, the composition of the group being further distorted by the fact that some national user groups responded to the TJQ in their own countries only. Moreover, two segments of European users are vastly underrepresented: SMEs and universities. Thus, this EPO report should not be interpreted as representing an accurate reflection of the positions of all major European user groups. The results of the surveys in DE, DK, FR and UK will complete the picture.

On the other hand, 9 national and supra-national European user associations responded to the EPO TJQ, which are conservatively estimated to represent a total exceeding 10,000 patent professionals throughout Europe and well over 217,000 European companies.

A Hearing of European users was convened in Munich on 21 February 2013, which was attended by 23 participants representing either national or supra-national European associations, as well as several observers from the US, JP and DE.

Thus, even though the data contained in this Report is only indicative of trends and needs to be approached with utmost caution, it is believed that the study has yielded some very interesting data apt to support evidence-based discussions, and it remains, to our knowledge, the largest, most detailed survey on fundamental issues of substantive patent law harmonization.

II. Grace period

Whilst 72% of users stated that they had already faced pre-filing disclosures, the most frequent cause of which was either disclosure in an academic publication or error on the part of the inventor or an employee, for 63% of respondents, the grace period had either never been relied upon, or pre-filing disclosure was an extremely remote occurrence.

In Europe, the grace period remains a controversial issue which polarises European individual users.

A slim majority of 51,8% are in favour of a grace period on principle (39,3% of these with the caveat that the grace period must be defined as a safety net, leaving only the remaining 12,5% appearing to be more flexible). 46,4% of European individual users oppose it.

Of the 9 user associations who participated in the EPO survey, 2 were against the grace period in principle (including a major pan-European user association), 6 national associations were in favour and one did not have a coordinated position.

Finally, in EPO-specific questions, 88% of European users stated that the inventor engaging in pre-filing disclosure should bear the risks associated with such disclosure, and 71,6% of individual respondents and 8 of 9 user associations agreed that mandatory prior user rights were an essential component of a safety-net grace period (the one who did not was against the grace period in principle).

Overall, taking into account the outcome of the Hearing, a majority of European users would support a 6-month safety-net grace period, computed from the priority or filing date, with a mandatory declaration and mandatory prior user rights arising until the priority or filing date, provided this safety-net grace period was itself harmonized multilaterally, within an SPLH Treaty package including a classical first-to-file system and mandatory 18-month publication.

III. 18-Month publication of applications

Although 48% of respondents reported that copying or designing around their invention had taken place in the wake of their application being published at 18 months and only 26% of total respondents indicated having experienced difficulties as a direct result of a competitor opting out of publication at the USPTO, all 8 European user associations who responded to this question as well as 90,7% of individual respondents were in favour of mandatory 18-month publication of applications. During the Hearing of European users, participants were unanimous on this point.

The vast majority of users consider the period of 18 months prior to publication to be reasonable for the applicant (80%) as well as for third parties (72%), and thus well-balanced. 85% of respondents believed that search/examination results should be required to be provided in time for the applicant to be able to make an enlightened decision to withdraw an application prior to publication if necessary, but several commented that in fact, this information was needed by the applicant much before that, *ie,* within the priority year, in order to allow a timely mapping out of global filing strategies.

A total of 66% of respondents do not view the US as "effectively harmonized" with regard to mandatory 18-month publication of applications, and 85% of European respondents would be against the conclusion of a treaty providing for a mandatory grace period, but without a clause providing for mandatory 18-month publication of applications.

IV. Treatment of conflicting applications

The empirical data collected showed conflicting applications are a rare occurrence, with 58% of applicants reporting rates of conflicting applications filed by third parties estimated at 1 per 100 applications or less, and 79% reporting rates of self-collision of 1 per 100

applications or less. Data was also collected with regard to colliding patent families - also characterised as "a very rare occurrence" - and in the majority of cases, the outcome was that patents were granted in different jurisdictions applying different rules with claims of different scope.

Users are quite adamant that the issue of the treatment of conflicting applications should be harmonized as an important (46%), or critical (46%) issue, since it is part of the definition of prior art. Users state that they are prepared to be flexible on this point (79%) and do not expect the difficulties of harmonization of this complex issue to be out of proportion with the potential benefits for users.

The phenomenon of so-called "patent thickets" was explored, defined as "a cluster of patents that may or may not be related or subject to common ownership, and which have claims of overlapping scope." Only 9 or 21% of individual respondents reported having had difficulties with "patent thickets", with the majority of issues arising as a result of patents granted to a single entity, and with the highest number of "patent thickets" being observed in the US. Results appear to suggest that (1) "patent thickets" do not appear to be as prevalent as one would expect given the attention they are given and (2) the perception of "patent thickets" appears to be based more on preconceptions than on actual experience.

A clear majority of users in Europe identify the EPC approach as best practice, with conflicting applications being relevant for novelty only (8 of 9 user associations and 62,8% of individual users). Both the AIPPI and FICPI endorse the EPC approach to conflicting applications, making them relevant for novelty only, without anti-self-collision, as "*the easiest to follow in seeking international harmonization of the rules for treating conflicting applications*".

The vast majority of European users appear to be against anti-self-collision, but some concerns regarding recent case law developments in regard to the application of the priority right in Europe have led at least one national user association to reconsider its position on anti-self-collision as a possible remedy for these concerns. (However, it is too early to predict the ultimate impact of these decisions on European practice, and if the issue is solved, support for anti-self-collision might evaporate).

With regard to the issue of the treatment of PCT applications, a majority of European users during the Hearing were in favour of amending the practice under the EPC allowing PCT applications to enter the secret prior art as of the publication of the applications at 18 months. As far as the TJQ was concerned, only 39,5 % of individual European respondents supported this approach, along with 4 of 9 user associations, showing that the issue remains controversial. Neither of the international user associations having sent additional written submissions endorse this approach.

V. Prior user rights

One of the objectives of the TJQ was to gather empirical data on the importance of prior user rights in practice. The majority of the users reported on experiences within Europe, which does not have a grace period, and thus, where prior user rights do not have the systemic function of being a self-correcting mechanism creating risk for inventors, dissuading them from engaging in pre-filing disclosure, as well as protecting third parties from the consequences of information moving into, and then out of, the public domain.

TJQ results show that the issue of prior user rights does not arise very frequently. The data collected supports the widespread assumptions that the true role of prior user rights outside of a grace period context is to redefine the bargaining positions of parties in a conflict situation, with clear variations in the frequencies of relevance of these rights, across different technological areas.

In terms of best practice, 55,5% of respondents believe that prior user rights should be available to a prior user in good faith having derived knowledge from the applicant, which would enable these rights to perform their systemic function of dissuasion from pre-filing disclosure in a grace period context. However, users complained that the question was unclear, and in the grace period section, 88% of individual respondents and 8 of 9 user associations opined that where pre-filing disclosure occurs, it should be the inventor who should bear the risks associated with such pre-filing disclosure, rather than third parties.

Moreover, during the Hearing, European users supported a radical approach eliminating the inquiry into good faith of the prior user where the invention has been disclosed by the inventor prior to filing in a grace period context, so that the information was at the relevant time clearly in the public domain. This appears to be supported by FICPI, but not AIPPI.

Views on best practice were explored in regard to other features of prior user rights, with 63% of individual users and all 8 participating user associations agreeing that prior user rights should accrue up to the priority or filing date. 75,9% of respondents believe that at least "substantial" preparations should suffice to ground prior user rights. Finally, 92% of respondents oppose exceptions to the prior user right regime.

Taking the issue of prior user rights *per se,* outside the grace period context, many European users believe that prior user rights, before they form the object of international substantive patent law harmonization, should be harmonized within Europe, in terms of their conditions of acquisition, scope, burden of proof, transferability and territorial aspects.

In addition, some users believe that the creation of a prior user right taking effect throughout the market and territorial scope covered by the unitary patent is a fundamental issue which should be addressed.

VI. Conclusion

Although some of the issues and in particular the grace period remain controversial, it appears that a majority of European users could accept an internationally harmonized safety-net grace period including mandatory prior user rights arising until the priority or filing date, as part of a harmonization package comprising also classical first-to-file, 18 months publication and possibly also conflicting applications.

A majority of European users appear to support the harmonization process, and a certain flexibility is apparent with regard to the points addressed by the Tegernsee consultation process. However, in order to better assess the chances of agreeing on a harmonization package and assist in consensus building within Europe, it would be interesting to compare the user data collected in the three regions, to determine the areas and degree of convergence and divergence existing at a global level amongst users in regard to these four fundamental issues, both in general and in detail.

TABLE OF CONTENTS

INTRODUCTION

I. BACKGROUND

1. In 2011, the international landscape of substantive patent law changed significantly, in the wake of the adoption of the Leahy-Smith America Invents Act ("AIA") in the US, as well as modifications to the Patent Law in Japan, pertaining in particular to the grace period provision of the statute. After years of discussions on substantive patent law harmonization, this change in circumstance warranted that the substantive changes thus effected be understood and that a reassessment of the differences between the respective systems take place.

2. At a meeting convened in Tegernsee, Germany in July 2011, Heads and experts from the patent offices of Denmark, France, Germany, Japan, the United Kingdom, and the United States as well as the European Patent Office (the "Tegernsee Group") met informally to launch a new dialogue on the state of affairs concerning international patent law harmonization, and in particular, to foster fact-finding efforts of a nature to increase the mutual understanding of the various systems in Japan, the US and Europe.

3. The initial work entrusted by the Heads to the Tegernsee Experts Group ("TEG") was that of creating a so-called matrix document, which presented in comparative tabular form the patent law and practice applicable to the major issues of patent law harmonization under the amended Japan Patent Law, under the AIA, and under the EPC.

4. In a second phase, the TEG was mandated to carry out detailed fact-finding studies on four issues of particular interest for international harmonization: the grace period, publication of applications, treatment of conflicting applications, and prior user rights, with a view to enabling evidence-based discussions on those issues. [1]

5. In October 2012, the TEG presented its completed studies to the Heads of the Tegernsee Group at a meeting in Geneva. The Tegernsee Heads felt that that it would be appropriate to gather stakeholder input on the basis of the four studies, in such a manner that data could be usefully compared across regions. Thus, the TEG was entrusted with the development of a Tegernsee Joint Questionnaire covering the four above-mentioned topics, and it was also decided that Regional Roundtables or Hearing of Users would be carried out in order to gather input from stakeholders on a range of issues related to the four studies.

[1] Copies of the studies and further information may be found at http://www.uspto.gov/ip/global/aia_harmonization.jsp or http://www.epo.org/news-issues/news/2012/20121108a.html.

II. THE TEGERNSEE JOINT QUESTIONNAIRE

6. The Tegernsee Joint Questionnaire ("TJQ") "negotiated" by the experts of the delegations comprised 66 questions and was completed at the end of December 2012 (see Annex 1).

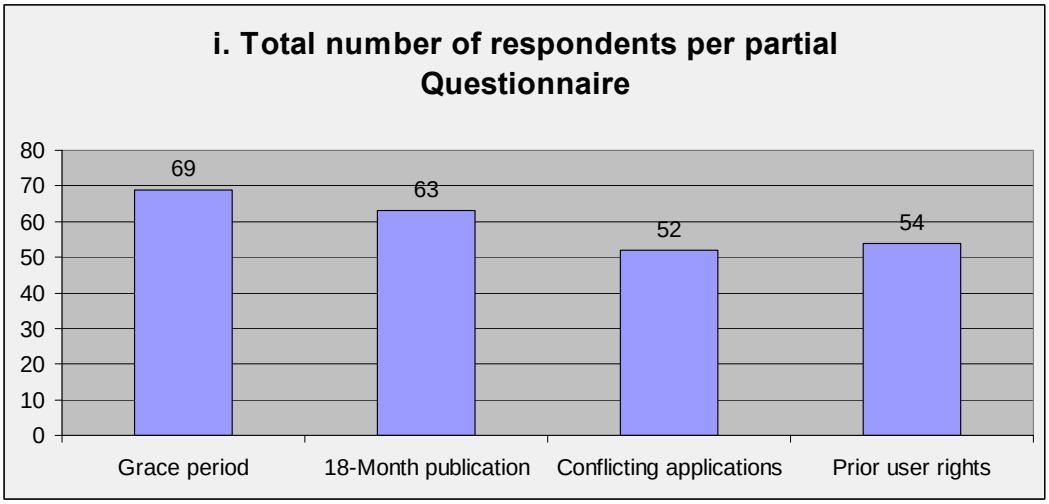
7. The EPO decided to add a further 7 questions, bringing the total to 73 questions, as this option had been expressly agreed at the meeting in October. The resulting TJQ, which was posted on the EPO website from 10 January 2013 until 1 March 2013, was calculated to require a minimum of 60 minutes to be filled out by users well acquainted with the issues involved. Due to initial technical difficulties, the TJQ was available as a Word document which could be filled out offline and emailed to the EPO, then as four separate online questionnaires, on each of the issues, and then, finally, as a complete online questionnaire, which partly explains why there are different numbers of total respondents for each of the different issues.

8. The first methodological caveat which must be pointed out is that, despite the best efforts of the EPO to encourage various groups to participate, respondents were self-selecting, so that as a group, they do not form a representative sample. The composition of this group is further distorted by the fact that some national user groups responded to the TJQ in their own countries only, such as Germany and the UK, so that the EPO report on the user responses it received should not be interpreted to present an accurate reflection of the positions of all major European user groups. The results of the surveys in DE, DK, FR and UK will complete the present picture.

9. The second caveat, is that the following data is based on a sample so small that it can only be indicative of trends, and thus results, (even where they may appear to be statistically significant within the sample), generally need to be approached with utmost caution. Nevertheless, despite these limitations, it is believed that the exercise has yielded some very interesting data.

10. There was a total of 81 respondents altogether, 47 of which answered all four sections of the TJQ. Of those who responded to some but not all of the partial questionnaires, 12 replied to the grace period only; 5 to the 18-month publication only and 3 to prior user rights only, whilst 14 chose to respond to either two or three of the four sections.

11. The grace period questionnaire was the most popular, reflecting the relative importance of the issue, with a total of 69 respondents; 63 respondents filled out the18-month publication survey; 52 provided answers to the substantively more difficult treatment of conflicting applications survey and 54 replied to the prior user rights questionnaire.



12. A total of 9 national or supra-national associations provided the EPO with questionnaires filled out with common positions. As it would not be possible to weight these results appropriately, these results, depending on the issue, will either be analysed separately, or details as to their distribution in regard to a particular issue will be given.

13. The supra-national European user associations were:

- The European Patent Institute (*epi*), which is the institution of the European patent representatives created under the EPC, comprises 10 000 members from 38 European countries, both in Industry or in private practice as patent attorneys.

- The European Federation of Pharmaceutical Industries and Associations (EFPIA), which represents the Pharmaceutical industry operating within Europe. EFPIA has 33 national associations, it is the voice of 39 leading Pharmaceutical companies in Europe, as well as 1900 companies committed to researching, developing and bringing new medicines to patients around the world.

14. National user associations from 5 different countries participated in the TJQ.

- The Confederation of Danish Industry (CDI), the voice of Corporate Denmark, with some 10 000 member companies. Its areas of interest and activities are not confined to IP law.

- economiesuisse, an umbrella organisation regrouping 100 branch associations, 20 cantonal chambers of commerce and as well as over 100,000 individual Swiss companies from all areas of economic activity.

- The Association française des entreprises privées (AFEP)has a membership comprising 104 major corporations operating in France, including practically all those listed in the CAC 40.

- The vno-ncw: the Confederation of Netherlands Industry and Employers has 115 branch organisations organizing 115 000 Dutch companies, including 80% of small businesses and almost all larger corporations.

- The Chartered Institute of Patent Agents (CIPA), the professional body for patent attorneys in the UK, has over 2000 patent attorneys members, and a total membership of 3300 including trainees and other professional members with an interest in IP.

- The IP Federation is a UK trade association representing IP-intensive companies in the UK in IP practice and policy matters. The group has approximately 40 members, including several multinational corporations with head offices located outside Europe.

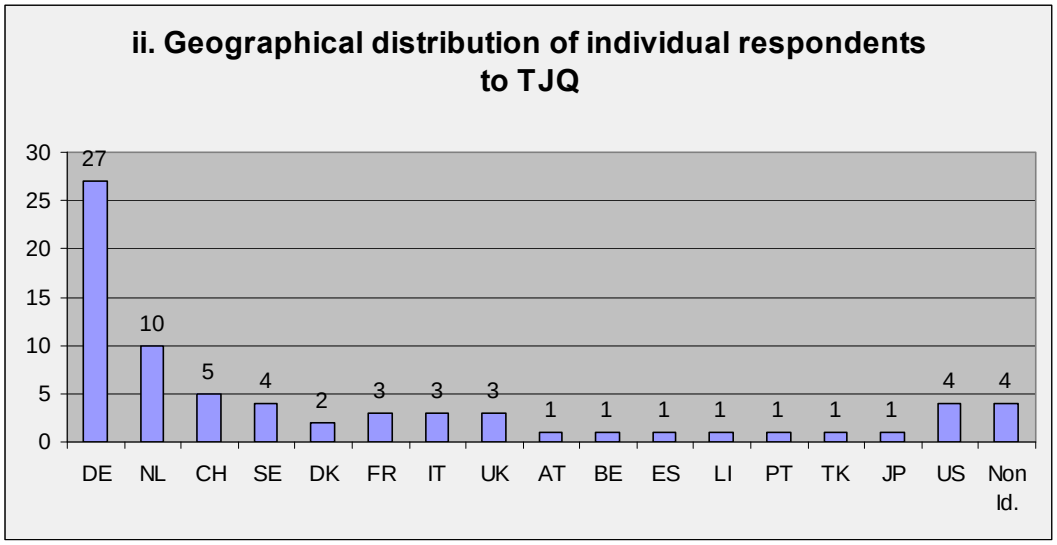
- The Association of British Pharmaceutical Industry (ABPI) represents over 180 research-based biopharmaceutical companies of all sizes in the UK, manufacturers, research bodies and persons with an interest in the pharmaceutical industry operating in the UK. The website states that the members produce 90% of the value of the medicines sold to the UK National Health Service.

15. Thus, a conservative estimate may be made that the aggregate number of patent professionals throughout Europe represented by the above user associations exceeds 10,000 individuals and the number of European companies thus represented in the EPO TJQ report is well over 217,000. Considering both the present report and those of the other European Tegernsee delegations, to our knowledge, this TJQ constitutes the largest detailed regional survey on the 4 SPLH issues in Europe.

16. The geographical distribution of the 72 individual respondents was determined through a combination of elements, and appears to be as follows below. Users from at least 14 EPC Contracting States and two non-European countries (US and JP) responded. The biggest group of respondents were German.

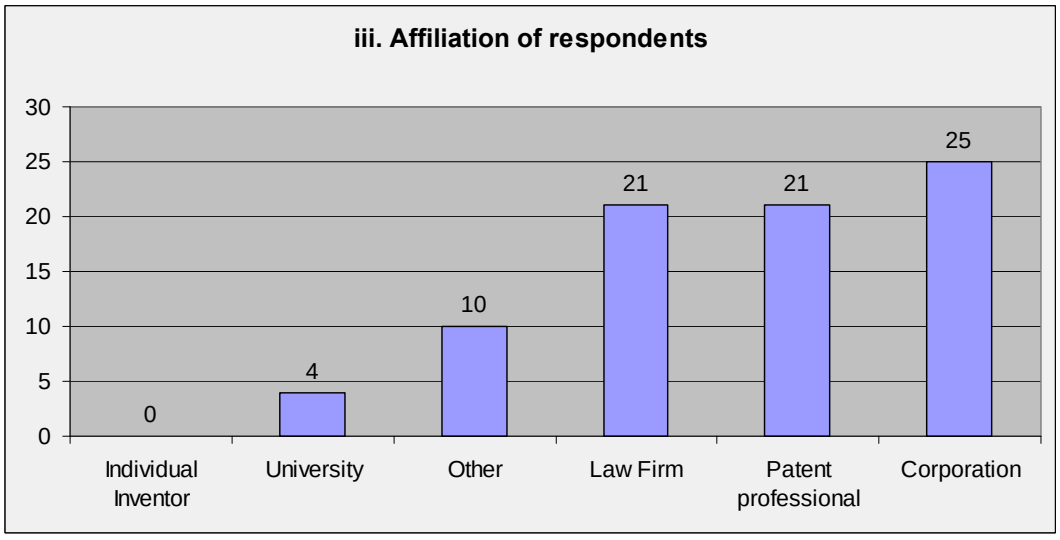
17. The comparatively low turnout of individual respondents from the UK is probably partly explained by the fact that the UK-IPO administered an independent online survey, so that UK users may have preferred to fill out the questionnaire online within their own jurisdiction, as well as by the fact that 3 national user groups submitted coordinated responses.

18. It should be noted that in 4 cases where the users remained anonymous and divulged no personal details, it was impossible to determine the geographical origin of the response, although it could be assumed that they were European as they indicated that Europe was their primary residence and that the EPO was the Office in which they most frequently filed applications. Due to the remote IP address registered by the EPO's systems, it was possible to verify that these were discrete entries which did not appear to be duplicates (as apparent also from the variations in their answers), and they were included in the analyses accordingly.



Note: Total=72.

19. The affiliation of respondents is another element of import in sifting through the feedback of respondents. Overall, large corporations over 1000 employees were well represented in the survey, as well as law firms and patent attorneys.



20. There are two vastly underrepresented segments in the survey. There appears to be only one European SMEs meeting the European definition of being engaged in an economic activity, being autonomous, having less than 250 employees, and having an annual turnover under 43 € million: a small firm within the area of biotechnology. European Universities and Research Institutions are also virtually absent, as there were only three responses from Europe in this segment.

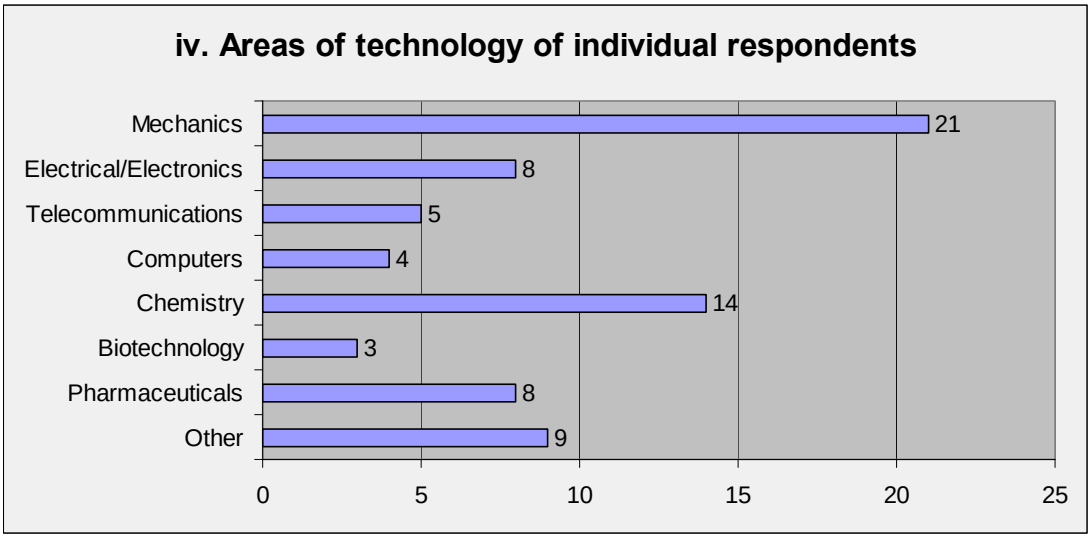
21. From this, we can conclude that the TJQ will mainly show the opinions of either patent practitioners, both pre-and post-grant, as well as the views of Industry, and mainly large corporations.

22. Those who responded "other" were either responding on behalf of European user associations or, in one case, was an IP consultant of considerable experience, without fitting into the category of either being a patent attorney or a lawyer.

23. It is pointed out that the gathering of user responses regarding detailed issues related to substantive patent law harmonization, carried out simultaneously in the three regions of the Trilateral partners, so as to allow the gathering of comparable data, is a unique endeavour, and presents a historical opportunity to obtain both a snapshot of the user's positions at this point in time, as well as an insight into their more fundamental policy motivations and understanding of the function of the rules examined in their respective patent systems.

24. Given the amount of time which needed to be invested in responding to the TJQ, the fact that 81 respondents bothered to participate depending on the issue, and 47 took the time to fill out a complete questionnaire can be seen in itself as showing that there is a considerable amount of interest in matters of substantive harmonization patent law harmonization.

25. The following chart shows the areas of technology in which individual respondents are active.



26. Those respondents who were in the "other" category were either involved in two areas, such as "printing and electronics" or "mechanical and electrical", or preferred to give more precise indications than those available: "automotive industry"; "fast moving consumer goods"; "steel"; and "biomedecine". Two respondents provided no information.Those individuals working in a law firm/patent practice who reported being involved in "all" fields of technology, were assumed to refer to their firm's range of activities. Also worth emphasising is the fact that two user group associations representing the Pharmaceutical industry participated in the survey: EFPIA and ABPI, denoting a high level of interest in the Tegernsee process on the part of the Pharmaceutical Industry in Europe.

27. Whilst some categories of technology are better represented than others, the survey allows an insight into the views of actors in all fields singled out by the Questionnaire.

A final note on methodology: whenever comments were made, an attempt was made to include them all. Where several comments were made which were similar in substance, they were not always included in their original wording, but the number of similar opinions was indicated in brackets.

III. THE HEARING OF EUROPEAN USERS

28. The EPO called a Hearing of European Users, held in Munich on 21 February 2013. In order to obtain the broadest representation within a manageable setting and without further influencing the selection of representatives, the EPO invited the two main supra-national European associations, BUSINESSEUROPE, (a pan-European association representing 41 national business associations whose membership in turn comprises small, medium and large companies in 35 countries) and the *epi* to nominate between 10-12 delegates each, requesting them to arrange for appropriate balanced representation between geographic regions and technological areas. In addition, several national organisations in different Contracting States were contacted and requested to nominate a representative.

29. In the end, the Hearing was attended by 23 participants from Europe representing either supra-national or national associations such as *epi*, BUSINESSEUROPE, BDI, PAK, the AFEP, the MEDEF, economiesuisse, the Confederation of Danish Industry, CIPA and the IP Federation. Observer delegates from the German Patent and Trademark Office, the JETRO representation of the Japanese Government in Frankfurt and the USPTO were also in attendance.

30. The results of the Hearing are reported on an anonymous basis separately for each topic. The list of participants is appended (see Annex 2).

IV. ADDITIONAL WRITTEN SUBMISSIONS

31. Finally, a number of detailed written submissions on the harmonization process and the Tegernsee issues were received by the EPO within the framework of the consultation. They have also been taken on board, and will be reported on below.

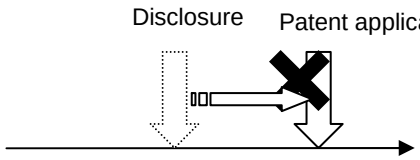
PART I: THE GRACE PERIOD

I. BACKGROUND

32. A grace period is a period of time before a patent application is filed for an invention, and during which time the invention could be disclosed through various means without its novelty being lost, due to the grace period being in effect. Disclosures of this nature are usually referred to as “non-prejudicial disclosures”.

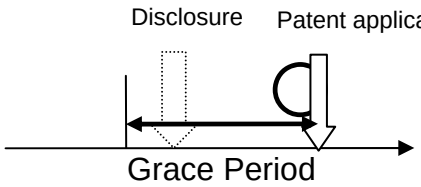
33. Many countries/regions have introduced some sort of grace period in their patent systems, though the grace periods may differ in various ways. The following diagram is an explanation by way of illustration of the basic concept behind the grace period.

《 First-to-file Principle》



The disclosure of the invention prior to filing the patent application becomes novelty-defeating “prior art” against the application.

《 Grace Period》

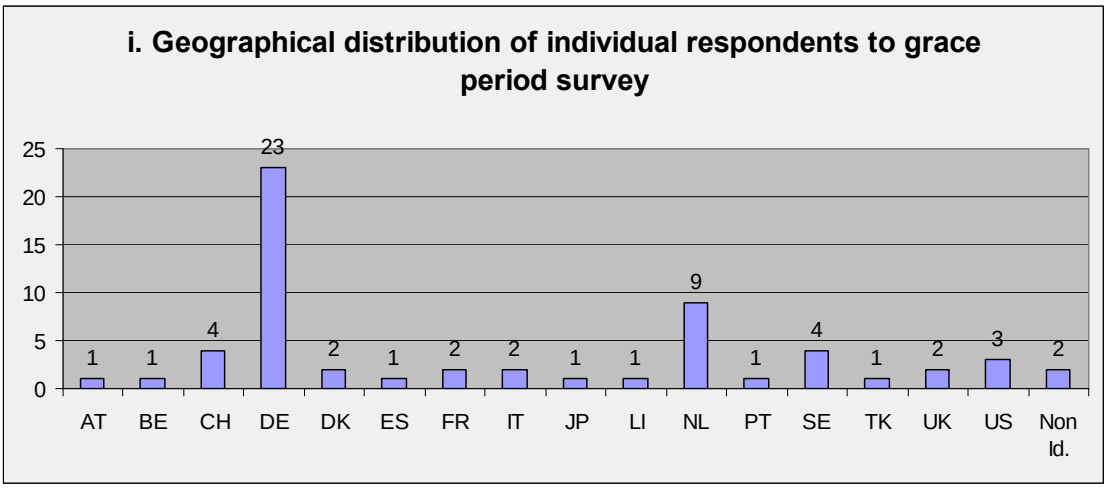


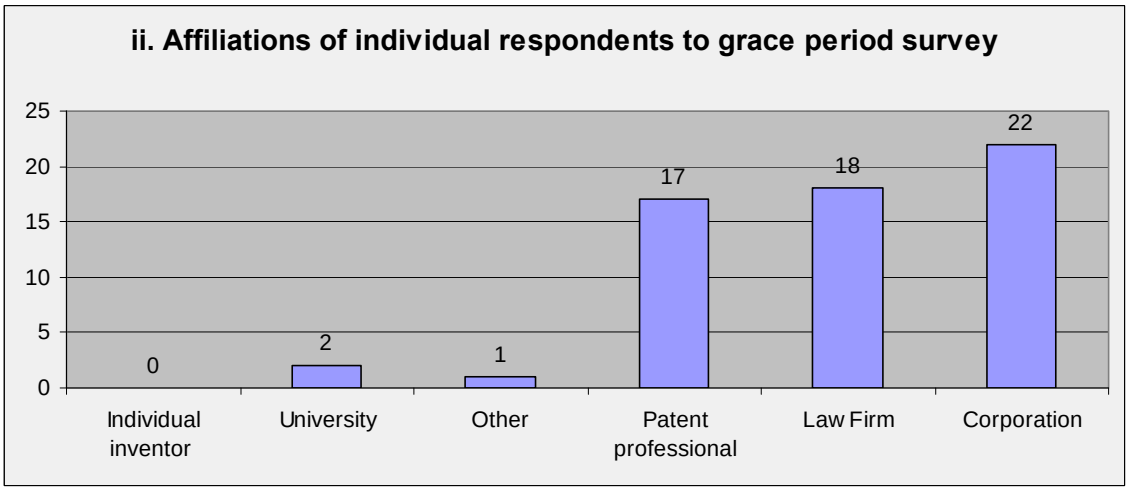
When an application is filed within a certain period of time after the invention is disclosed, the disclosure does not prejudice patentability of the invention.

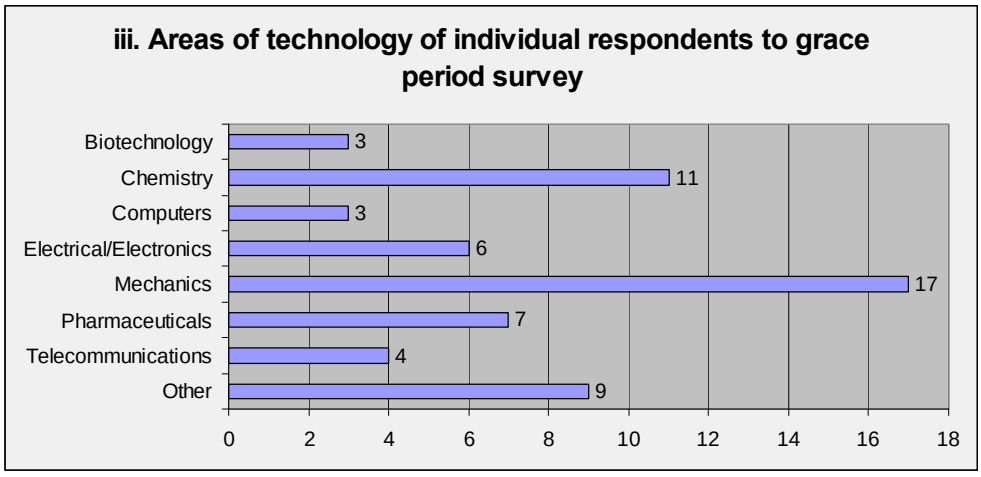
II. RESPONSES TO THE TEGERNSEE JOINT QUESTIONNAIRE

A. INTRODUCTION

34. Given that the grace period is the crux of the harmonization debate, it was not surprising that it was the section of the TJQ which generated the most interest, with 69 respondents, 60 of which responded in an individual capacity. Since the grace period issue is also perceived to be controversial and politically sensitive in Europe, an exact profile of the group of respondents to the grace period section of the TJQ provided.







B. EMPIRICAL QUESTIONS

35. At the outset, it must be emphasised here that the empirical questions on the grace period presuppose the existence of a grace period in the relevant market. Given that Europe does not have a grace period, one would expect European users to have limited experience, given that such experience by definition would occur abroad, and

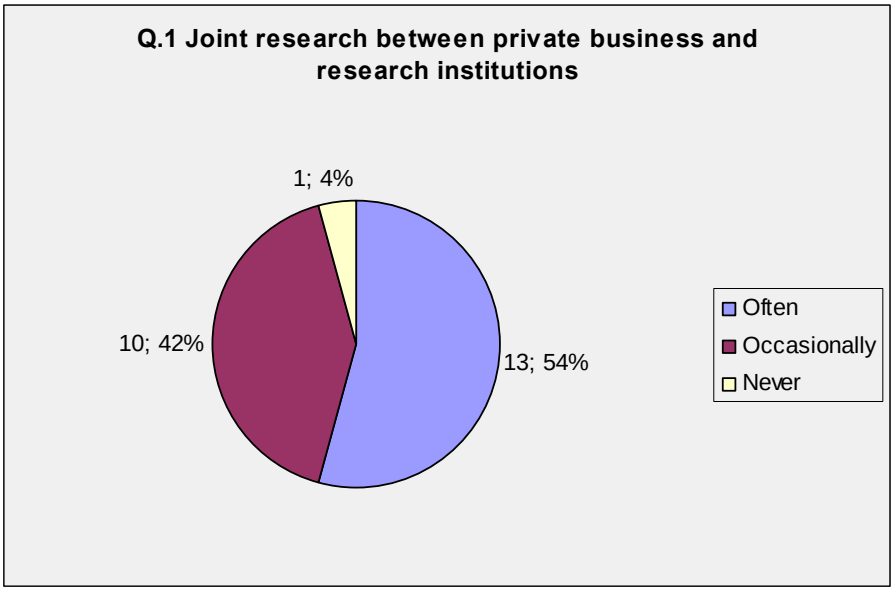
their operations could be expected to be tailored to the absolute novelty requirement existing under the EPC.

a) Joint research activities between private companies/research institutions

36. There is a widespread perception that the requirements of the patent system may not optimally dovetail with the dynamics and needs of scientific research, which operates on an different paradigm based on rapid disclosure of research results, often before their commercial significance or practical potential become clearly apparent. The first question dealt with the level of cooperation between the business and research communities as this may be an important element in the grace period discussion.

37. The question as set was restricted to respondents either affiliated with a business/private company or with a university/research institution. Almost all respondents provided an answer, but below, only those answers collated from the target group (N=24 for this group / 22 corporation affiliations / 2 university affiliations) are reproduced in the chart below. Given the presumed interest of universities/ research institutions in the grace period, it was interesting to note that of the 4 participants affiliated with a university, only 2 filled out the grace period section of the TJQ.

38. Over half the target respondents, 54%, were corporations which stated that they conducted joint research with universities or research institutions "often" (this means that 13 out of a total of 22 corporations, or 59% of corporate respondents in the grace period survey, conduct such joint research "often"). Only one company, in the field of mechanics, indicated never having been involved in such projects. The two university-affiliated respondents reported that they conducted joint research with private business "occasionally".



Note: N=24; Charts show absolute value, followed by percentages.

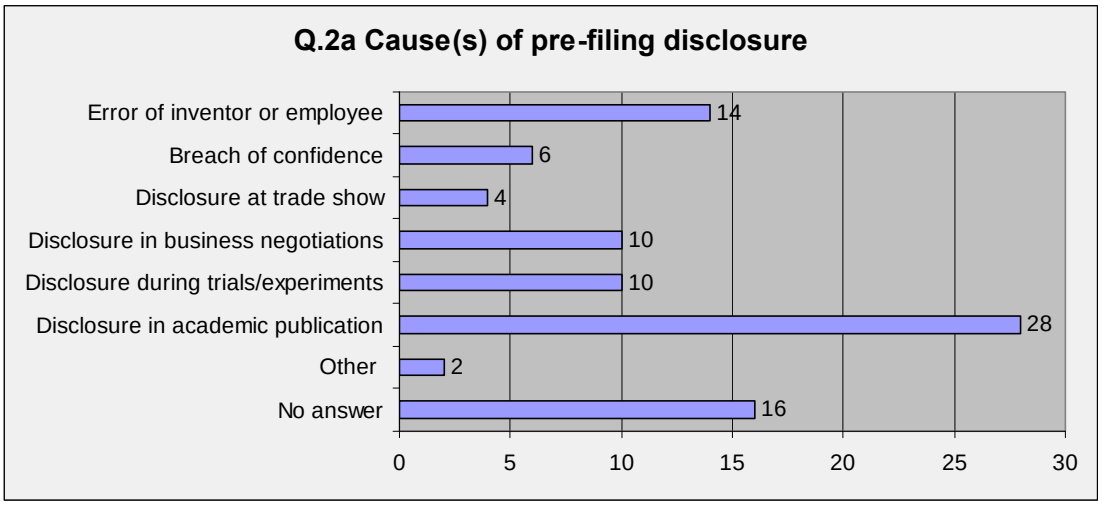
39. These results suggest that there is considerable interweaving between the corporate and the research communities. On the one hand, this may mean that businesses dealing with research institutions in the absence of a grace period may be faced by

pre-filing disclosures by their research partners, resulting in a loss of potential patent rights growing out of such joint ventures. Conversely, however, research institutions working hand in hand with private companies may have a better understanding of the requirements of the patent system, which in turn, could be suggested to minimize such events leading to loss of patentability.

b) Pre-filing disclosures: frequency and causes

40. Over 72% (50) of respondents stated that they had already felt the need to file a patent application after a disclosure of the invention at hand had occurred, whilst 16.6% (10) denied ever having been in that situation. (Three replied that the issue was not applicable to them and 6 provided no answer. Some of the user associations were amongst the latter group, but others did respond to the question.)

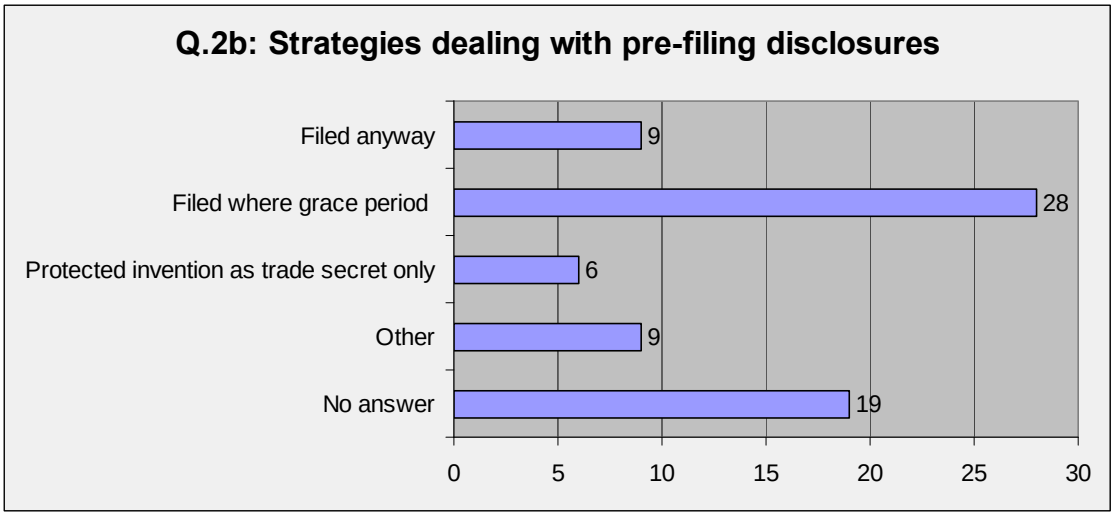
41. Respondents having replied that they had been faced with a pre-filing disclosure were asked to specify the cause of that event. Multiple responses could be made. Pre-filing disclosures occurred primarily as a result of either a disclosure in an academic publication or an error on the part of the inventor or an employee, followed by public trials or experiments, or disclosures during business negotiations (presumably not subject to obligations of confidence). Interestingly, theft or breach of confidence was reported by only 6 of the 50 users which had stated that they had faced a pre-filing disclosure. The results are shown in the chart below.



Note: Multiple answers possible.

c) Strategies in dealing with pre-filing disclosures

42. Once an invention has been disclosed prior to filing, the strategies adopted by European users to deal with the issue were varied, but as pointed out by some users, depended entirely on the particular circumstances of the case (Q.2b).

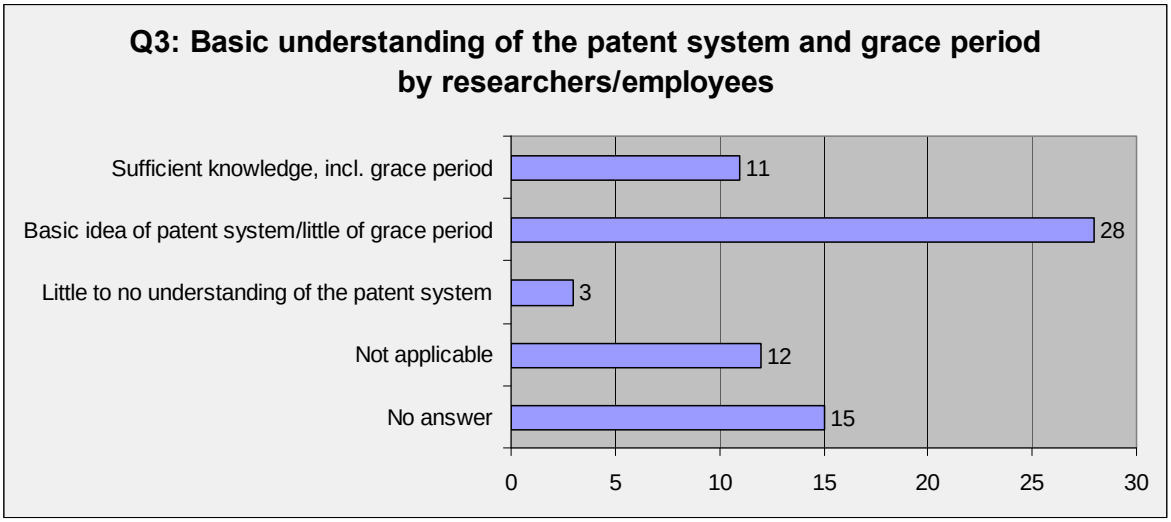


Note: Multiple answers possible.

43. Some users reported having applied each approach mentioned in the TJQ at one time or another. Several users observed that filing anyway in Europe usually meant filing with claims of a different scope than in those jurisdictions where a grace period existed. It was also pointed out that trade secret protection was often not an option, given the nature of the invention, so where no filing occurred, users had to settle for mere freedom to operate. Finally, 3 users mentioned that in such cases, they had applied for a German utility model instead, given that a 6-month grace period applies in Germany for utility model protection, (see § 3, Abs. (1), third sentence, of the German Utility Model Act),, despite the fact that it only offers a term of protection for 10 years.

d) Basic understanding of the patent system and the grace period

44. Given that the argument is often heard in Europe that the grace period remedies situations which might be avoided with a better education of innovators regarding the fundamentals of the patent system, the next question gauged the perception of respondents in terms of their own understanding of the patent system and the grace period, as well as those of their researchers/employees as appropriate (Q.3). Results show that this argument appears to have merit.



e) Reliance on the grace period

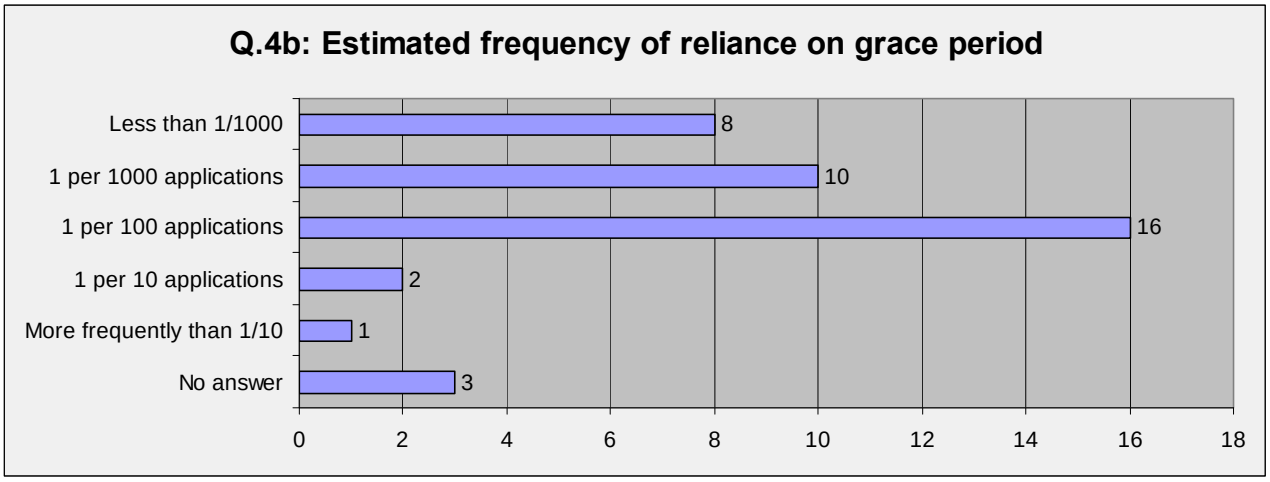
45. Respondents were asked whether they had ever invoked the grace period (Q.4), obviously in another jurisdiction. Individual participants responded (N=60), with 40 or 66,7% reporting that they had relied on the grace period in the past, and 18 or 30 % never having done so (2 gave no answer). The group of respondents having relied on the grace period came from a broad spectrum of European countries (15 of the 40 individual respondents were German), and included all but two of the participating corporations.

46. Of the 40 respondents having invoked the grace period, 26 reported having filed in the US, 12 opted for DE utility model protection, which enjoys a 6-month grace period, 5 filed in JP, and 4 gave no details. In addition, filings in AU, CA, KR and invoking Art. 55 EPC (apparently successfully in front of the Examining Division at the EPO) were mentioned by one respondent each. One respondent indicated filing in BR, KR and MX, in addition to the US. Only two respondents, both emanating from the field of Pharmaceuticals, indicated trying to patent in all countries with a grace period where this became necessary (Q. 4a).

47. The data regarding the frequency of reliance on the grace period needs to be handled with caution (Q. 4b). Of those having relied on the grace period and provided information regarding such frequency (N=37), 48% regarded this as an extremely remote occurrence, with 27% stating that they had needed a grace period once per 1000 of patent applications, and a further 21,6% stating that the frequency was even less than that. Three respondents asserted having relied on the grace period, but then did not provide any details. On the other hand, the biggest group of respondents were the 16 (or 43% of those who had relied on the grace period), who stated that the grace period was an issue for them in for one application in a hundred. However, calculated over the total individual respondents to this section of the TJQ, this translates into 16 out of 60 respondents, for a total of 26,7% overall. By comparison, for 63% of respondents, the grace period has either never been relied upon or has been a factor in an infinitesimally small number of cases.

48. There are several reasons to mistrust the empirical data of the survey in this particular area. First, if one correlates the data regarding number of applications filed annually in the main office of filing, and the assertions regarding the frequency of relevance of the grace period, one finds on the one hand, a surprising number of respondents who are able to discern from a low single digit aggregate of annual applications a frequency of relevance of the grace period of once per 100 applications, or even once per 1000 applications. This would suggest that this number is based on perception - or belief - rather than on solid empirical data, as a single occurrence would catapult such a respondent into one of the high-frequency ranges.

49. On the other hand, it is interesting that the proportion of respondents having expressed a preference for the grace period in principle (as per Q. 9 TJQ, see below) was roughly the same in the three larger groups of responses (68% of those estimating a frequency < 1/1000;60% of those reporting 1 per 1000 and 62% of those reporting 1 per 100 respectively, were in favour of the grace period).Thus, there was no tendency to report a higher degree of frequency of need for reliance on the grace period if the respondent was in favour of it. It can be observed that the three who reported frequencies on the higher end were all in favour of the grace period.



Note: N=40

50. Users commented generally that such reliance on the grace period was extremely rare, which is not surprising, given that for Europeans, their primary market does not have one.

- "We as a rule do not rely on the grace period but have taken advantage in US in certain circumstances"

- "It rarely happens that you need it, but if you need it, it is always a critical, very important case."

- "SMEs are testing new products in markets before industrializing the product. Mostly there is no possibility to test outside of market under real conditions and with acceptable costs for testing equipment."

- *"This happens among my inexperienced clients about once every two years."*

- *"In about 35 yrs in practice I can reasonably estimate having handled something around 3500 patent cases. Cases where I relied on GP can be counted on - one - hand."* (Patent attorney)

f) The grace period as a contributory factor to success

51. Respondents who replied that they (or their clients) had relied on the grace period in the past (N=40) were asked whether there had been any specific instances in which their reliance on the grace period had directly led to the success of their business and/or research activities or been a particular contributing factor thereto (Q.4c). A majority did not feel that this had been the case (22, or 55% of those having relied on the grace period). However, 15 respondents felt that the grace period had been instrumental in their business/research activities success (37% of those having relied on the grace period, or 25% of individual respondents overall, since appropriately, none of the associations replied to the question).

52. Respondents were then asked to provide additional details or explanations as appropriate for their answers. Those who replied that the grace period had not been instrumental to their or their client's success stated that: "*No, in the end, the cases involved turned out to be of minor interest*"; that as a European multinational corporation, they depended on the grace period in approximately only 1 out of 500 cases, and "*the success of our business does not depend on the grace period*"; "*Because the geographical coverage available through reliance on the grace period is very limited, the business impact of such a protection is necessarily limited*"; "*No, the concerned patent family has not been subject to disputes*"; "*I do not know the commercial fate of the various inventions in which a grace period was involved*"; and one large multinational did not respond to the question as to whether the grace period had been a factor in their success, stating that they considered such information to be "*commercially sensitive*".

53. On the other hand, of the 15 respondents who claimed that the grace period had been the cause of or a particular contributor to their success, one stated that: "*Filing a patent application in the US considerably helped extending the sale of the product to the US market*"; "*the patent thus obtained resulted in licence fees, the country offering a grace period was an important market concerning the invention (product)*"; and one large multinational corporation stated in this context that they often relied on the grace period.

g) Procedures involved when invoking the grace period

54. Where respondents stated that they had relied on the grace period (including in Japan, where the law provides for a mandatory declaration), 31 out of 40 responded that they had had no problems of a procedural nature in invoking the grace period (Q.4d). They stated that claiming the benefit of the grace period was easy in the US, but also in other jurisdictions such as KR and RU. Six respondents left the question unanswered.

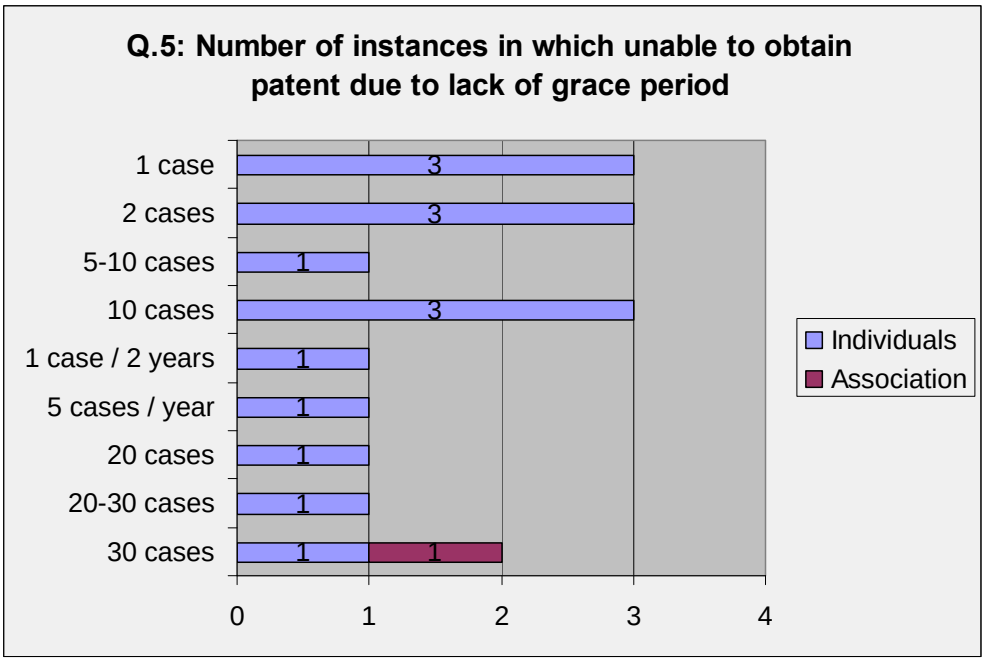
55. Three users, however, indicated that they had indeed experienced some difficulties, and all of these had occurred in the US. One user reported that in case of prior scientific publication, the authors and inventors of the later patent application might not have been identical, authorship of such a paper not being necessarily co-extensive with inventorship, so there had been a need to provide affidavits, which had involved a lengthy process to resolve the issue of entitlement to invoke the grace period with the USPTO.

56. This was echoed by another user, who stated that in the US, there had been difficulties with proving that the inventor in the application was identical to the author of the earlier publication. A third stated: "for the US the grace period is only applicable if the earlier publication is from the same inventor(s). I had some trouble in showing that the other authors on that paper were not inventors". It may be surmised that these difficulties will not disappear under the AIA, since the inventor whose invention was first disclosed is that entitled to claim the benefit of the grace period.

h) Absence of grace period resulting in lack of patent protection

57. Respondents were asked whether there had been an instance in which they or their clients were unable to obtain a patent because a grace period was not available (Q.5), 21 respondents, or 30,4% responded that they systematically filed prior to disclosing, and that they had never had a problem. Another 42 or 60,8% responded that they or their clients had already found themselves in that situation, whereas 6, including 5 associations, did not provide any input.

58. Respondents were requested to explain their answer and include the approximate number of instances in which they were unable to obtain a patent due to the absence of a grace period. The numerical responses received are collated below:



59. One NL patent attorney specialised in the field of mechanics reported that this had happened to his clients approximately 200 times in 15 years, affecting mainly individual inventors in the Netherlands who were ill informed in patent matters and did not know the law.

60. One multinational corporation against the grace period in principle, which reported having been unable to obtain patents due to prior disclosure in the absence of a grace period, provided this comment: "*We only extremely rarely see a need to rely on the grace period. If novelty was lost by mistake, no patent protection could be obtained in most of the world. But that is OK. If there were no grace periods, fewer mistakes would be made; the system would be easier to understand.*"

61. Many respondents had experienced situations where they were unable to obtain patents due to the absence of a grace period, but could not cite the number or frequency of occurrences, although some specified that this was "rare". One large corporation stated: "*We do not track these instances. We file broadly worldwide, so any premature disclosure means no patent in most countries outside US and possibly JP. In some countries, this has a more severe impact than in others, e.g. in our major markets in Europe or in China.*"

62. Another European corporation reported that "*the non-availability of a grace period has very limited impact – if at all – on [our] overall business due to the rare occurrence of the need for a grace period patent filing*." On the other hand, as stated by a US multinational corporation, "We file often in the EPO but can't after a disclosure. It is unfortunate because of the importance of the EPO".

63. Finally, one organisation stated that they were aware of 30 particular cases within their membership, mainly in DE and at the EPO.

64. It can be observed that, of 42 respondents claiming to have been in the situation of not being able to obtain a patent due to the absence of a grace period, only 15 produced actual figures or frequency estimates on this point. Should this occurrence have had devastating consequences on the business of the inventor, one would have expected rather more vivid recollections of the incident. Finally, the numbers cited show indeed, that the absence of a grace period in Europe has had consequences for users in an extremely rare set of circumstances.

65. This, one could argue, shows that the EPC works very well without a grace period, and cannot be considered user-unfriendly as a result of present rules. On the other hand, clearly, the existence of jurisdictions such as China and Europe, without a grace period, change the paradigm under which global players operate. The absence of a grace period in those two major jurisdictions leads to the legislation in other jurisdictions with a grace period, such as Japan and the US, not unfolding its full intended policy effects for users within those jurisdictions, as for global protection to arise, filing first, prior to disclosure, must be adhered to. A corollary of this is that the present level of legal security in the jurisdictions where a grace period exists, is also positively impacted by the existence of non-grace period jurisdictions. In a nutshell: no one knows how the grace period effects really play out in the 21st century, since no global player adopts a policy of disclosing first and patenting later.

i) Different patenting outcomes due to lack of grace period harmonization

66. The sub-group of participants who answered "yes" to the previous question (Q.5), were asked whether they had experienced instances of being able to obtain a patent in one country, but not in another, as a result of the lack of a grace period. Thus, only 42 respondents answered this question (Q.5a). The vast majority, 36 or 85,7% of this sub-group (or 52% of the overall respondents) replied that they had indeed obtained a patent in one country and been precluded from obtaining protection in another.

67. In terms of explanations and details, there were more anecdotal references than firm numbers. Nine respondents reported having patented in the US, but not in Europe, 5 respondents stated that they had patented in the US and JP (in one case, CA was also mentioned). One respondent stated that patents had been obtained in both Europe and the US, but with different claim scopes. Four users reported having filed for utility model protection in DE (taking advantage of the 6-month grace period for utility models) to palliate the lack of grace period in Europe at least for the German market.

68. One respondent added that "*Patents in these cases were obtained only in the US because it is an important country for the business and it is easy to benefit from the grace period.*" Another reiterated that reliance was placed on the grace period only in rare cases, and in most of these instances, the client was primarily interested in the US market anyway, so that the existence of a grace period was not the deciding factor.

69. Another respondent reported "*We sometimes pursued patent protection for the US only while no protection was possible anymore elsewhere. But such cases mostly happened because US colleagues were not aware that they only had such escape for the US and therefore allowed the loss of novelty to happen*."

70. Most respondents did not offer an estimate of the number or frequency of such occurrences. One estimated the amount of cases to be "about 5-10 (out of 200-500)". One user association stated (as in the answer to the previous question), that they were aware of approximately 30 cases within their membership.

71. Six respondents, (or 14,2%) said that they had not gone on to patent in some countries and not in others. As one participant explained: "*Since Europe is the main market for my clients, clients do not bother spend money on drafting a patent application which can only be filed outside Europe in countries where a grace period is available.*" One practitioner reported having a case where the obtaining of a patent in the US would have been possible, but "*the client did not want to*". One user reiterated that his company did "*not track these instances. Depending on the invention, we often decide in cases of premature disclosure to give up patenting and have only freedom to operate. For very important inventions we have filed for patents in the US only*." One user remarked that at his company, "*Decisions are not made "but for" the grace period"*.

72. Another respondent stated that there might have been occurrences where they had been able to obtain a patent in the US but not in Europe (due to the lack of a grace

period) or in China or other countries, due to different prior art requirements and/or a different grace period time length, but due to a high level of IPR awareness within their company, reliance on the grace period was extremely seldom (in the order of 1 per 500 patent applications), and summed up the ambition of the company as "*to secure all valuable inventions by an early filing of patent applications and to be best prepared for the very rare occurrences where usage of a grace period is needed to obtain patent protection.*"

j) The grace period as a factor in strategic business/research decisions

73. Respondents were asked whether the unavailability of the grace period had been a factor for them (or their clients) in making business and/or research decisions beyond those associated with a particular invention (Q.6). A majority, 44, replied in the negative, another 10 did not respond, and only 15 or 21,7% of the total respondents, replied that the unavailability of a grace period had constituted a factor in strategic business or R&D decisions.

74. One respondent for whom the grace period was a factor in business and/or business decisions indicated: "*Yes, the loss of the possibility of protection in a sufficient number of markets can undermine the potential of a project and de-prioritise it*" . Another answered: *"I suppose that the lack of availability of a European patent has altered the business or research decision of my client(s), but I do not have a specific example"*. One emphatic reply on behalf of a practitioner's clients was: *"For private inventors, if they have no protection for their invention, they cannot sell it"*. Another practitioner was pragmatic, observing that: *"If a product promises to be successful, it will be marketed with or without a patent in Europe. However, the competition will be more disturbing without a patent."* Finally, one user observed that where a pre-filing disclosure occurred, his client could only get a 10-year utility model protection for DE when in fact, the markets he was interested in were: AT, CH, DE and FR.

75. However, most users made no comments. Amongst the majority of respondents who attested that the grace period was not a factor in strategic decisions, one user association stated that "*It does not appear to be a common problem for our members*", another replied "*Again, the figures are so low that I am unable to draw any conclusion"*. At least 7 respondents reiterated comments made in the earlier questions of the survey, offering arguments along the lines of: *"In general, we have implemented strict and diligent publication release processes as well as trainings for the business to minimize premature disclosures and avoid having to rely on the grace period"*, and stating that they generally file prior to disclosure, so that grace period availability is not really relevant to the types of strategic innovation or business decisions referred to.

k) Reliance on the grace period by a third party

76. Respondents were asked whether there had been instances where reliance by a third party on the grace period had negatively affected their (or their client's) business and/or research activities (Q.7). The proportion of affected parties here was commensurate with the response to the previous question: 12 or 17% responded that

this had been the case, whereas 47 participants (or 68%) stated that they had never been negatively affected. Ten participants did not respond.

77. Once again, anecdotal evidence was sparse. One user recalled being negatively affected *"because competitors were able to get a US patent despite their publication. This meant that different business strategies needed to be designed for the US and Europe"*. Two respondents reported being affected in Germany under the Utility Model regime as well as in the United States. *"The limitation to freedom to operate in such important markets can have an influence in freedom to operate decisions at the regional or global levels."* Another user stated that *"The situation in the US under first to invent including its effective grace period led to serious difficulties in assessing freedom to operate. We often had to apply more restraint than was justified by the contribution of that 3rd party patent."*

78. Another participant in the survey explained that *"a composition was publically disclosed by regulatory authorities prior to the priority date of a third party application. The patent was granted in many jurisdictions, but apparently, the presence of a grace period led in some jurisdictions to the grant of a broader claim scope. Comparing the scope [granted] in countries with grace period provisions, it seems that the applicability of the grace period in this instance was also handled differently by the patent offices in those countries. In consequence, our options to launch our own generic product are currently affected in some countries. An additional level of uncertainty emanates from considerable doubts whether the grace period was always invoked rightly in these countries.*"

79. Only one respondent provided an estimate of the number of instances where reliance on the grace period by a third party resulted in a negative impact for his clients - a German practitioner who reported 10 instances of disturbances of this nature. He indicated that these negative consequences occurred after the grant of a patent to another party but before any litigation regarding the validity or infringement of that patent. It was the only response to the sub-question regarding the stage at which such consequences arose (Q.7a).

80. Otherwise, it is obvious that the majority of the users who responded to the TJQ perceive that, under the present regime, where global players do not make use of the grace period due to its absence under the EPC and in China, the grace period is used so rarely that its effects are barely noticeable. As stated by one: *"The use of grace period is rare and patent conflicts of our clients are rare. I have not been involved in a patent conflict where the patentee had to rely on the grace period."*

C. POLICY ISSUES

a) Importance of the grace period

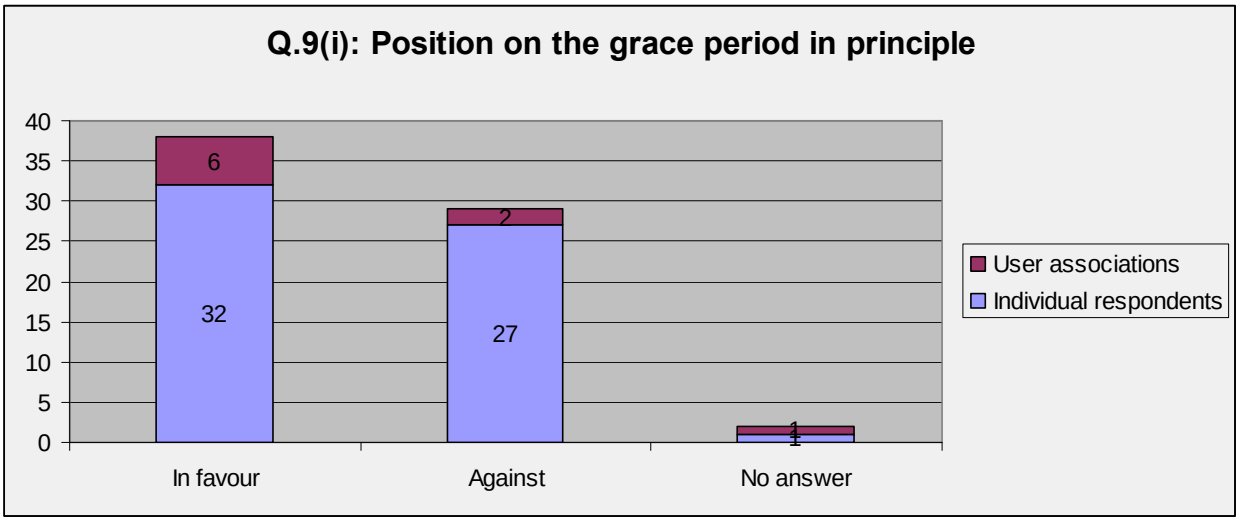
81. The majority of respondents (39 or 56,5% of total participants) believe that the grace period is an important feature of patent law, (28 or 40,6%) think that it is not (Q.8). The evaluation of a grace period as an important feature of patent law was closely correlated with the response to the crucial question of the questionnaire, as to whether the respondent was in principle in favour of the grace period (Q.9). Where

the grace period was perceived as an important feature, the respondent tended to be in favour of it, and when it was not, the respondent was almost always against it.

b) The principle of a grace period

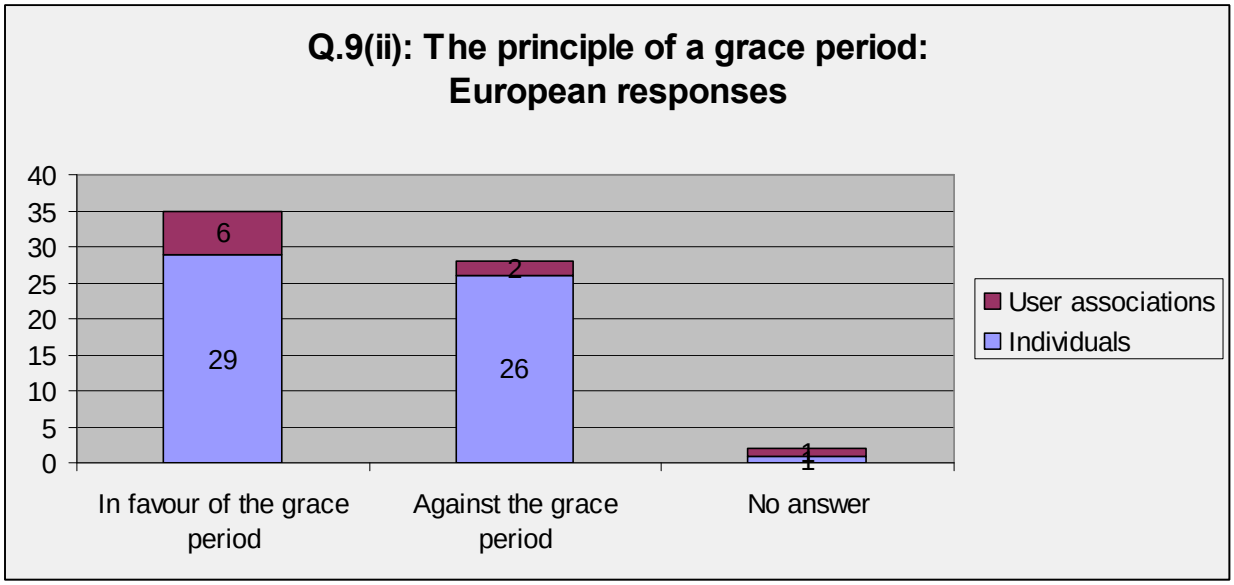
82. Question 9 of the grace period section of the survey represents an essential issue: whether respondents are in favour or against the grace period in principle. Due to the importance of this issue, the data is analysed in several different manners. These do not purport to be authoritative results, given that the sample of the survey is not representative. Nevertheless, the data represents a snapshot and gives us some indications of the current position in Europe today.

83. Of the 9 associations which participated in the survey, 2 were against the grace period in principle (but this included a major pan-European user association), 6 national associations were in favour and one did not have a coordinated position. Of the individual overall respondents, 53,3% were in favour of the grace period in principle, and 45% against.

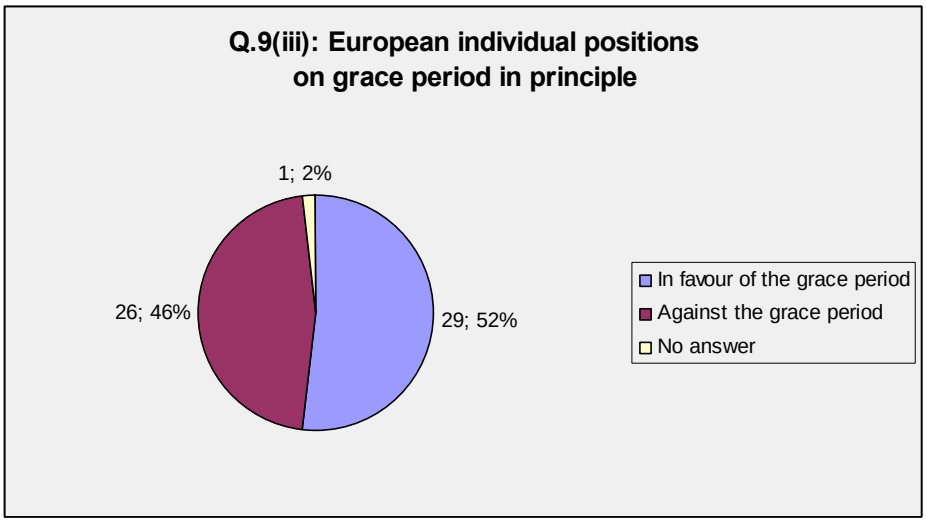


Note: Chart includes all respondents N=69.

84. The following chart represents the response of European respondents (N=65). Of the foreign respondents, unsurprisingly, all the US participants in the survey stated that they were in favour of a grace period in principle. Interestingly, one Japanese respondent (Corporation) reported being against the grace period.

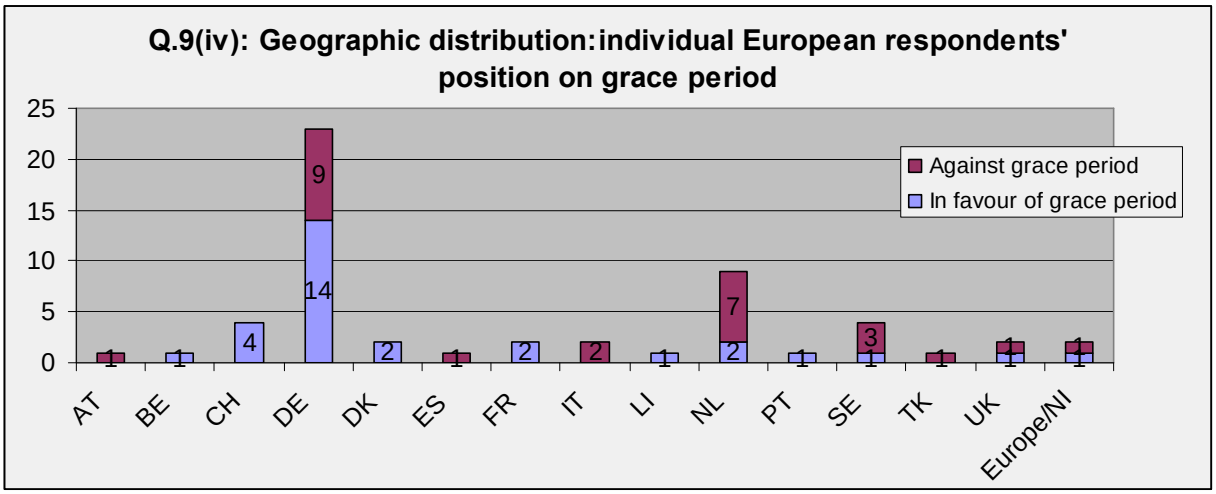


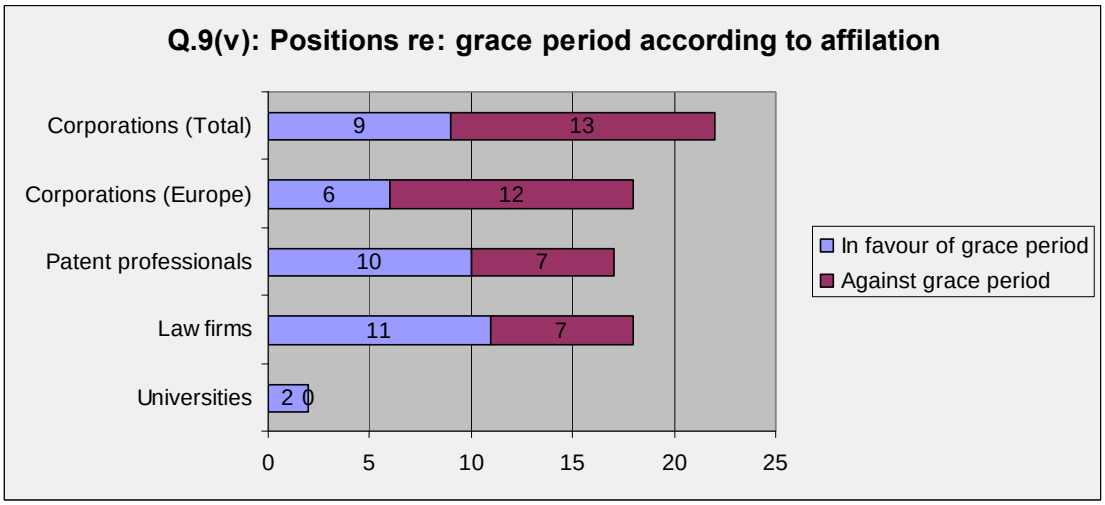
85. Looking at the sub-group of <u>European individual</u> respondents (N=56), 51,8% were in favour of a grace period, whereas 46,4% were against (one did not respond).

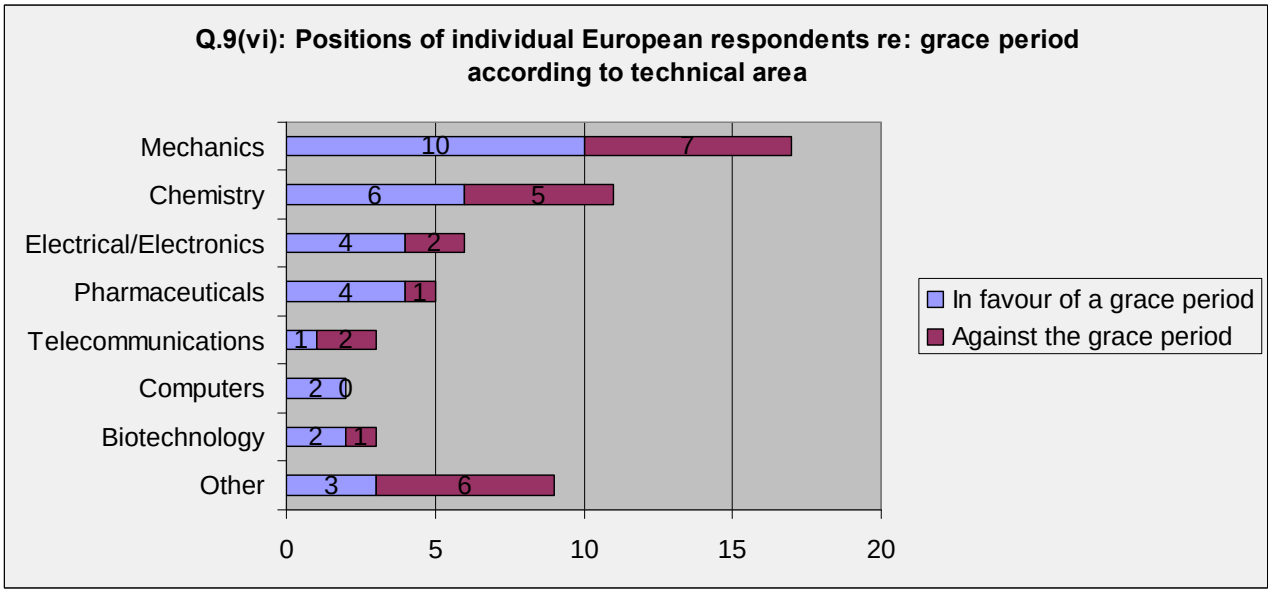


Note: Percentages in the chart are automatically rounded up/down.

86. In order to present a more complete picture, the following charts break down the positions of the <u>European</u> respondents according to: (1) Geographic distribution; (2) Affiliation and (3) Technical area.







Note: Two respondents who did not specify their technical area are included under "other".

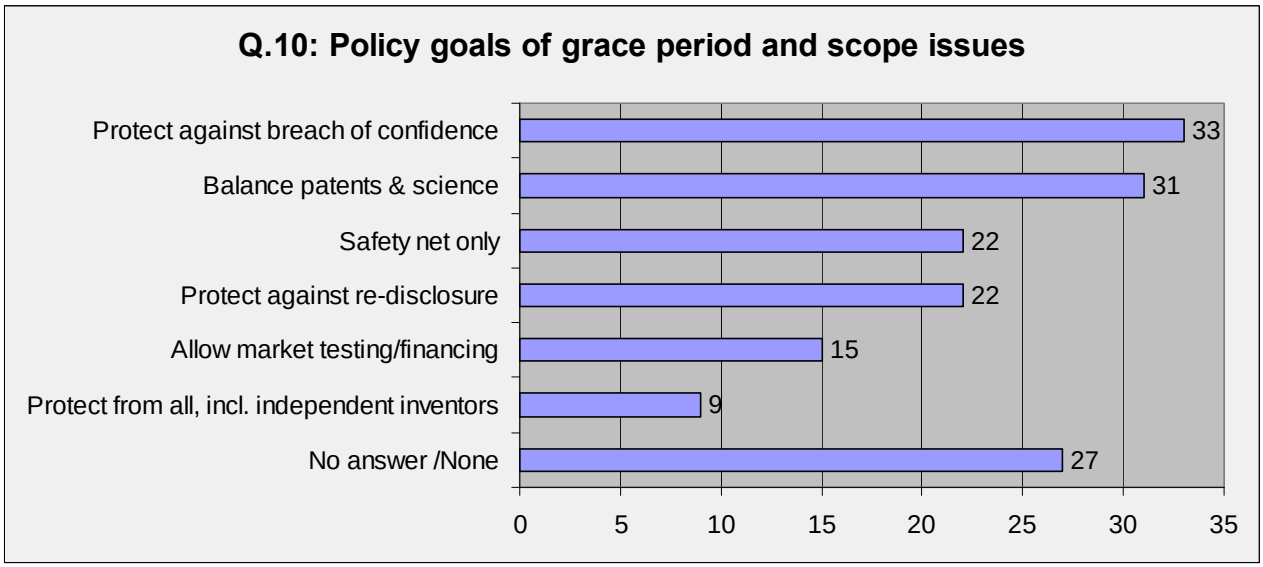
87. To conclude, there appears to be a slim majority of European users in favour of the grace period on principle. Nevertheless, it remains both a controversial and polarising issue, as there are a large number of opponents to the grace period, and few remain undecided.

c) Policy goals / Scope issues

88. The focus of the inquiry under Question 10, was to gather information from those supporting the grace period, in order to ascertain the nature of the grace period they envisaged, as well as the policy goals they agreed with, by having them check prepared statements (multiple checks possible). Respondents who had made clear in the preceding questions that they were against the grace period in principle were filtered out.

89. There were 3 participants who agreed with none of the statements and checked that box although they had stated that they were against the grace period in principle. Consequently, for the purpose of analysing the results regarding this question, they are best added to the 24 who opposed the grace period and correctly did not check any of the statements.

90. Thus, since only 38 respondents had agreed in the preceding questions that they both felt that a grace period was an important feature of patent law and that they were in favour of it in principle, N=38 should have been the total sample for checking statements under Question 10. Nevertheless, there were 42 participants who responded to the question. It can be presumed that they thought that if a grace period should be adopted, they felt justified in staking out the optimal metes and bounds of such a compromise provision, and thus, their responses are included.



Note: N=42, multiple answers possible

The results are collated below:

A grace period should:

[31] take account of and balance the goals of the patent system and the needs of the scientific community

[33] protect inventors against the consequences of breach of confidence and theft of information

[15] allow inventors to test the marketability of their inventions and/or attract venture capital financing before undertaking the expense of pursuing patent protection for the innovation

[22] protect the inventor who first disclosed his invention from re-disclosure of his invention in the interval between first disclosure and filing, by third parties having derived knowledge of his invention from him

[9] protect the inventor who first disclosed an invention against any interference from third parties in the interval between first disclosure and filing, including disclosures from independent inventors of their own inventions

[22] have a safety net function only, meaning that if inventors choose to disclose their invention prior to filing, they should bear the risk of such disclosures and the investments of third parties in good faith who adopt technology which appears to be freely available prior to the filing or priority date should be protected

[3] I agree with none of the above statements (Against grace period as per answer to Q. 9).

[24] No answer (Against grace period as per answer to Q. 9).

91. The first statement focused on a policy objective without further details of how to achieve it: "*the grace period should take account of and balance the goals of the patent system with the needs of the scientific community*". It is an ideal, does not necessarily imply the precise method of doing so, and consequently, 31 of 38 or 81,6 % of respondents in favour of the grace period agreed with this statement.

92. The second statement was that "*a grace period should protect inventors against the consequences of breach of confidence and theft of information*". This is the tenor of Art. 55 EPC and no one has ever suggested its repeal - even those against the grace period. Yet here, where close to 100% support could be expected, only 86,8% of the group agreed with this statement. One explanation might be that some respondents may have interpreted the statement as indicating a limitation of the grace period to this purpose.

93. From this group of 38 respondents who stated that they are in favour of a grace period, 22 or roughly 58% (all European) are in favour of a "safety-net" grace period only. Thus, 39,3% of European individual respondents (N=56) support a safety-net

grace period, leaving only 12,5% of European individual users (7 of 56) open to a broader concept in principle.

94. Fifteen respondents were in favour of a grace period *"allowing inventors to test the marketability of their inventions and/or attract venture capital financing before undertaking the expense of pursuing patent protection for the innovation*". However, for 7 of these 15 respondents, this was not incompatible with a grace period defined as a safety net, as they checked both boxes. Clearly, these respondents adopted the position that the inventor was free under a safety-net grace period to market-test, at his or her own risk. As cogently put by one such respondent in his additional comment: "*my position in favour of a grace period is strongly conditional on grace period provisions implying that reliance on the grace period is at the applicant's own risk and [the prior] discloser must be incentivized to file as soon as possible after disclosure because intervening third party disclosures will not be graced*".

95. Thus, this leaves only 9 of 38 respondents or 23,7% of that group who may be assumed to be in favour of a grace period of a broader scope than a "safety net", as only nine respondents agreed that a grace period should "*protect the inventor who first disclosed an invention against any interference from third parties in the interval between first disclosure and filing, including disclosures from independent inventors of their own inventions*".

96. Of the European respondents agreeing with this statement (N=7), 2 respondents agreed with this statement but also with the definition of a grace period as a safety-net, raising consistency issues. This leaves only 5 European users, or 9% of total individual European users (including one university) appearing to embrace this approach unequivocally.

97. Further, if these responses are compared with those of the EPO-specific Q. 18 of the EPO questionnaire, which asked respondents who should bear the risk of a pre-filing disclosure in a grace period context, only 4 of the responses to both questions 10 and 18 are consistent, and they include those of 2 US companies, leaving only 2 European respondents expressing firm and consistent endorsement for a grace period offering complete protection to pre-filing disclosures, including those of third party independent inventors.

98. Users were invited to add any comments they deemed necessary:

- The public should on publication of the patent application also be informed if and which prior art is taken to fall under a grace period regulation.

- I prefer the concept of absolute novelty.

- A grace period is unnecessary and makes everything more complicated.

- A grace period just increases legal uncertainty and therefore in the long run threatens the patent system. The patent system ought to be made simpler than it is in order to function properly, not more complex or legally uncertain, which is the case when a grace period is used.

- A grace period leads to complications and uncertainty and is undesirable.

- We are only in favour of a grace period as part of global harmonization of the patent law in this respect. Otherwise we do not support the introduction of a grace period beyond what already exists. The safety net function needs to include disclosures of the inventors' invention not only by inventors/patentee himself, but also e.g. by collaborators (if not inventors) or by official bodies. This should also include instances other than breach of confidence, in particular if inventor/collaborator/official body is required to disclose this information. Third party disclosures derived from the invention that was published should be graced.

- The specific features of a potential grace period, as outlined in the different statements above, do condition some companies' support to a grace period. At least one company believes that the fourth statement should be ticked. Conversely, several companies believe that the grace period should only have a safety net function (6th statement) and therefore only be available where the discloser is either the inventor or the applicant.

- A grace period should only be available in cases where the discloser is either the inventor or the applicant or disclosure is in breach of the inventor's rights and thereby the grace period acts as a safety net.

- The grace period shall have a safety net function only. The motivation for the disclosure shall not be relevant to the applicability of the mechanism. All modes of disclosures should be covered. The applicants shall bear the risks.

d) Possible systemic impact of the grace period

99. The subsequent question (Q.11) also set forth policy statements which aimed to categorize the reasons underlying the position of respondents for or against the grace period (N=69). Multiple boxes could be checked.

[28] A good reason to implement a grace period is that it is user-friendly for those that may not be knowledgeable about the patent system, including small and medium enterprises (SMEs) and individual inventors.

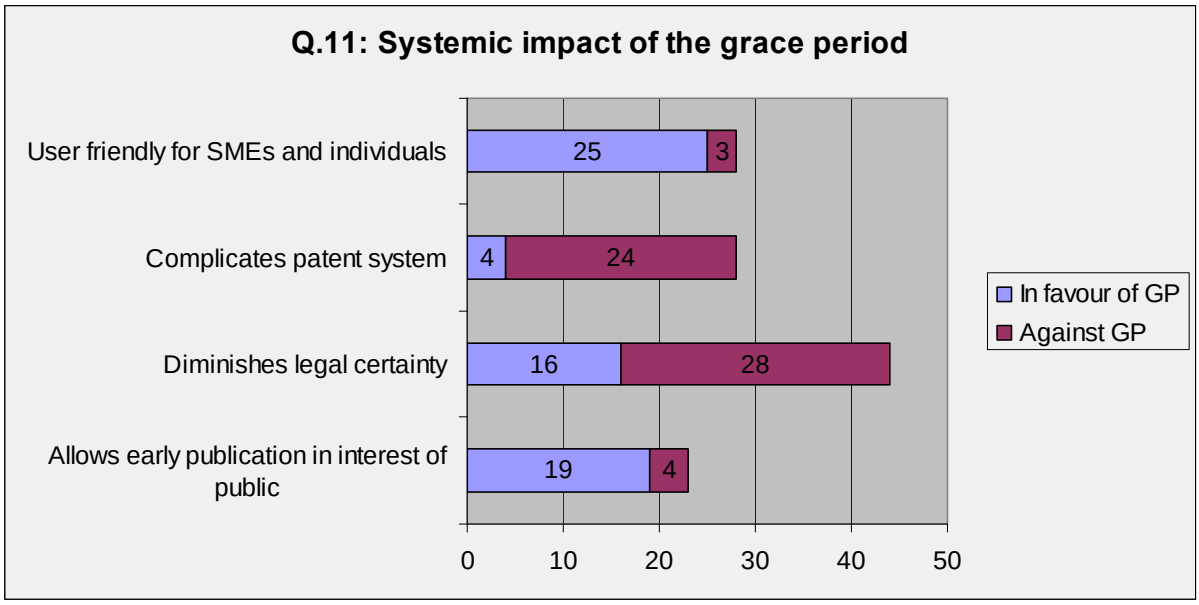
[28] A good reason not to implement a grace period is that it complicates the patent system. *(2 user associations agreed)*

[44] A grace period diminishes the predictability and legal certainty of the patent system. *(7 user associations agree)*

[23] A grace period allows early publication of research results, which not only addresses the needs of academics but advances the interests of the public by promoting earlier dissemination of new technical information. *(1 user association agreed)*

[14] Other.

100. The chart below identifies the responses agreeing to each statement as a function of the position of the respondent with regard to the grace period in principle.



101. Participants added the following comments. It may be noted that, although a majority of users are in favour of a grace period, the majority of comments are negative. This was probably prompted by the TJQ empirical questions being necessarily drafted on the assumption of a grace period existing, which many European users reported perceiving as biasing the entire exercise in favour of the grace period.

- At the moment there is no justice concerning the grace period, as some countries have it and others don't. (Respondent affiliation: university/research institution)

- A patent system should be more just for each. If someone uses the grace period, it would be possible to publish this application immediately to get more legal certainty. The advantage of publishing after 18 months is lost anyway by pre-publishing.

- A grace period causes confusion and leads to a false sense of safety. Premature publication undermines the potential value of a new technology. (Affiliations: corporation; user association)

- The grace period, although a desirable feature, should not become the norm because of legal certainty risks, and thus SMES and individual inventors, like any other users, should be educated on the risks involved and should continue to strive for filing before disclosing .

- A grace period has a safety net function only and should not encourage early publication unless inevitable.

- The grace period as developed over the years e.g. in the U.S. was inevitably related to the first-to-invent system, where, in case of conflict, the earlier inventor could have the rights to the invention assigned to him even if someone had filed earlier. In such a scenario, a disclosure by the same inventor being of no detriment to him made thorough sense. The U.S. have now, at least partly, moved to the first-to-file (or first-inventor-to-file) system, which is held to be simpler and more effective (even though in principle more

unjust) than the first-to-invent system. Going backwards towards a first-to-file/GP system is expected to dissolve some of the advantages of the step forward towards first-to-file being applied worldwide.

- The patent system is not intended to favour early dissemination of technical information. There is no need to "babysit" inventors or applicants. The grace period creates an imbalance since a graced disclosure is still prior art vs. third parties

- A grace period helps the applicant to file the best possible priority application and avoids in this way legal uncertainty (no introduction of new matter in subsequent filings, valid priority claim).

- A grace period diminishes the predictability and legal certainty of the patent system and furthermore complicates the patent system. For the latter reason, [we] cannot see why a grace-period makes the patent system more user-friendly. It is true that a grace period can provide for an earlier publication, however, even without a grace period an invention can be disclosed as early as the filing day of the patent application as the disclosure on the same day as the filing day does not constitute prior art. The benefits of slightly earlier publications are, however, clearly outweighed by the negative factors of diminished legal predictability, diminished legal certainty, as well as increased complexity of the patent system. (Corporation)

- The grace period adds complexity to the patent system however on balance it is worthwhile in order to provide a harmonized patent system which allows equivalent patents to be obtained in all major commercial territories. The current two tier system is not ideal to stimulate the innovation economy. (Corporation)

- The grace period adds complexity to the patent system. However, many of our members believe that on balance if its details are correct a harmonized grace period would be worthwhile in order to provide a harmonized patent system which allows equivalent patents to be obtained in all major commercial territories. The current two tier system is not ideal to stimulate the innovation economy. (User association)

- The grace period allows early publication of research results but this should be at the risks of the applicant. The modalities of the grace period can and should be such that the grace period doesn't diminish the predictability and legal certainty of the patent system.

D. SUBSTANTIVE ISSUES

a) Formal procedures /Declaration

102. A majority of respondents, (a total of 40, 32 individuals or 53.3% of all individual respondents and 8 of 9 user associations) were in favour of a mandatory declaration (Q.12). Only 28 respondents were against a mandatory declaration, including one user association. However, it may be observed that this group also contained 11 respondents who opposed the grace period on principle, and therefore may have simply consequently responded that where there is no grace period, no declaration is necessary. One respondent gave no answer.

103. The reasons given for endorsing a mandatory declaration (Q. 12a) were that it enhanced legal certainty for third parties, including during the post grant phase (39), that it simplified the work of patent offices and might eliminate the need for an extra communication (23), and, finally, 3 respondents reported having experience with declarations in existing systems (*e.g.* JP) and did not feel that it imposed an undue burden on applicants.

104. Further comments were made:

- A declaration simplifies the prior art search against such patent

- Applicants should be strongly encouraged by the system to disclose any graced disclosure when applicants become aware of them, but applicants should not have to suffer a sanction (such as the non-declared disclosure becoming prior art), in case of non-declaration.

- A declaration provides an attested date, thereby avoiding any conflict of interpretation as to the calculation of the grace period starting point. [Our] position is that a declaration should only be needed in response to the citation of/reliance on a disclosure by the patent office in prosecution or by a third party in opposition or national court litigation. It is essential that a declaration is not limiting and that declarations can be amended and if necessary new declarations filed at anytime – for example if a disclosure only becomes available / known to the patentee post grant in litigation or opposition then a declaration of grace must be available. It is not equitable that a innovator will lose the ability to file a declaration of grace on a disclosure it did not know about until after filing.

- A declaration provides an attested date, thereby can be an important tool to help avoiding any conflict of interpretation as to the calculation of the grace period starting point. A majority number of [our] member companies support the principle of a declaration. It is however understood that the specifics of a declaration are significant and will require further discussion.

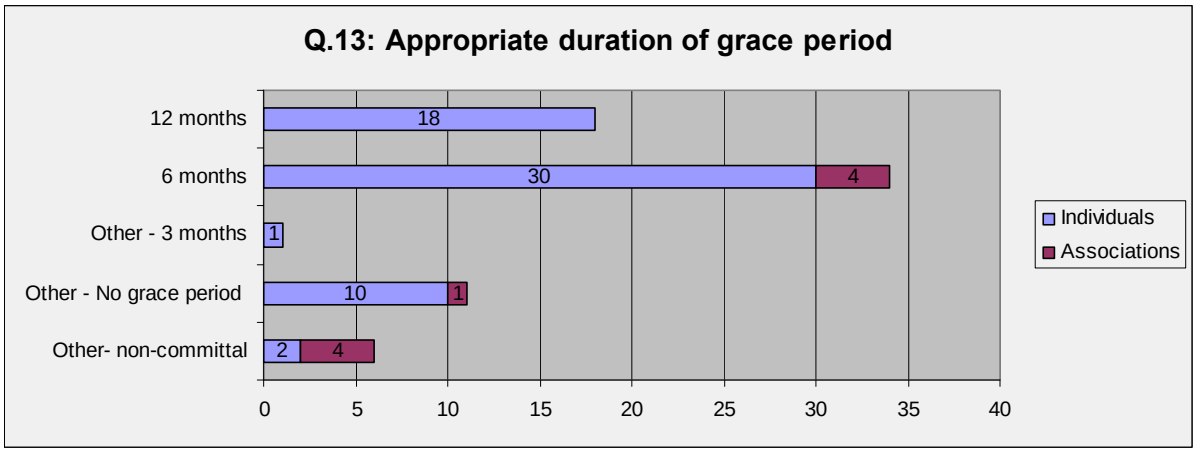
- Patent attorney would have more work to do thereby earning more fees! (A candid member of the patent profession in favour of a mandatory declaration)

105. Of those against a mandatory declaration (Q12b), 21 felt it would impose an additional burden on applicants, 14 thought it would impose an additional burden on patent offices, 17 were concerned that a mandatory declaration would have preclusive effect, *ie* that failure to identify or misidentification of a disclosure in the declaration, even due to an honest mistake or oversight, might result in the disclosure not being graced, and 6 respondents were concerned that it might lead to applicants trying to manipulate the system.

106. Finally, in the comments section, one respondent was against a mandatory declaration on the grounds that "*in some instances the inventor/applicant may not be aware of the disclosure at the time of filing the application*". Another thought even without a mandatory declaration, applicants would be "*tempted to tell the patent office anyway*".

b) Duration of the grace period

107. Where a grace period exists, its duration must reflect a balance between (1) the interests of the inventor/applicant, in being able to disclose the invention prior to filing the application, and (2) the interests of third parties in knowing within a reasonable period of time whether an application has been filed for an invention that has been revealed to the public. Of course, the duration of a possible grace period will be conditioned by the policy choices which have been made as to which interests of the inventor/applicant are worthy of being preserved. Thus, where a grace period is understood as a period in which the inventor/applicant may test his invention, including its commercial potential on the market, prior to incurring the cost of patenting, a rather lengthier time may be found appropriate. Where, however, the avowed purpose of the grace period is to be a safety-net, allowing the inventor to obtain protection when something has gone terribly wrong, such as theft, breach of confidence, an error on the part of the inventor or his employee or there has been a hasty academic disclosure perhaps in the wake of a breakthrough discovery, the appropriate duration of the grace period might be envisaged to be considerably shorter.



108. As may be gleaned from the chart above: the bulk of respondents opined that the optimal duration for a grace period was 6 months: *ie* 30 individual respondents (or 50% of that group), as well as 4 European user associations. One US corporation in this group commented further: "*Six months should be sufficient to keep patents out of the way of the business. 12 months is fine, but may be more than is necessary to protect inventors*".

109. One respondent stated: *"A 12 month duration seems to offer the best possibilities for agreement /harmonization between countries . It also corresponds to the grace period which is currently in force for Registered Designs in the EU. Not much extra "negative "impact in my view will come from an extra 6 months (vs a 6 month grace period), as long as the system remains a "safety net", ie relatively limited."*

110. A further 10 individual respondents as well as one user association took the opportunity to reiterate their fundamental opposition to the grace period by indicating under "Other" that they believed the duration should be "0" months. This somewhat hard-core opposition to the grace period represented 16,7% of the total individual respondents. One respondent - consistently throughout the questionnaire - militated

in favour of a 3-month grace period, which was obviously considered sufficient for safety-net purposes. Several users in meetings since the closing of the online consultation criticised the TJQ, as they found the questions on the grace period to be "biased in favour of the grace period", and the irritation of some respondents to this section of questions was palpable.

111. A minority of respondents - 18 in all or 30% of the total individual survey participants - supported a 12-month grace period. Only 15 of those were of European origin, representing 25% of the total individual respondents. None of the European user associations supported a 12 month grace period.

112. Four associations obviously had difficulties reaching a consensus within their membership and either did not answer, or remained non-committal, by endorsing "a reasonable amount of time" without further specification.

113. To conclude, none of the European user associations supported a 12-month duration for the grace period, and of the total individual respondents, 68% do not feel that a grace period of 12-month duration is appropriate (this is a clean figure eliminating the two individual respondents who did not answer the question).

c) Date as of which the grace period term should be computed

114. Respondents were asked as of which date the term of the grace period should run (Q.14). Here, the more generous approach is to compute the term as extending back from the filing date. Assuming an internationally harmonized grace period, if the term is computed from the priority date, it is only necessary to effect a first filing to obtain a priority date within the grace period, and all subsequent filings will also benefit from the grace period even if filed after the duration of the grace period has elapsed, for all pre-filing disclosures falling within the grace period term prior to the priority date. If only the filing date is relevant, this means that in case of a pre-filing disclosure, all subsequent applications will actually have to be filed within the grace period term, as claiming a priority date within that period will not suffice.

115. Regarding the date as of which the term of the grace period should be computed, 12 respondents, or 17,3%, opined that a grace period should be computed as of the filing date. This reflects the restrictive practice with regard to non-prejudicial disclosures under Art. 55 EPC, as per the decision of the Enlarged Board of Appeal in decision G2/99. Three respondents found the question unclear, 2 checked "other" in order to further record their disapproval for the grace period in principle, and 3 did not answer. On the other hand, 49 respondents or 71 %, regardless of their position on the grace period in principle, felt that if there was a grace period, it should start from the priority date, if applicable.

116. Predictably, all those respondents who either did not respond, checked "other" and/or found the question unclear were all against the grace period in principle: making the filing date the critical date for claiming benefit of the grace period is a further element restricting the scope of its application. Interestingly, however, 5 respondents of the 12 who thought the term of the grace period should be computed as of the filing date rather than of the priority date, expressed support for a grace period in principle.

E. THE HARMONIZATION PROCESS

a) Should the grace period itself be internationally harmonized ?

117. An overwhelming majority of respondents took the view that if there was a grace period, it should be harmonized internationally: 54 of 69 respondents (including 8 of 9 user associations), for a rate of 78%. Of these, 6 emphasised that they meant that the absence of a grace period should be harmonized (Q.15), for instance: *" i.e. complete abandonment of grace periods in order to improve legal certainty and to achieve similar situations in different jurisdictions (improvement in basis for business decisions)."*

118. Six respondents replied that they did not feel the grace period should be internationally harmonized, with 3 of these commenting that they did not want such harmonization because they were against the grace period in principle, and another 2 having expressed opposition to the grace period in principle as per Q.9.

119. Of the 6 respondents which had no opinion, 5 were against the grace period on principle as per Q. 9.

120. Thus, of those respondents under this heading who are either in favour of a grace period on principle, or are apparently prepared to consider one as part of a compromise within a harmonization package (N=50), 48 or 96% opined that if there is a grace period, it should be internationally harmonized, meaning that there should be a single concept applicable globally, in all (major) jurisdictions.

121. Three user associations all stated that: "*A grace period only makes sense if it is harmonized worldwide, without which the patent system would only be further complicated and would amount to a patchwork of diverging regulations. Introducing a grace period without harmonization would result in a situation where patents would be granted in some countries but not in others, depending on the availability of a grace period or not, on its length and on its features. Such a situation would trigger unnecessary complexity for both patent applicants and third parties, resulting in an unpredictable and uncertain environment from both a legal and business perspective. However, the need for global harmonization regarding the grace period does not exclude the possibility for a few countries to have a leading role in this process.*"

122. Another participant emphasised that "*the grace period only has a true value to applicants if it is applicable in as many countries as possible, as businesses and business decisions are typically international /global*". One practitioner commented that "*In a globalizing economy, national grace periods which are not internationally accepted as preceding the Paris Convention priority date are rather useless*."

123. Finally, *"for a feature that is only extremely rarely used (statistics show that in JP [the grace period] is used in about 1 out of every 1000 cases)"* two respondents thought that harmonization may be "*desirable"*, but it was not *"critical"*, *"neither essential nor urgent"*.

b) Elements requiring international harmonization

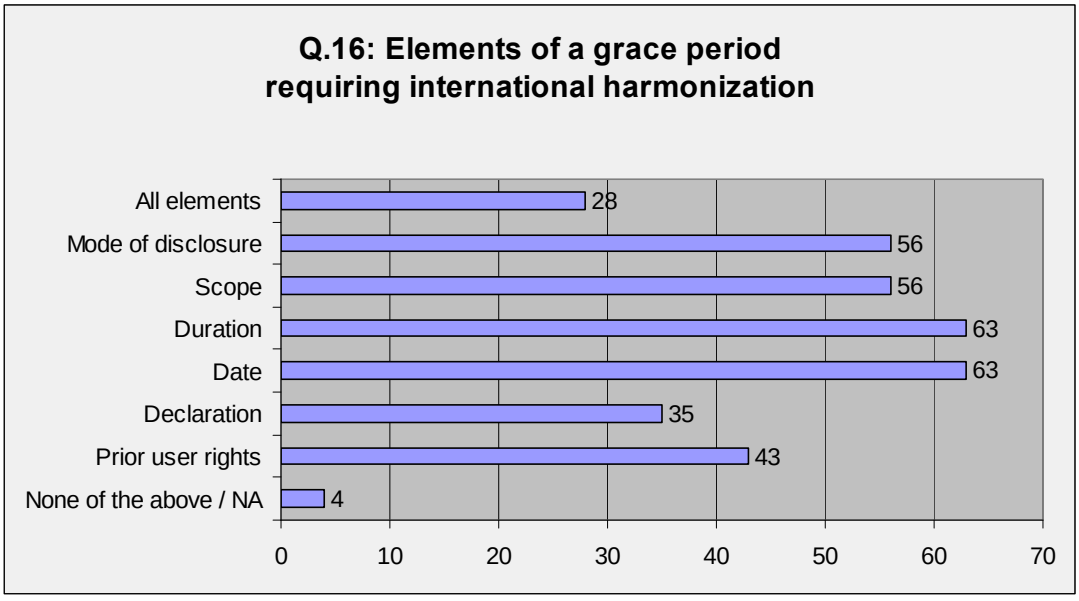
124. Given that it appears that (a) a majority of users in Europe consider the possibility of adopting a grace period in Europe as a compromise in order to achieve international substantive patent law harmonization, and (b) that they insist that this grace period itself would have to be harmonized, the issue of which elements should be required to be harmonized is essential from a European perspective (Q.16).

125. To assist participants, 6 elements were listed for consideration:

- the mode of disclosure (ie in writing, orally, at an academic conference, etc.);
- the scope of the grace period (e.g. disclosures emanating from the inventor/applicant only, disclosures resulting from breach of confidence, theft or misappropriation of information, third party disclosures based on independent invention, etc.);
- the duration of the grace period;
- the date from which the term of the grace period is computed (e.g. filing or priority date);
- the declaration or other formal requirements for invoking the grace period; and
- the availability and scope of prior user rights during the grace period.

126. A total of 28 respondents out of 69 (40,5%), 21 representing individuals or companies and 7 of 9 associations, considered that all 6 elements mentioned should be harmonized in a mandatory manner, with 2 respondents indicating that their response was conditional on a restrictive interpretation of the grace period.

127. Overall results are included in the table below:



Note: N=69.

128. Those 4 respondents who either ticked "none of the above" on the questionnaire or skipped the question altogether presumably did so because they were opposed to the grace period on principle, as evidenced by their responses to Q.9 of the TJQ.

129. Thus, expressed in percentages of those who envisage a harmonization exercise (N=65), the results indicate that 56 respondents (or 86%) believe that both the mode of disclosure and scope of the grace period should be required to be harmonized. In regard to both the duration and the date from which the duration of the grace period is computed 63 (or 97%) believe harmonization should be required. Regarding prior user rights, 43 respondents (or 66%) believe that their availability and scope during the grace period should be required to be harmonized. Only 35 respondents, or 54% consider that this to be the case regarding formalities.

130. In terms of "other" elements, 6 respondents, including 4 associations, responded in unison that the effect of the graced disclosure should also be harmonized, "*meaning that it should be clear whether the graced disclosure is entirely removed from the prior art or whether it is removed only in relation to the claimed invention*". It may be observed that this issue is partly addressed by elements included under the scope of the grace period, as well as by matters of entitlement, but the comment is taken on board, particularly since resolving such an issue clearly has a considerable impact on the functioning of the system: if a graced disclosure is entirely removed from the prior art, issues of "priority" or the creation of rights against third parties, such as those arising currently under the AIA, are entirely circumvented.

F. OTHER COMMENTS ON THE GRACE PERIOD

131. At the end of each questionnaire, respondents were given the opportunity to add any comments they felt necessary, in order not to restrict the discussion to those issues raised (Q.17). The following comments were received under this heading:

- The patent system has already become so complicated that only professionals understand it. A grace period makes it even harder. Great for the patent attorneys, bad for the inventors. (x2)

- An international grace period system should be designed and implemented/ communicated to users, in such a way that it remains of exceptional use and does not jeopardize the principle of First to file, while at the same time ensuring true protection to applicants who choose to, or need to, rely on the system. The current grace period legislation applicable in Japan for example, entails very high risks for applicants in case of filing of a patent application by a third party on the basis of information obtained from the applicants' "graced "disclosures, such 3rd party patent applications become prior art to the later-filed patent application filed by the applicant In my view, such a provision renders the grace period system hardly usable, in view of the risks involved. The legislative intent may have been to provide a deterrent effect, i.e. not make grace period too attractive to applicants in order to limit its use. I believe that such concerns will be better addressed through communication to users, and among users, when a grace period system is implemented, clearly highlighting the inherent risks for applicants who rely on the grace period, and thus aiming at preserving first to file route as the standard, and making the grace period an exception, albeit a meaningful one, i.e. serving the needs of applicants who decide to need to rely on it.

- I appreciate that sound political reasons may suggest that the EPC (and the national laws harmonized therewith) should incorporate some grace period provisions beyond Art. 55

EPC in order to "please" our international partners with a view to achieving increased harmonization of patent laws. Being ready to accept this as a Realpolitiker, I find this questionnaire essentially unbalanced in that it inevitably attracts responses in favour of the grace period. See for instance subsequent question 18 [Ed. Note: an EPO-specific question]*: I have repeatedly stressed that I am not in favour of GP (right or wrong as I may be): why further questioning "Assuming...". Again: if negotiations require/suggest that we accept the grace period, I am fine: let us accept this; do not try to persuade me of something I was unable to become convinced of in 35 years in this profession.*

- The issues I have checked [Ed. Note: mode, date] *are the only ones really needed if the provisions are such that reliance on grace period is at the applicant's own risks and an application should be filed as soon as possible after disclosure. It would be desirable to harmonise other issues esp. scope but this is unrealistic.*

- A grace period increases the uncertainty for anybody entering new business areas, making it very hard to estimate the risk of infringing any other parties' potential rights.

- If a grace period is to be implemented it should be quite restricted both in time and in situations in which it can be invoked. Legal certainty for third parties without extensive procedures is strongly preferred.

- The grace period should be treated as an issue where Europe could be relatively flexible in further harmonization discussions.

- With the globalisation of research being carried out within the companies both internally and in collaboration with SME's and academics it is more important now than ever before to introduce a grace period to provide a functioning IP system suitable to meet the needs of the innovative industries and the users of the patent system going forward. Existing systems have shown that a Grace period is a fully workable proposition and, indeed, many countries including US, KR, AU, CA, etc already have such a system. [Ed. Note: Not a European user.]

- I see considerable problems with regard to the evaluation of validity and therefore legal certainty due to a grace period. Examples:

- *1) An inventor publishes a single chemical structure A. Within the grace period, he files a broad patent application claiming a Markush structure embracing the structure A.. He can rely on the grace period for A. But where are the limits for the other structures embraced by the Markush formula? For which of the compounds embraced by the Markush structure is the publication prejudicial for inventive step?*

- *2) An inventor publishes a single chemical structure A. A third party reads the publication and publishes a similar chemical compound B. Within the grace period, the inventor files a broad patent application claiming a Markush structure embracing A and B. He can rely on the grace period for A. But where are the limits for the other structures embraced by the Markush formula? For which of the compounds embraced by the Markush structure is the publication of B prejudicial for novelty and inventive step? For sake of legal certainty, I therefore would appreciate if a grace period is not introduced!*

- Our membership includes an important number of companies, stemming from different legal traditions within the EU and the US; hence some of our companies adopt different views regarding some of the above questions. Overall, most of these questions are very detail-oriented and trigger other specific issues that our companies consider as significant, inasmuch as their support of a grace period would probably depend on these details. Such issues will therefore require further discussion. This is notably the case of the issues raised in questions 10, 12, 13, 16 and 19. (x2)

- Some [...] members remain opposed to any kind of grace period. Others could consider a grace period as a safety net as part of a harmonised system comprising a true first-to-file system with the following features:

- a duration of 6 months preceding the priority date
- a formal declaration should be mandatory
- third party rights should be mandatory
- wrongful publication of an application by a patent office should be included.
It should be noted that abuses are dealt with separately by regional/national patent laws.

132. Detailed comment from one user association (included in the comments section of the TJQ, which promised anonymity), including bold print as submitted:

- *[One user association] represents Patent Attorneys having a wide range of clients with varied international business interests; some might benefit from a grace period and some might be harmed by the introduction of the grace period. Accordingly, [that association] is unable to provide a consensus view of the merits of introduction of a grace period.*

- *However, safeguards should be an essential feature of any grace period in order to protect both applicants for patents and interested third parties. Any changes to patent law must consider the effects on patent owners and on third parties who may find themselves in the position of being potential infringers of the patent rights; no change to patent law should make it more difficult to legitimately use an idea or invention. In addition, only those changes to patent law that would have a positive effect on innovation and growth should be introduced.*

- *If a grace period is introduced, [...] feels the following safeguards would be required:*

- *It is assumed that a grace period would be effective for all publications of the invention by the inventor and for all subsequent publications derived from that first publication. The grace period will run for a specified period of time from the date of first publication of the invention (the graced publication) to the filing of a first patent application (the first filing). Depending upon the system chosen, the first filing may serve as a priority application for any subsequent patent applications made under the Paris Convention, or the first application must be made for all countries in which patent protection is sought (for example, a PCT application could be filed designating all states). All patent applications will be published by the appropriate patent office 18 months after the date of the first filing. The graced publication will serve as prior art for all patent applications filed after its publication except for those applications which benefit from the grace period. No proposals have been put forward for a grace*

period of greater than twelve months; where there is support for a grace period it has generally been for a twelve month period or a six month period.

- *In order to reduce uncertainty for the potential infringer,* ***it is important that the graced publication and its date of first publication are declared by the applicant*** *in the same way as priority rights are declared (the deadlines for declaring the graced publication and the nature of that declaration could be modelled on those for the declaration of priority).*

- *Independent publications and publications extending beyond that published by the graced inventor will be prior art and may be used in determining the novelty and inventive step (obviousness) of the graced invention and the validity of any patent granted thereon. Patent office examiners and parties considering the validity of patents will have to search for all prior art before the date of the graced publication, and for independent prior art published before the date of first filing.*

- *There is one severe disadvantage for inventors seeking to benefit from the grace period. Until the first application has been filed for the invention, the invention may be freely used by others.* ***Any person using the invention before the date of first filing should not be penalised for such use and prior user rights will accrue, even if the person benefitting from those prior user rights derived those rights as a consequence of seeing the publication of the invention by the original inventor.*** *The advantages of filing an early patent application before publishing the invention will still be present despite the grace period. Those inventors that need to establish the efficacy of their invention before filing a patent application and incurring the expense of filing Convention applications will benefit from the grace period although they will need to balance the advantages with the disadvantages.*

G. QUESTIONS SPECIFIC TO THE EPO

a) Allocation of risks re: pre-filing disclosures in a grace period context

133. In order to shed clarity on some issues which were considered to be important from a European perspective, the EPO decided to include 2 additional, EP-specific questions aimed at gathering information about fundamental issues having been debated in Europe in the past within the framework of international harmonization. They are also apt to serve as controls, allowing a consistency check in terms of approaches to the grace period and the balance of interests involved.

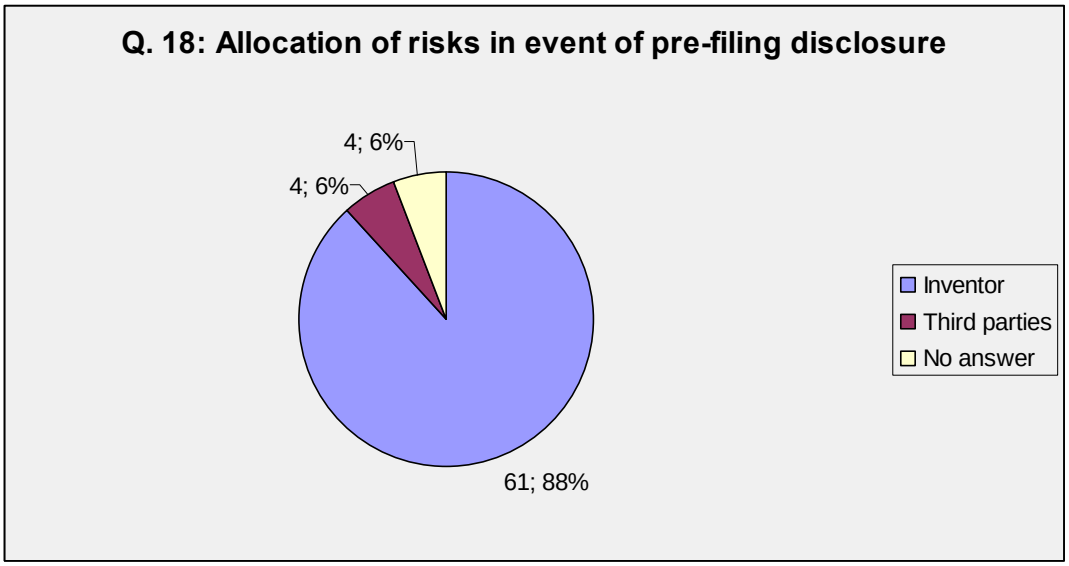
134. Question 18 and its responses:

"Assuming that a grace period exists, as a matter of policy, in your view, who should bear the risks associated with pre-filing disclosure.?"

[61] The inventor
[4] Third parties
[4] No answer

135. An overwhelming majority of respondents opined that the inventor who failed to file first should bear any risks associated with pre-filing disclosure. Eight of 9 European

user associations and 53 of 60 individual respondents took this view, for a total of 88% of respondents.



136. Only 4 respondents or 6% of the total felt that third parties should bear the risks of a pre-filing disclosure in a grace period context. Interestingly, one of these respondents was affiliated with a university, and another response emanated from a US corporation. The remaining two were German patent attorneys. Of those who did not provide input, one was a user association.

b) Prior user rights and the grace period

137. EPO-specific Question 19 and the responses thereto were as follows: "In past substantive patent law harmonization discussions, some European delegations were able to agree to a common position on a "safety net" grace period. Prior user rights available to third parties having used or made preparations to use the invention in good faith during the grace period were an integral part of the definition of the "safety net" grace period, as a deterrent to pre-filing disclosure. How do you consider prior user rights in relation to the definition of a grace period ? Please check the statements you agree with below:"

[43] Prior user rights are an essential component of a safety-net grace period, and contribute to enhancing legal certainty by discouraging pre-filing disclosure where such disclosure may be avoided.

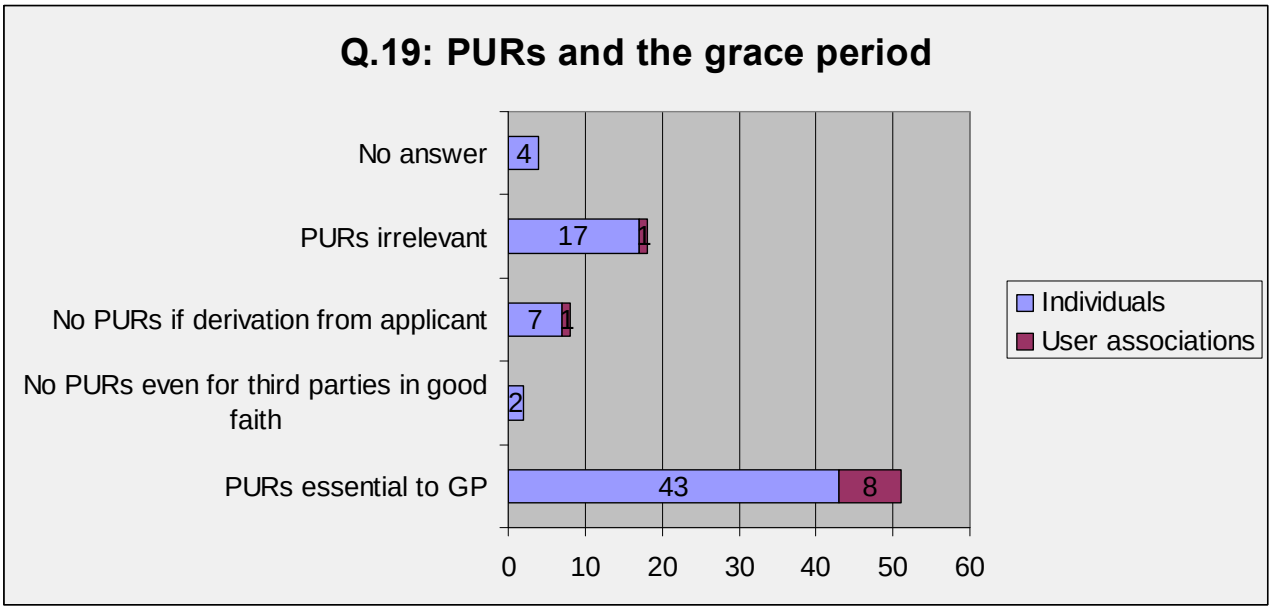
[2] Prior user rights should be precluded from arising during the grace period, even for third parties in good faith, because otherwise, the grace period would be a trap for the unwary.

[8] Prior user rights should be precluded from arising where the knowledge of the invention was derived from the subsequent patentee, even where the obtaining of the knowledge of the invention by the third party occurred in good faith - for instance, where it was made freely available prior to filing and its origin could not be traced.

[17] Prior user rights are irrelevant to the definition of a grace period.

[4] No answer

138. This EPO-specific question aimed to determine whether users felt there was a relation between the grace period and prior user rights and if so, how they conceived of the systemic function and importance and of the institution of prior user rights within a grace-period context. Several checks were possible. The chart below reproduces the responses of all participants, including user associations.



Note: Multiple responses possible; User association considering PURs irrelevant to the grace period is against grace period in principle; One national user association opined that PURs were essential to grace period but would not be in favour of them arising if the invention was derived from the applicant.

139. Of the total of 60 individual respondents, 43 (or 71,6%) agreed that prior user rights are an essential component of a safety-net grace period, and contribute to enhancing legal certainty by discouraging pre-filing disclosure where such disclosure may be avoided. This view was shared by all the user associations except one which stated that prior user rights were irrelevant to the definition of a grace period, but also stood in firm opposition to the grace period.

140. Only 2 users, (one of them working in a university setting, another a US corporation) felt that prior user rights should be precluded from arising during the grace period, even for third parties in good faith, because otherwise, the grace period would be a trap for the unwary.

141. Eight respondents shared the view that prior user rights should be precluded from arising where the knowledge of the invention was derived from the subsequent patentee, even where the obtaining of the knowledge of the invention by the third party occurred in good faith - for instance, where it was made freely available prior to filing and its origin could not be traced (this figure included 1 respondent working in a university setting and 3 US respondents). This view was shared by one association

representing the Pharmaceutical industry. If one focuses on European individual respondents, only 5 of 56, or 8,9%, supported this view.

142. Finally,17 users opined that prior user rights were irrelevant to the definition of a grace period. This figure takes on a different significance, however, when one considers that of those 17 respondents, 8 were against the grace period in principle.

III. EUROPEAN USER HEARING REPORT RE: GRACE PERIOD

143. One major supra-national association was opposed to the grace period on principle, but a safety-net grace period could be considered within a world-wide harmonized patent system operating under a classical first-to-file system, with the following characteristics: (1) Duration: 6 months before the priority date; (2) Formal mandatory declaration requirement; (3) Mandatory harmonized prior user rights; (4) Wrongful publications by patent offices would be graced. This position was expressly endorsed by 6 other participants.

144. One participant opined that in his experience as a university lecturer, the main problem faced by university researchers in Europe in terms of patenting was not the absence of a grace period but rather that of financing the patenting process.

145. A number of participants emphasised that a grace period could only be envisaged if it was harmonized world-wide, with all big blocs, including the US, JP, CN and KR. Unless grace periods were harmonized internationally, adopting a grace period in Europe would bring legal uncertainty, which was opposed.

146. The representative of the IP Federation recalled that the group had issued a policy paper regarding the grace period, which was favoured provided it was defined as (1) Gracing only the applicant’s own prior disclosures; (2) Duration: 12 months prior to the priority date; (3) Subject to a mandatory declaration, which was deemed "key", "essential to ensure legal certainty for examiners, third parties and courts".

147. One national association favoured a grace period along the following lines: (1) Duration: 6 months; (2) No declaration, although a system could be envisaged where a box could be checked indicating that one was aware of invoking the grace period (without being required to list the pre-filing disclosures one was aware of); (3) Only disclosures of the applicant’s own invention should be graced, not those of independent third parties. The main reason which led this association to favour the grace period was that it promoted the quality of patent applications.

148. One participant thought personally that even a three months grace period would suffice for this purpose.

149. One participant warned against any change to patent law which would make it more difficult for someone to legitimately use an idea or an invention than it was before, or increase the degree of legal uncertainty for a party. Only changes which had a positive effect on innovation or growth should be introduced. A declaration would be important to stem legal uncertainty. There was a strong belief that prior user rights

should be available during the grace period, arising between first disclosure and the filing of the application. SPLH would have an impact on innovation and growth.

150. One participant expressed a very strong personal opposition to the grace period, except for a safeguard system. Current Art. 55 EPC covering abuse alone was far too narrow to achieve the safety-net effect intended. It could be broadened, in which case there might be room for a very short grace period of as little as 1 month, for those applicants having made a wilful disclosure by mistake. In the Tegernsee Questionnaire, the simple drawing of what the grace period meant was done from the European perspective, because the invention of the applicant was graced. However, US law graced any disclosure, not just the invention; even part of an invention could be graced. It should be clear whether it was the invention which was graced or any item which might constitute prior art for the examining of both novelty and inventive step.

151. One participant emphasised that within European Industry, there were varying opinions and thus, no clear unanimous position. The JPO practice had the advantage of a declaration. JPO statistics contained in the Tegernsee study on the Grace Period showed that the grace period was invoked in 1 per 1000 of all cases. In truth, there were more important subjects to harmonize in terms of work sharing.

152. This participant went on to suggest that it would be much more advantageous to harmonize inventive step, which was much more important than the grace period.

153. Finally, he concluded that if the goal was really about facilitating re-use of examination results and making the system more efficient internationally, more emphasis should be placed on the PCT. Applicants should be incentivised to obtain a positive PCT II report, in order to make more enlightened decisions regarding entering the national/regional stage.

154. With regard to universities: one participant thought that the present situation under the EPC was harsh but clear and simple. One filed prior to publishing. If it became possible to publish, and third parties could either negate novelty by disclosing their own inventions or obtain prior user rights, the grace period became a trap for the inexperienced unaware of the intricacies of patent law. The inventor thought he was safe, but in fact, he would be far worse off than he is today. If a grace period were introduced, it should be subject to the modalities set forth by the *epi*.

155. One participant informally reported on the general mood in France, which was that one should approach the grace period by deciding what was good for Europe, rather than strictly from a harmonization point of view. In France, a majority of users in industry thought that a grace period could be useful, but there was divergence in the details. Some favoured a declaration. In theory, the declaration was interesting, but in practice, it was questionable, as it was easy to list disclosures, but it was unclear what would happen in the case of a leak without the applicant's knowledge. Where testing occurred, it might be difficult to compile a list of every event where disclosure resulted.

156. One participant opined that the current global situation was not very satisfactory, with many different conceptions of the grace period existing. A grace period would

probably mainly benefit SMEs and universities, and collaborations between universities and businesses. It was a big disadvantage for European users to be able to file in JP and US thanks to a grace period, but not within their own market in Europe. In principle, many German practitioners were in favour of a grace period as a safety-net only, but strongly opposed gracing independent third party disclosures. A grace period should only be introduced into the EPC if there was international harmonization at Treaty level with all other important IP countries. It made no sense to introduce a grace period in Europe but remain uncertain regarding conditions in other countries. If international harmonization were achieved, a grace period could be envisaged in Europe along the following lines: (1) A duration of 6 months prior to the priority date; (2) No declaration requirement; (3) No gracing of independent third party disclosures.

157. One participant speaking on behalf of a major European multinational corporation, (a global player and major filer of patents) reported on internal discussions within his company. US colleagues within the corporation were in favour of a grace period, but the company took a balanced view, which was that although they had many patents, no matter how many they had, there were always more patents awarded to competitors, so that the increased legal uncertainty vis-à-vis third parties was believed to be far more important than the positive effect of a grace period as a safety net. Hence, the global player had a clear position against the grace period.

158. According to one participant, clearly, the vast majority of German industry opposed the grace period. "Even some companies which had relied upon it from time to time opposed an internationally harmonized grace period." Even if Europe adopted a grace period, most companies stated that nothing would change. “No pre-filing disclosure” would remain the norm. If one considered freedom to operate opinions vs. grace period issues: the balance of inconveniences showed that the grace period was not in the interest of European companies.

159. One participant remarked that as far as universities were concerned, if a grace period were adopted in Europe, no one would check the due dates by which filing should occur, so the problems would remain the same as those existing today.

160. It was reported that the majority of Swiss industry was in favour of a grace period, as long as it remained a safety-net as defined by the *epi,* was internationally harmonized, and formed part of a Harmonization Treaty. The AIA grace period in the US, which graced everything in the interval, could not be supported, as it added far too much legal uncertainty.

161. Within the pharmaceutical industry in Europe, the grace period was favoured for two reasons: (1) Many collaborations between business and universities relied on activities in the US, leading to many situations where the grace period would be helpful, even if it was in 1 case per 1000. (2) Regulatory requirements for the approval of medicines under EU rules entailed that anyone could request file inspection, and thus access both confidential business and technical information, thereby possibly compromising the protection of follow-up inventions.

162. It was argued that a grace period would not necessarily be good for SMEs and universities. Collaborations in Europe between universities and corporations had

increased, and universities had learned from their more patent-savvy corporate partners not to engage in pre-filing disclosure. SMEs had more problems, and it was feared that the complexities of a grace period would mean that there would be no advantage. It was emphasised that over 90% of patent applications in any field are from third parties, not one's own.

163. One user noted that in some European countries, there was no tradition of collaboration between industry and academia. On the one hand, it was important for universities to have a grace period, this might be the best practice for inventors, but on the other hand, a grace period gave rise to much legal uncertainty. Europe, JP and US should harmonize. If a grace period was adopted, it should be balanced and harmonized, a safety net of 6 months duration, as defined above.

164. One participant reported that the shared view amongst both the Italian Patent Bar and Industry appeared to be that the grace period was not an urgent topic, not a priority. The EPC system was understood by SMEs, Industry and Academia who engaged in innovation and could afford patenting. There were few, occasional failures. The key was to move to international harmonization, in which case the grace period itself would have to be harmonized internationally. The results should be homogenous, otherwise there was no point. There were educational issues and costs associated with a new system. Enterprises were not willing to trade off legal certainty regarding the rights held by third parties and freedom to operate, for those few instances where a grace period would be necessary. Clearly, academics, the patent bar and industry were unanimous in their view that there should be no priority right attached *de facto* to the first disclosure, and thus rejected the AIA approach.

165. One participant warned Europeans against revising the EPC in order to harmonize, as this would endanger the EPO language regime, which would then be revisited by several delegations hoping to add their languages to the official languages of the EPO.

166. Expressing a personal view after 30 years of working with universities as clients, one participant stated that if there were a grace period, universities would routinely engage in pre-filing disclosures, with a false feeling of security, and file at the last minute, at the end of the grace period. Within that time, many other disclosures could occur, which could destroy the novelty and/or inventive step of their application, so it would be a trap. It was preferable to educate universities to "file today, publish tomorrow", rather than the other way around.

167. One participant reported that Danish Industry did not consider the grace period a main priority, but as far as international harmonization was concerned, it was quite open, and favoured a safety-net approach.

168. One participant observed that universities in Japan seemed to be relatively indifferent to the grace period. With the broadening of the availability of the grace period under the new Japanese law, according to the Tegernsee study, the JPO statistics showed there was hardly any change at all in the invoking of the grace period by universities. However, the use of the grace period by SMEs increased fourfold, and large corporations used it twice as often.

169. In regard to second medical use patent applications, it was opined that increased disclosure requirements in advance of clinical trials, and strict requirements to include data in the patent applications led to the health care industry needing a grace period, although it should not be as broad as under the AIA. In particular, third party disclosures of independent inventions prior to the filing date should not be graced. A declaration should mandatory, since if a company was disclosing information because of a clinical trial, it would be aware of the details of such disclosures.

170. It was emphasised that it was not only the grace period which should be harmonized. If it were harmonized, it should be done within a package which comprised other elements including particularly classical first-to-file.

171. Another participant observed that the definition of what constituted prior art was the real crux of harmonization. The grace period was one issue, conflicting applications, first-to-file and many other aspects would have to be included as well in a harmonization package.

172. Conclusion of the results of the Hearing: Many participants expressed opinions against the grace period on principle, but the majority were in favour of a safety-net grace period (6 months, formal mandatory declaration, applying only to the disclosures emanating from the applicant and with mandatory prior user rights), and this, in turn only if the safety-net grace period were internationally harmonized and within a SPLH Treaty package which would include a classical first-to-file system. A grace period which would grace independent third party disclosures of their own inventions in the interval was unanimously rejected.

IV. SUMMARY OF ADDITIONAL WRITTEN SUBMISSIONS

A. ALLEA

173. The Standing Committee on Intellectual Property Rights of the European Federation of National Academies of Sciences and Humanities (ALLEA) forwarded to the EPO their statement on *The Future Patent System of the European Union*.

174. The section relevant to the Tegernsee user consultation states (p.5): *ALLEA encourages the European Commission to re-launch efforts aimed at ensuring that European law provides for a **grace period** similar to the one existing in US law, but preceding the Union priority date.*

175. *The introduction of a grace period under European law would reduce the risk of accidentally depriving scientists and their institutions of the chance to acquire patent protection. At the same time, it would facilitate early publication and dissemination of research results. Moreover, the introduction of a grace period into European law might prompt the US legislators to proceed with the pending US patent law reform: if adopted, it will replace the "first-to-invent" system with a "first-inventor-to-file" system.*

176. It should be noted, however, that the statement is dated 30 June 2011, and refers to the grace period "existing in US law" at that date. Since then, the AIA has become law, introducing a new grace period which functions on a fundamentally different

basis. However, since the statement was forwarded to the EPO in January 2013, it is assumed that its substance is still considered valid by ALLEA.

B. AIPPI

177. AIPPI views the grace period to be an important feature of patent law, and is in principle in favour of a grace period along the following lines: 12 months from the priority or filing date; gracing disclosures emanating or derived from the applicant only; with prior user rights available until the priority or filing date, and without a declaration.

178. AIPPI believes that a grace period should (1) protect inventors against the consequences of breach of confidence and theft of information, (2) protect the inventor who first disclosed his invention from re-disclosure of his invention in the interval between first disclosure and filing, by third parties having derived knowledge of his invention from him and (3) have a safety net function only, meaning that if inventors choose to disclose their invention prior to filing, they should bear the risk of such disclosures and the investments of third parties in good faith who adopt technology which appears to be freely available prior to the filing or priority date should be protected.

179. Although the AIPPI shared the view that the grace period may diminish the predictability and legal certainty of the patent system, it found that a good reason to implement it is that it is user-friendly for those less knowledgeable about the patent system, including SMEs and individual inventors.

180. The AIPPI also believes that the inventor, rather than third parties, should bear the risks associated with a pre-filing disclosure in a grace period context, and agrees with the statement that prior user rights are an essential component of a safety-net grace period, and contribute to enhancing legal certainty by discouraging pre-filing disclosure where such disclosure may be avoided.

C. FICPI

181. The International Federation of Intellectual Property Attorneys (FICPI), numbering 5000 members in 86 countries or regions, provided substantive comments in a written submission to the EPO. In particular, FICPI observed that the Tegernsee user consultation should have allowed at least three months for replies, rather than the month and a half allotted, in order to allow participants to provide "*in-depth and well documented answers".*

182. FICPI has supported an international grace period at least since 1983, but in the wake of recent patent law reforms in Japan, Korea and the US, as well as the study on the grace period carried out by the Tegernsee Group, FICPI revisited the grace period issue at its Executive Committee meeting in Carthagena, Colombia, in January 2013, in order to update its position.

183. FICPI summarises its position on the grace period as follows:
a) Term: 12 months;
b) Counted from: priority date (according to previous resolutions), or filing date only – FICPI has recognized good arguments for both alternatives;

c) Purpose: safety net;

d) Coverage: any form of prior disclosure caused by or derived from the inventor. Hence, independent disclosures by others are not covered, and a pre-filing disclosure does not constitute a priority right;

e) Declaration: should not be mandatory;

f) Proving entitlement to grace period: procedures may be adopted to determine whether or not a specific disclosure drawn to the attention of an applicant/patentee is derived from the inventor, and the burden of proof should initially be on the applicant/patentee;

g) Prior user rights: third parties may acquire prior user rights irrespective of a disclosure made by the inventor before the filing date under the grace period, provided that all other criteria for obtaining prior user rights are met.

184. FICPI indicates that the effect of the grace period should be that the applicant's own disclosure should be excluded from the prior art for the assessment of both novelty and inventive step. Moreover, the grace period should include conditions such that there is an incentive for inventors to file an application as soon as possible after a pre-filing disclosure, so that the grace period works as a safety-net, particularly for an inadvertent or accidental disclosure by an inventor. This incentive would be provided by the independent disclosures by third parties being regarded as prior art, as well as the impact of possible third party activities, as FICPI takes the view that "*the grace period should not affect the prior user rights of third parties*".

185. FICPI supports the adoption of a uniform grace period, itself harmonized internationally, in terms of the existence and duration of a grace period as well as provisions relating to third party disclosures and activities occurring during the grace period after a pre-filing disclosure, and a voluntary/mandatory declaration.

D. IP FEDERATION

186. The IP Federation, which was represented at the Hearing of European users and also responded to the Tegernsee questionnaire online, sent additional written comments to the EPO, in which it emphasised that it was strongly in favour of the introduction of a grace period.

187. This grace period should be of 12 months' duration from the priority date, covering only earlier disclosures emanating from the applicant. *The inventor should not enjoy the benefit of grace in relation to independent disclosures published during the grace period, even where they concern very similar subject-matter,* and there should be no rights derived from the graced disclosure: "*A graced disclosure will be part of the prior art as regards patent applications of later date by third parties, but should not establish any right to prevent the use or developments of products or processes by others".*

188. The IP Federation also endorses a mandatory declaration itemising the inventor's own disclosures of his/her invention as well as those of third parties known to him/her which should be graced. The onus to show that a prior disclosure should be graced should rest on the applicant.

189. Finally, prior user rights should be "*mandatory, not optional*". *Prior use might start within the grace period. There should not be any consideration of whether the prior use was in "good faith".*

E. PAK

190. PAK is in favour of a safety-net grace period as best practice, which it notes would be a "reinstatement" in Germany. It expressly rejects a US-Style grace period which provides a sort of "priority right" for first disclosers, and protects applicants from disclosures made by third parties of independent inventions.

191. The defining elements of the grace period endorsed would be: 6 months duration; calculated from the priority date; gracing only disclosures traceable to the applicant; without a mandatory declaration requirement, as long as this forms part of an international harmonization package.

V. ANALYSIS AND CONCLUSIONS

192. As mentioned at the outset, the group of respondents to the EPO TJQ does not constitute a representative sample, geographically and otherwise, and there are vast segments of users which are not adequately represented here (*e.g.* universities and SMEs), so that the results of the Tegernsee consultation should be handled with a certain element of caution. Moreover, major groups of European users, in particular from Germany and the UK, chose to respond to their national consultations and did not participate in the EPO TJQ. Nevertheless, a conservative estimate may be made that the EPO Tegernsee user consultation has received responses from European user associations representing in excess of 10,000 patent professionals throughout Europe and the number of European companies represented is well over 217,000, so that the results are indicative of certain trends and thus apt to contribute to evidence-based discussions.

193. Given the controversial and politically sensitive nature of the grace period issue in Europe, the following preliminary analysis will remain very general.

194. From an empirical perspective, the data collected suggests that for the majority of European users, the need for a grace period is a remote occurrence, with 63% of respondents stating that they have either never relied upon the grace period or that the existence or absence of a grace period has been a factor in a very small number of cases over the course of their career.

195. It is common ground that the grace period is the crux of the harmonization exercise. In terms of their position on the grace period in principle, the TJQ (Q.9) results suggest that there is a polarisation of users in Europe, with 51,8% of European individual users in favour of the grace period in principle, and 46,4% against. At the Hearing of European users, one large supra-national European organisation was unable to arrive at a consensus within its own ranks, and another pronounced itself against the grace period in principle, although it could agree to a limited safety-net grace period as a possible compromise, considered to be the price of international

harmonization. To conclude, in Europe, the grace period remains far from being the object of a consensus.

196. Analysing the position of European users more closely, however, shows that even amongst those who advocate a grace period, there is no blanket endorsement of the grace period in principle, but on the contrary, such endorsement in many cases is conditional upon the grace period having the nature of a safety-net.

197. From an international perspective, a majority of European users appear to be in favour of adopting a safety-net grace period as the price of harmonization, presenting with the following characteristics (percentages of support demonstrated by individual respondents in the TJQ in parentheses except as otherwise indicated):

- A duration of 6 months, (50% - the largest group), computed from the priority or filing date (71%).
- Gracing only disclosures emanating from the applicant's invention (*ie* third party disclosures based on independent invention within the grace period would constitute prior art - only 9% of European individual users would support an AIA-aligned grace period)
- Subject to a mandatory declaration (51,6%)
- Subject to prior user rights arising until the priority or filing date (71,6%). (It can be noted that 58% of respondents agreed that prior user rights were an essential element of the definition of a grace period, and 88% believed that in a grace period context, it is the inventor who should bear the risks associated with a pre-filing disclosure).

198. However, this general compromise position outlined during the Hearing was subject to two major conditions which presuppose a multilateral approach to the adoption of a grace period within Europe:

(1) European users believe that any introduction of the grace period in Europe, should occur only if the safety-net grace period were itself internationally harmonized, as defined above, ie, it is not envisaged merely to agree to the introduction of a grace period within Europe, but a treaty should ensure that a single international grace period would exist, globally subject to the same conditions and scope;

(2) Within an SPLH Treaty package which would include a classical first-to-file system, as well as mandatory 18-month publication.

PART II: 18-MONTH PUBLICATION OF APPLICATIONS

I. BACKGROUND

199. The practice of publishing patent applications at 18 months from the earliest effective filing date (including any claimed priority) is a common fixture in many of the world's patent systems, and represents a balance of interests between inventors and third parties, including the public. On the one hand, 18 months is thought to represent a reasonable period of time after filing of the application for the inventor to make an assessment whether to continue prosecution of the application or to withdraw or abandon it. On the other hand, 18 months is believed to be a reasonable period of time for third parties to wait to obtain information about a new technology.

200. There are many policy considerations that underlie this balance. One such policy is to ensure that third party competitors have timely notice of new developments, so they can make informed decisions about, e.g., whether to continue pursuing a similar technology, or designing around the subject matter disclosed in the application. This, in turn, promotes a more effective allocation of research investments and a corresponding reduction in costly and time consuming litigation. Another underlying policy is to allow the inventor to make a suitably informed decision whether to continue seeking patent protection or to keep the information as a possible trade secret. 18-month publication also increases the efficiency of allocating patent rights by enabling an early assessment of prior art with respect to conflicting applications.

201. However, 18-month publication is not without its consequences. The availability of potentially lucrative information during the period of time between 18-month publication and grant of the patent provides competitors worldwide the opportunity to copy or design around technologies that are stuck in examination backlogs, although it should be noted that third parties may be subject to liability for infringement accruing from the time the application is published, if provisional rights are afforded once the patent is granted. A system that requires 18-month publication may also deprive the applicant of an opportunity to withdraw an application in favor of keeping the information in it a trade secret if search or examination results are not provided before publication sufficient to enable the inventor to make a reasonable assessment of the likelihood of obtaining patent protection.

II. RESPONSES TO THE TEGERNSEE JOINT QUESTIONNAIRE

A. INTRODUCTION

202. The 18-month publication section of the TJQ was responded to by 63 participants, including all 9 European user associations.

203. All the Tegernsee delegations except the US adhere to the same rule of mandatory publication at 18 months provided the application is still pending at that time, so that there seems to be a consensus as to best practice in this regard amongst the

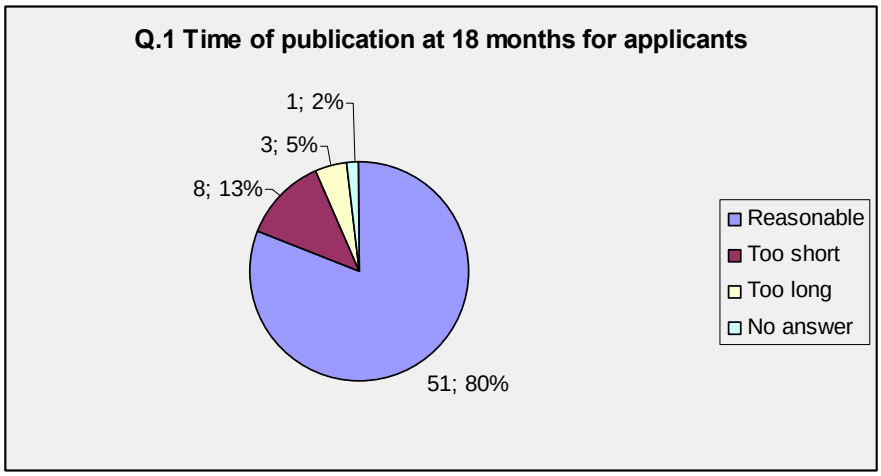
majority. However, the TJQ provided a valuable opportunity to revisit some of the policy issues and gather empirical data with regard to the "opting-out" possibility provided by US national law.

B. POLICY ISSUES

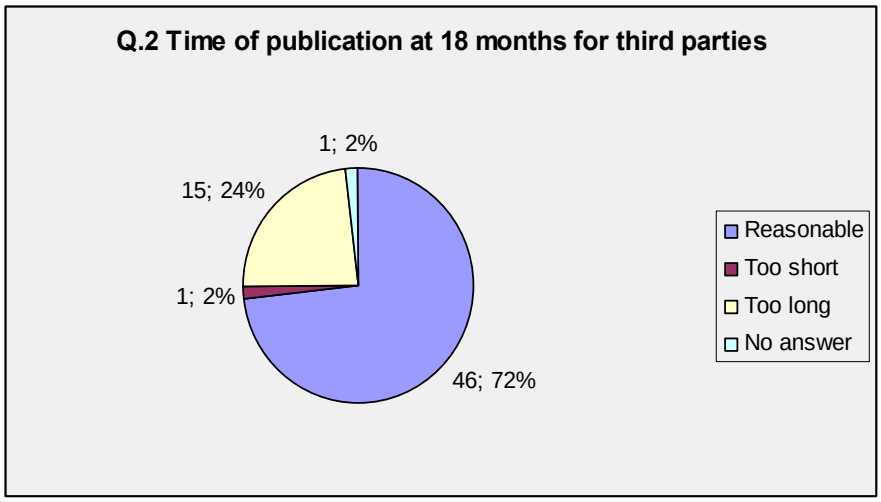
a) Timing of the publication

204. Although no variations in the time-frame of mandatory publication at 18-months are known to us (with the exception of earlier publication upon request by applicants), two questions considered the duration of the period from the perspective of both applicants and third parties.

205. Respondents were requested to evaluate whether the 18-month period calculated from the filing or priority date was reasonable, too long or too short from the vantage point of applicants. The responses are shown in the chart below, with 80% of respondents appearing to be of the opinion that the time of publication at 18 months is reasonable for applicants, including 8 of the 9 European user associations (one did not respond). Since applicants may always request early publication, one can surmise that the perceived issue here is that of the duration of the legal uncertainty surrounding co-pending applications. Otherwise, 6 of the 8 respondents stating that they believed the period was too short for the applicant were European. There were no discernable trends in terms of areas of technology.



206. Conversely, respondents were asked whether the 18-month period between the date of filing/priority and that of publication was reasonable, too long or too short from the perspective of third parties. Here, 72% of respondents were convinced that the period is reasonable (once again, including 8 of the 9 European user associations; one did not respond) whereas 24% opined that the period is too long for third parties (see chart below).



207. It is useful to compare the responses to these two questions for consistency. Here, all 8 European user associations who answered these two questions agreed that the length of the 18-month period was reasonable for both applicants and third parties. Of the individual respondents, 35 of a total of 54, or almost 65% also agreed that this was the case.

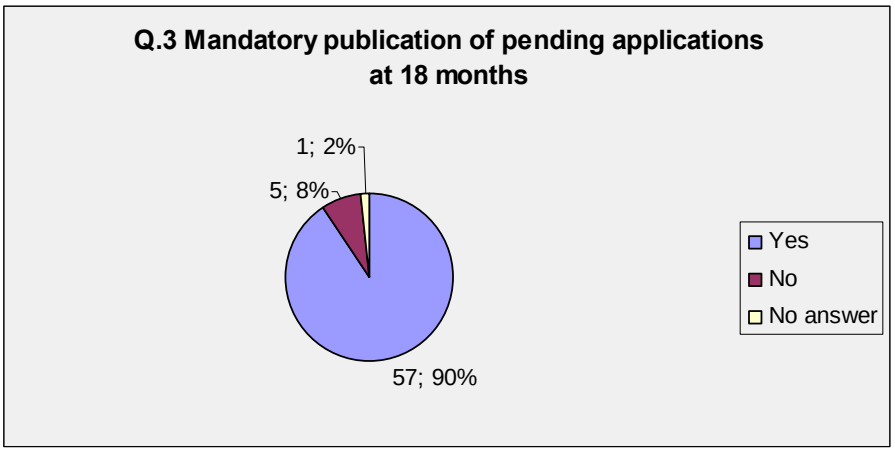
208. Three individual respondents felt that the 18-month period was too long for both applicants and third parties, and it is interesting to observe that 2 of those 3 respondents were affiliated with universities/research institutions.

209. Three respondents or 5% of individual users felt that the period was too short for applicants yet reasonable for third parties, whereas seven or 12,9% on the contrary opined that it was reasonable for applicants but too long for third parties, showing some variations in the perception of where the critical balance should lie.

210. Finally, there were some interesting responses: 5 users, or 9%, felt that the 18-month time period between the priority/filing date and mandatory publication of applications was both too short for the applicant and too long for third parties. The TJQ did not ask them if their conclusion was therefore that an 18-month duration, insofar as it was sub-optimal for all in diametrically opposed directions, constituted a near-perfect compromise.

b) Mandatory nature of the 18-month publication

211. Question 3 asked whether, assuming 18 months from the earlier of the filing or priority date was a reasonable period of time, all applications not otherwise withdrawn, abandoned or subject to secrecy orders or similar proceedings, should be published. Once again, all 8 European user associations which responded were in favour of mandatory publication of applications at 18 months, as well as 49 of 54 individual respondents or 90,7%. Interestingly, 2 of the 5 respondents who did not agree with mandatory publication named the USPTO as their main filing office. Once again, these positions appeared to be quite independent of the users' area of technology (mechanics, computers, 2x pharmaceuticals, Telecommunications).

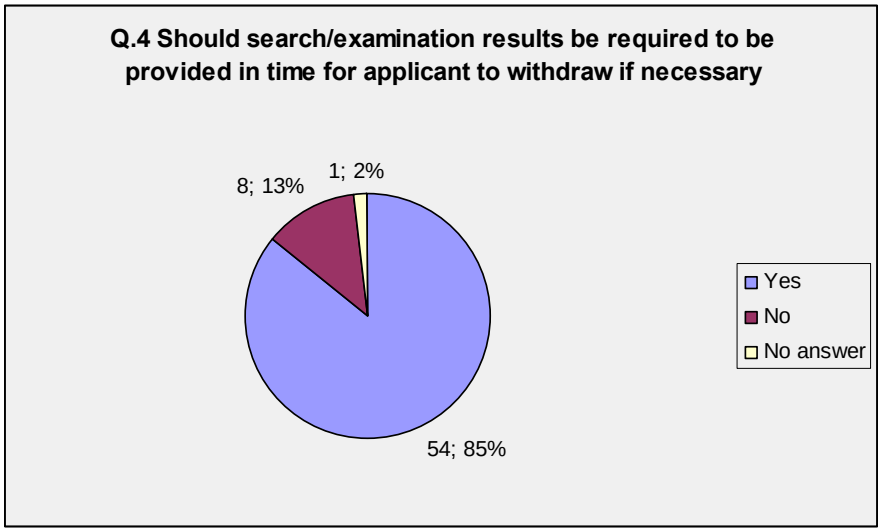


212. Since an applicant whose application is published no longer has the option of resorting to trade secret protection for his invention in the event that a patent is not granted on the application, in the Tegernsee study, a link was drawn between such mandatory publication of applications at 18 months from the earliest of the filing or priority date, and the issue of the amount of information at the disposal of the applicant at that critical time when he must decide whether to proceed and let publication take place, or withdraw his application to keep other options open. This led to the question below.

c) Availability of search and/or examination results

213. Consequently, question 4 probed: If a jurisdiction requires publication of all applications at 18 months, should that jurisdiction also require the competent authority to make search and/or examination results available to the applicant sufficiently in advance of the 18 month date under certain conditions so that the applicant can make an informed decision whether to withdraw or abandon their application before publication?

214. The results are collated in the chart below: 85% of applicants took the view that this should be the case (including all 8 European user associations having answered the question). Of the 8 respondents who answered in the negative, it is noted with interest that all but one were either Japanese or German. It is thus surmised that their response probably does not show a lack of interest in having essential information in due time, allowing an enlightened decision to be taken as to the fate of an application prior to publication, but rather a concern that should this become an absolute rule, it might be considered incompatible with a system allowing deferred examination.



215. Only a few comments were made in relation to Question 4.

- A main reason for delayed publication is to allow the applicant to make an informed decision on whether to continue with the application or not. Information on patentability is pivotal in this respect

- The point above is self-evident in my opinion.

- Yes, at least if search or examination was requested.

- This would be ideal but not essential, a search result is not after all definitive with regard to the scope of protection ultimately afforded.

- Every applicant is free to file a PCT application where he usually gets a search and preliminary examination report within 18 months. Therefore, there is no need for examination in each jurisdiction.

- There are ways to get actually 2 exam/search report within the 18 months, but that usually depends on the speed of the PCT exam. Our usual path is to file for an IT priority application, within 9 or 10 months we get a search and written opinion, and then we file the PCT taking into account the result of the search on the IT(PR) application, usually the PCT search and written come quick providing us basically two examination results in the 18 months window. Speed of the PCT is nevertheless crucial.

- Patent offices should be encouraged to provide search reports as early as possible so that applicants can make informed decisions on whether to withdraw before publication and whether to file other applications. However, publication should not be delayed because a search report is not available.

216. Some respondents, however, took issue not with the principle considered, but with the point in time by which applicants need information as to the prospects for their application, which was widely considered to be well before the 18-month mark, but

rather in time to be able to map out a global patenting strategy, prior to the expiry of the priority period of 12 months.

- Search results should be available well before the 12 month deadline for [filing abroad] (9 months from the filing or priority date maximum).

- Not all offices need to do searching and examination, but if it is done, at least the search results should be made available to the applicant well before the end of the priority year.

- A search result should be provided before the expiry of the priority year.

- In fact, search reports should be available to the applicant before the expiry of the priority period if applicable to that application, i.e. in cases of first applications for that subject matter.

- Providing search results and some report on prior art to the applicant is the only way he has to take a fully informed decision on whether to proceed with the application or to give up on the application. Nevertheless, to have 18 months until publication without the technical insight from the competent office is not enough.

C. EMPIRICAL DATA

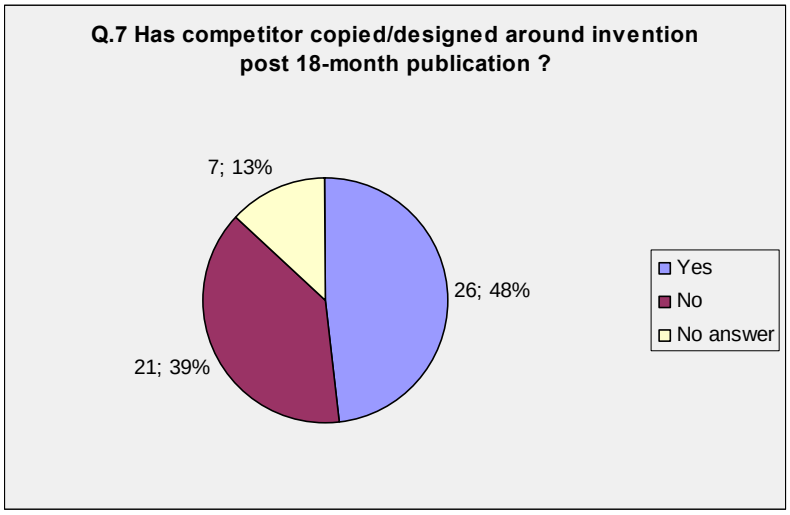
217. As questions 5-9 deal with the gathering of empirical data, the 9 European user associations did not provide any input, so that the group of respondents for these questions is comprised of a total of 54 individual respondents.

a) Experience with "opting-out" of publication at the USPTO

218. Respondents were asked whether they/their clients had ever opted-out of publication at 18 months at the USPTO (Q.5). Of the individual respondents, 51 or 94,4% had never opted out. None of the US respondents or USPTO heavy filers reported resorting to "opting-out". One respondent did not answer, and 2 European users stated that they had opted out, one indicating he had done so "1-2" times, and stated that *"Essentially [the client] did not want to have a case published with very bad examination results"*. Neither of them did so to prevent competitors from copying or designing around the invention (Q.6).

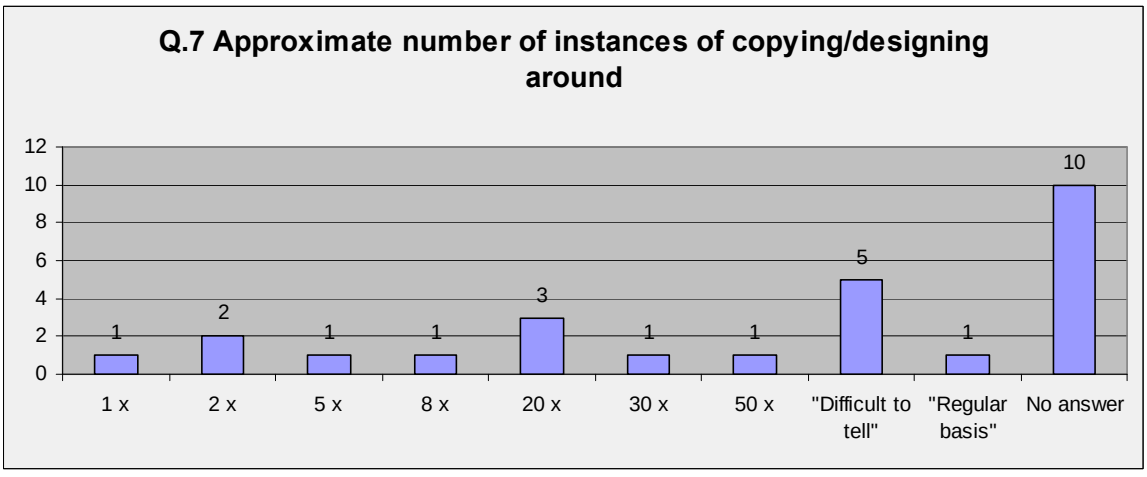
b) Consequences of 18-month publication in relation to competitors

219. Participants were asked whether they had ever had a competitor copy or design around their (or their client's) invention after the application was published at 18 months (Q.7).



220. The biggest group of respondents (26 or 48%) confirmed that such copying or designing around their invention or that of their clients had taken place. Another rather large group of 21 or 39% stated that this had never happened.

221. Interestingly, of the 26 respondents who asserted that such copying or designing around of their invention had occurred after the application was published at 18 months, only 10 were able to provide an estimate of the approximate number of instances. Five respondents replied that it was difficult for them to judge, or that such copying/designing around was "probable", but the numbers were "unknown". One respondent added that their competitors did not tell them whether this was what happened.



222. However, at least in Europe, users appear to view such dangers inherent in 18-month publication as having to be weighed against the risks presented by applications by third parties based on trivial modifications of an invention which form the basis of a non-published patent application. Upon publication, an earlier application becomes prior art relevant for both novelty and inventive step, broadening the area of protection from patent grants to third parties provided by the application. For this reason, one user explained that: "*Actually my feeling is the opposite and in some cases we have asked for an earlier publication*".

223. Additional details and comments made by users regarding the copying or designing around inventions by competitors once an application is published are collated below:

- Usually the case in the field of active ingredients in pharmacology and crop protection.

- This would have happened whenever it was published.

- Big competitors will not design around unless they expect problems. Smaller companies might do more often. But if standard related this is not possible

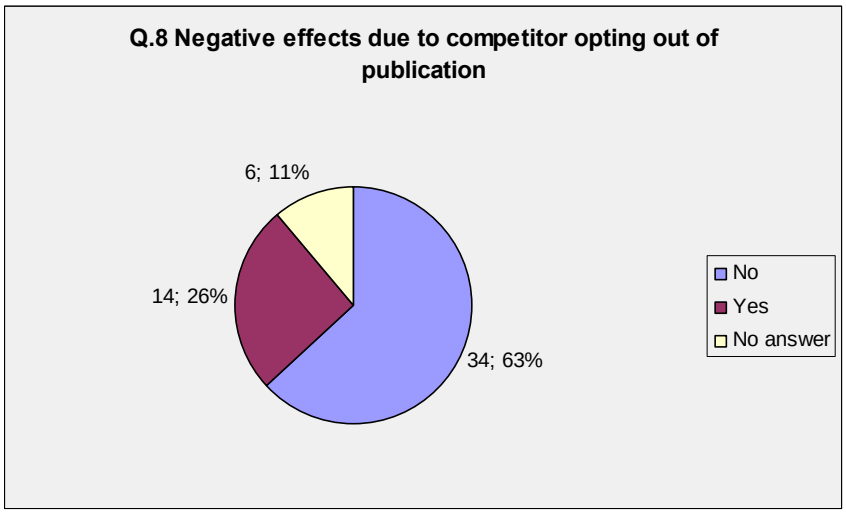
- One respondent having not answered emphasised: *We are unable to determine when design around/copy occurred.*

- This cannot be quantified because most of the time one doesn't find out what the competitors are doing with the info in our patent applications until much later.

- Designing around is legitimate and we advise our clients to design around if necessary. The publication of a patent application generally helps to do so.

c) Experience with competitors opting out of publication in US

224. Users were asked whether they had experienced difficulties as a direct result of a US application not being published at 18 months due to a competitor opting out of publication (Q.8). The majority of users (63%) reported never having had this problem, but 14 respondents or 26% of the total stated that they had.



225. However, when asked about the number of instances in which they or their clients were negatively affected by a competitor opting out of publication at 18 months in the US, only 7 of the 14 respondents could give an approximation. Three respondents had this occur twice, one respondent remembered an isolated case, and two large-volume filers recalled 20 instances where this happened. Another respondent stated that they had "less than 5 instances, but involving mostly the same client", adding that the US patent granted "surfaced" unexpectedly after a client had assumed that it was free to operate in the US. One large European multinational corporation reported

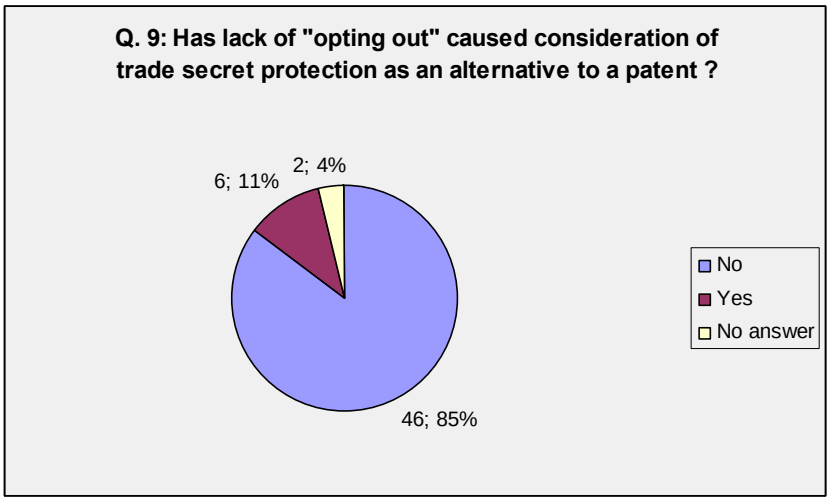
that they were negatively affected by a competitor "numerous times" and stated that especially when it was combined with a patent whose term was extended, "the effect could be devastating."

226. One corporation in the field of electronics commented that "*As a rule we do not encourage our R&D staff to study such documents [published applications] to assess the possible scope of protection. We are regularly confronted with US patents that were not pre-published but cannot say that this confrontation was the direct result of non-publication.*"

227. One large European pharmaceutical multinational corporation observed that their "*(m)ain competitors file on an international basis, which means that there are always publications*".

d) Pursuit of protection by secrecy in absence of lack of opting out

228. In all the jurisdictions in which 18-month publication of applications is mandatory, in most cases, the applicant must thus forego the possibility of protecting his invention by keeping it secret, as an alternate means of securing an advantage over competitors in the market, prior to being certain that meaningful patent protection will be granted. For certain types of inventions which are capable of being commercially used in their primary purpose whilst remaining concealed, mandatory 18-month publication of applications may thus present a dilemma. Respondents were asked whether the lack of an opt-out provision in a particular jurisdiction had caused them or their clients to either consider or actively pursue trade secret protection as an alternative to obtaining a patent on an invention (Q.9). The overwhelming majority of respondents, 85%, stated that they had never considered foregoing patent protection in favour of keeping the invention secret due to mandatory publication of applications at 18 months.



229. Of the six respondents who stated that they had indeed either considered or actively pursued trade secret protection as an alternative to obtaining a patent, did so very infrequently. One respondent had a single instance, two respondents reported facing

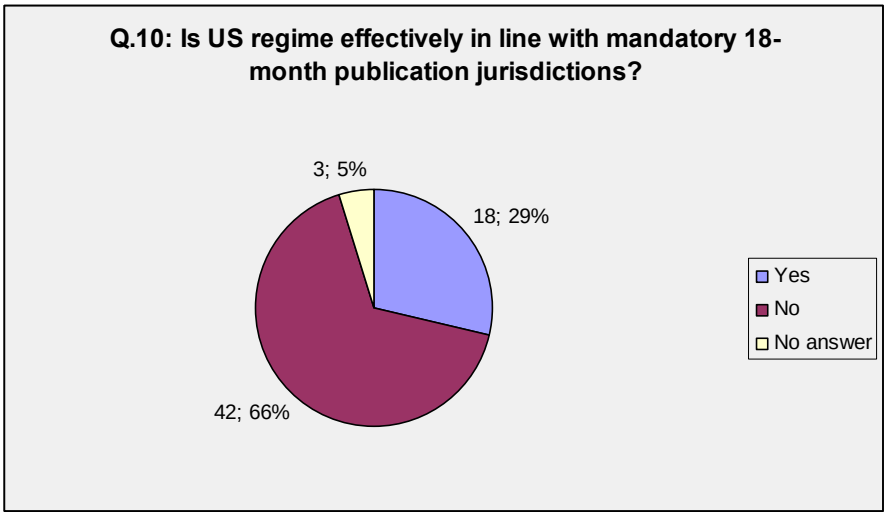
this situation twice, one specified that it had happened to his clients approximately 10 times in 15 years, and one outlier, a European patent attorney in the technical area of Chemistry, reported having had 20 cases. No further details or comments were added by the respondents.

D. HARMONIZATION ISSUES

a) Is the US effectively harmonized despite "opting-out"?

230. As reported in the Tegernsee study, the publication opt-out rate in the United States has been declining for the last several years and is currently at approximately 6% of applications filed per year (equal to about 22,000 non-publication requests in 2011). Against this backdrop, given that the USPTO strategic plans call for reaching 10 months pendency to first office action by 2014, respondents were asked whether they considered the United States' 18-month publication regime to be effectively aligned with regimes in other jurisdictions that require all applications to be published at 18 months (Q.10). It should be noted that for this question, the group of respondents includes the 9 European user associations once again, for a total of 63 respondents.

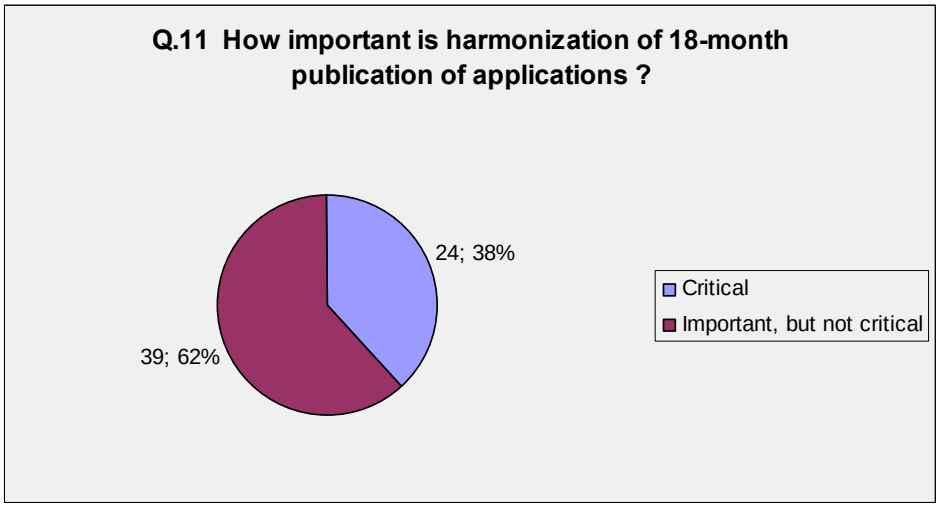
231. A total of 42 respondents, or 66%, including 8 of 9 user associations (one did not answer) as well as half of the US respondents to this section of the survey, opined that the current US regime was not effectively aligned with mandatory 18-month publication jurisdictions.



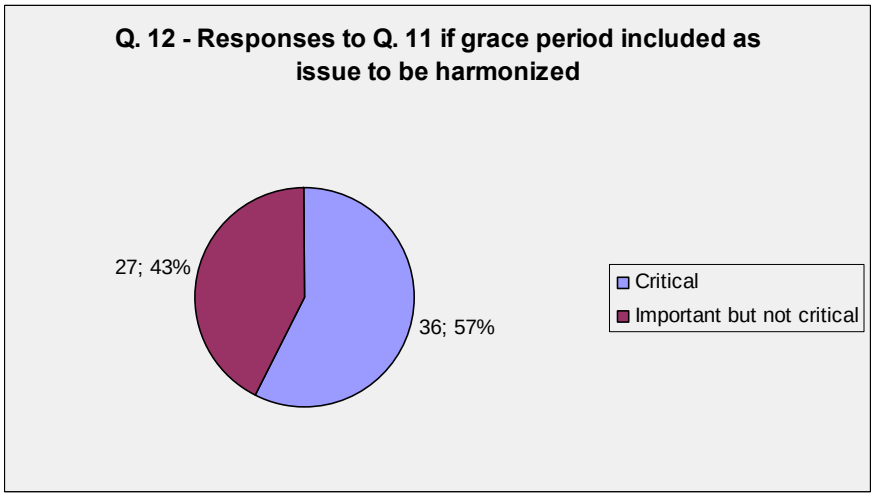
232. From the results above, one might be tempted to dispute whether this issue is a major concern. However, as pointed out by some comments, the risk for third parties of having an applicant opt out of publication may not be very high, but when that risk materialises, the potential consequences can be devastating. It is not the correlation between the probability of the risk materialising, but of the magnitude of the damage inflicted should this unlikely event happen, which appears to concern European users.

b) Importance of harmonization of mandatory 18-month publication

233. This is evidenced by the replies to the following question (Q.11), which tried to gauge how users rated the importance of international harmonization of mandatory publication of applications at 18 months. 24 or 38 % stated that they found this critical, (including 5 user associations) and the rest (39 or 62%, including 4 user associations) found it important, though not critical. Interestingly, not a single respondent felt that this point was not important.



234. The same question was repeated, but with the grace period included as a further point to be harmonized. Here, the assessment of the importance of this issue by users shifted quite considerably, with 12 additional respondents or 57% of total participants then pronouncing harmonization on this point to be critical, including 8 of 9 user associations.



235. In relation to these last two questions on the importance of harmonization of 18-month publication, participants were requested to provide additional details or explanations as appropriate. They are consigned below:

- If an applicant wishes for its application to act like a submarine, US patent law provides ample opportunities to ensure that there will be no grant by 18 months. The USPTO's strategic plans will thus fail to ensure a de facto 18 months' publication in all cases.

- Publication should be calculated at the latest from start of grace period (or take place as soon as possible after filing) in case the grace period is used in an application.

- EXCELLENT QUESTION!!! Despite being less dramatically appealing to non-professionals, this point may be more critical than the grace period: so if the U.S. want a grace period in the EPC, then 18 months' publication should apply to all U.S. applications.

- Overall, I think regional harmonization of procedures is important, regardless of what issue is being harmonized.

- We would agree to mandatory 18m publication as part of harmonization around a meaningful grace period.

- At least one company among our membership believes that international harmonization of publication applications is critical, irrespective of whether a grace period is included along with publication of applications among the issues to be considered for international harmonisation (x3).

- A third party needs to have legal certainty about his rights. This is even more the case if an inventor published an invention and later on files a patent application which is not even published.

- For a business to function well, legal certainty is a top priority. Especially for innovations requiring a big investment, a company investigates whether the innovation would infringe third party patents. The existence of unpublished patent applications increases the risk that despite serious efforts to respect 3rd party rights, a company will get into difficulties because of a granted patent published late. The infringement could have been avoided if the application had been published after 18 months.

- It is important for legal certainty that the absence of publications also means the absence of a future patent.

- Legal certainty regarding freedom to operate in a globalized world requires timely and harmonized publication of pending rights in the different territories of the world.

- Publication should take place at 18 months worldwide. The large number of US patent applications not published in 2009 was, according to the information in the Tegernsee studies, well in excess of 15.000, even though this was only about 5% of total applications. This is not an acceptable number of unpublished applications and creates legal uncertainty.

c) Other issues to be addressed regarding 18-month publication

236. Participants were requested to indicate whether there were other issues in relation to 18-month publication of applications which they believed should be addressed within the framework of international harmonization. Their comments were:

- The time required for technical preparation of the publication, that is, the final date for withdrawing an application in order to avoid publication, should be harmonized in order to minimize sources of mistakes.

- The publication should occur 18 months from the first publication by the applicant in case the applicant requests application of the grace period.

- Possibly, additional publication in English (or another second language)

- Needs to be combined with provisional protection. (x 6, including 4 user associations)

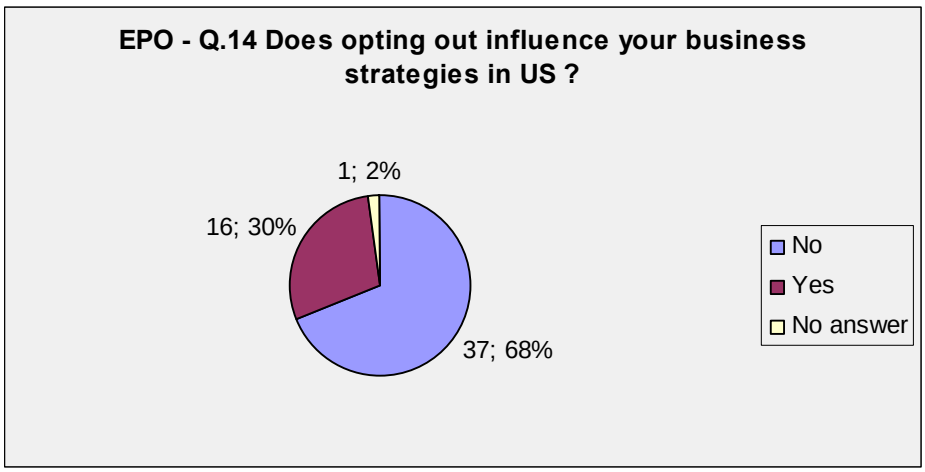
- Publication of the search reports.

- In Europe unpublished applications may form prior art under Art. 54(3) EPC. This is different eg in the US and should be harmonized.

E. EPO - SPECIFIC QUESTIONS

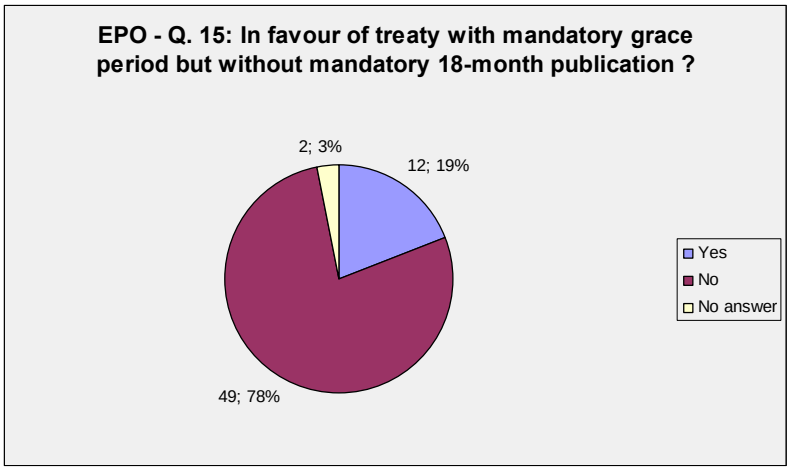
237. The EPO chose to ask two additional questions in this section of the survey, in order to clarify both the actual impact of "opting-out" of publication in the US, and to ask the pointed strategic question regarding the bundling of the grace period and mandatory 18-month publication issues in view of a possible harmonization package.

238. The first aimed to evaluate whether, absent any direct impact from an "opted out application", the mere possibility of such an unpublished application surfacing belatedly as a patent right influenced the business strategies of European users in the US, in particular in respect of technology which appeared to be in the public domain. This question was responded to by individuals (N=54) of which 30% replied that this was the case, whereas a clear majority, at 68% reported no such influence on their business strategies.



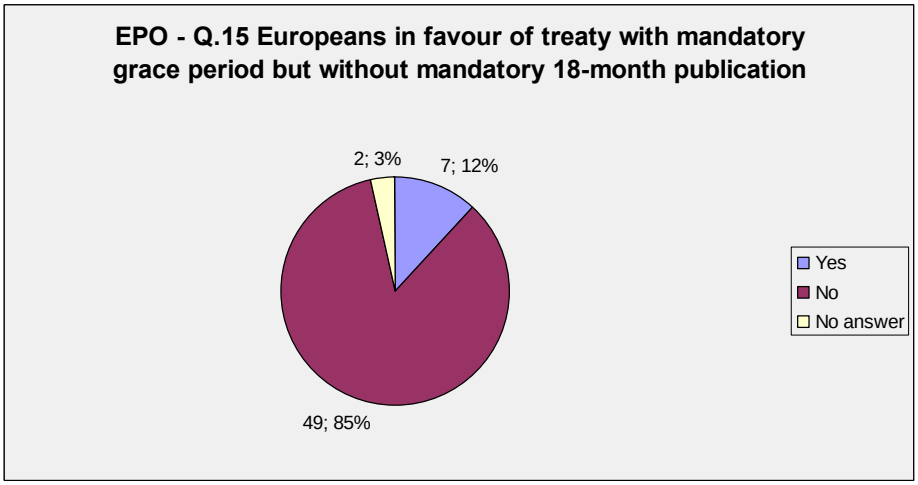
239. Finally, the EPO asked respondents whether they would be in favour of the conclusion of a substantive patent law harmonization treaty which provided for a mandatory grace period but did not contain a mandatory 18-month publication

provision. Of a total of 63 respondents on this section of the survey, 49 or 85% of European respondents answered in the negative.



Note: N=63

240. Twelve respondents answered that they would be prepared to support the conclusion of such a harmonization Treaty, but 5 of these respondents were not European, and emanated from jurisdictions which had a grace period, leaving only 7 Europeans responding that they could endorse such a Treaty. This was the admitted target group of this question, the purpose of which was to test the support for this strategic position from a European perspective, given that it had been repeatedly expressed in Hearings of European users in the past. Two user associations did not respond to this question, but all those who did were in the majority which supported mandatory 18-month publication as an integral part of a harmonization package comprising a grace period. The chart below shows the responses and percentages of European respondents.



Note: N=58 (European respondents)

III. EUROPEAN USER HEARING REPORT RE: 18-MONTH PUBLICATION

241. At the outset, assuming an SPLH package including a grace period were to be adopted, the EPO raised the issue of whether the 18-month publication span should be shorter when the grace period was invoked?

242. One supra-national association reiterated its position that 18-month publication should take place world wide without exceptions. The fact that 5% of patent applications were not published in the US was roughly equivalent to one year of filings in France (ca. 17, 000, *ed.*). This made for an unacceptable level of legal uncertainty, more particularly in certain fields of technology. Search reports should be drawn up and published as soon as possibel and provisional protection should be provided. In any case, there should be no postponement of 18-month publication.

243. Another participant supported this view and added that over 15 000 applications a year turned into potential submarine patents. (*Note*: *in the Tegernsee Study of 2012, the USPTO figure quoted was over 19 000.*) Business methods and certain types of computer programs are only patentable in the US and there were big risks in those fields for foreign actors within the US.

244. One participant echoed "the common understanding in Europe that all applications pending at 18 months should be published". The participant opposed imposed early publication in case of pre-filing disclosure argued that if one didn't know the date of the first disclosure, it would not be possible to determine the date of publication.

245. Another user observed that this issue was raised at an EU Hearing 10 years ago, but it had been concluded that it was not practicable. Moreover, if there were a 6 month grace period and a 12 months priority period, a patent office would have to publish the application within a week !

246. Another participant agreed that the idea of adjusting the date was original but impractical and should be forgotten. 18-month publication should be the norm. The only reason there was an opt-out possibility in the US was to allow submarine applications. This was not acceptable under any harmonization process. There was not much to be discussed here.

247. One user stated that the general position was that 18 month publication should be mandatory for everyone. An applicant could publish earlier, but it should not be possible for him to delay publication, as this would prejudice third parties. If the inventor was aware of a prior publication, he could file a declaration and ask for early publication.

248. Mandatory 18-month publication was "critical to patent law harmonization". If one was seeking to have a uniform patent landscape, it was not acceptable to be surprised by a submarine patent.

249. One user opined that the USPTO was in the best position to understand the dangers. This was a threat for all, including academics and SMEs. It was also a problem for examiners at the USPTO: they had secret prior art hidden in their files. One could

envisage a rule whereby if pre-filing publication occurred, the application would be published 6 months from the filing date or 12 months from the priority date, whichever was shorter. This might be achievable, even without a declaration, but it was more complicated.

250. One user emphasised that a world-wide mandatory 18-month publication from the priority date would be a critical feature of a harmonization treaty. He went on to note that in the UK, up to 10% of patents in the defence sector were classified, so that there were submarine patents in the defence industry, which popped up when they were in condition for allowance.

251. One user disagreed and stated that he did not understand why mandatory 18-month publication should be included in SPLH. If all countries world-wide have it, the US should align itself on this point. He suspected that the US economy was very much affected by this system.

252. Mandatory 18-month publication was a very important point and the US system was strongly objected to. Earlier publication in the case of a pre-filing disclosure within the context of a grace period could be considered as a possibility.

253. <u>Conclusion of the results of the Hearing</u>: participants were unanimous in their position that 18-month publication should be mandatory world-wide. Whilst a few could imagine an earlier required publication date if there was pre-filing disclosure within a grace period context, this was generally rejected as too complicated.

IV. <u>SUMMARY OF ADDITIONAL WRITTEN SUBMISSIONS</u>

A. FICPI

254. FICPI considers reasonable both for patent applicants and for third parties a mandatory publication of all patent applications no later than 18 months from the filing date or first priority date, irrespective of a grace period, provided that these applications have not yet been withdrawn, refused or abandoned before the technical preparations for publication have been finalized.

255. In particular, jurisdictions having a limited exemption on pre-grant publication are urged to remove this provision and introduce mandatory publication no later than 18 months from the filing date or first priority date.

256. In order to protect the rights of third parties, 18-month publication of applications should take place regardless of whether search and/or examination results have been made available to the applicant. However, FICPI is in favour of specific provisions, including but not limited to requests for accelerated examination or search, which would result in applicants receiving at least a search report well before the publication date of an application.

257. Considering that patent authorities nowadays publish or make available patent applications through electronic means, FICPI considers the current several weeks needed for the technical preparation of the publications to be anachronistic.

B. AIPPI

258. AIPPI is in favour of mandatory publication at 18 months of all patent applications pending and not abandoned, withdrawn or otherwise subjected to secrecy orders - a term considered reasonable both for applicants and third parties.

259. It considers the harmonization of 18-month publication to be important but not critical, however, the group would not be in favour of a substantive patent law treaty which provided for a mandatory grace period but not a mandatory 18-month publication provision.

C. IP FEDERATION

260. The IP Federation considers that publication of applications at 18 months from their priority dates should be a *very important feature of a harmonisation treaty. "18 month publication ensures that "submarine" applications do not remain unpublished for several years following filing. Competitors and third parties will be made aware of what is being applied for at a reasonably early date, e.g. before too much effort is expended on the same line of development. Moreover, there should be no discrimination between national and foreign applications.*"

D. PAK

261. Publication at 18-months should be mandatory for all applications, with only national security-related exceptions allowed.

262. Consequently, all applicants should receive a search report /First Office Action prior to the critical date, in order to be able to withdraw their application if they wish.

V. ANALYSIS AND CONCLUSION

263. Although 48% of respondents reported that copying or designing around their invention had taken place in the wake of their application being published at 18 months and only 26% of total respondents indicated having experienced difficulties as a direct result of a competitor opting out of publication at the USPTO, all 8 European user associations who responded to this question as well as 90,7% of individual respondents were in favour of mandatory 18-month publication of applications. During the Hearing of European users, participants were unanimous on this point.

264. The vast majority of users consider the period of 18 months prior to publication to be reasonable for the applicant (80%) as well as for third parties (72%), and thus well-balanced.

265. 85% of respondents believed that search/examination results should be required to be provided in time for the applicant to be able to make an enlightened decision to withdraw the application prior to publication if necessary, but several commented that

in fact, this information was needed by the applicant much before that, *ie,* within the priority year, in order to allow a timely mapping out of global filing strategies.

266. A total of 66% of respondents do not view the US as "effectively harmonized" with regard to mandatory 18-month publication of applications.

267. According to the responses to one of the EPC-specific questions added to the EPO TJQ, 85% of European respondents would be against the conclusion of a treaty providing for a mandatory grace period, but without a clause providing for mandatory 18-month publication of applications.

PART III: TREATMENT OF CONFLICTING APPLICATIONS

I. BACKGROUND

268. An issue in all patent systems is how to deal with the situation where an application is filed before the filing or priority date of the application being examined and is later published, and the applications disclose common subject matter. Such applications are said to “conflict” because the contents of the earlier-filed application only become publicly available as prior art after the filing or priority date of the application being examined. Absent some rule giving prior art effect to the earlier-filed application as of its filing or priority date (a rule creating what is known as “secret” prior art), it would thus be possible for two or more patents to be granted covering the same or similar subject matter. On the other hand, if the applications in question were filed by the same applicant, such a rule could lead to “self-collision”—one of the applicant’s own applications being used to refuse another—unless a measure for avoiding self-collision (“anti-self collision”) was also provided. It is a particularly difficult issue to address, requiring a balance to be struck between the interests of the first applicant, subsequent applicants and the general public.

269. The treatment of conflicting applications is different under the legal regimes in Europe, the United States and Japan. In Europe, under the European Patent Convention (EPC), as well as under the national law of the EPC Contracting States, earlier-filed, later published applications (“secret” prior art) are relevant to the examination of novelty only, and anti-self-collision is not provided. In the United States, “secret” prior art is relevant to the examination of both novelty and inventive step, and anti-self collision is provided for. In Japan, “secret” prior art is relevant to the examination of novelty, including minor differences, provided the inventions are "substantially the same", but is not relevant for examination of inventive step, with anti-self collision applying.

270. There are likewise differences among the jurisdictions as to the conditions under which PCT international applications become “secret” prior art. In Japan and under the EPC, such applications become “secret” prior art as of the international filing date or the priority date, if claimed, only if they enter into the respective national/regional phase, which also entails that they have been translated into the prescribed language(s). In the United States, under the America Invents Act, PCT applications will form “secret” prior art as of their international filing date or priority date, if claimed, merely upon designation of the United States in the international application.

II. RESPONSES TO THE TEGERNSEE JOINT QUESTIONNAIRE

A. INTRODUCTION

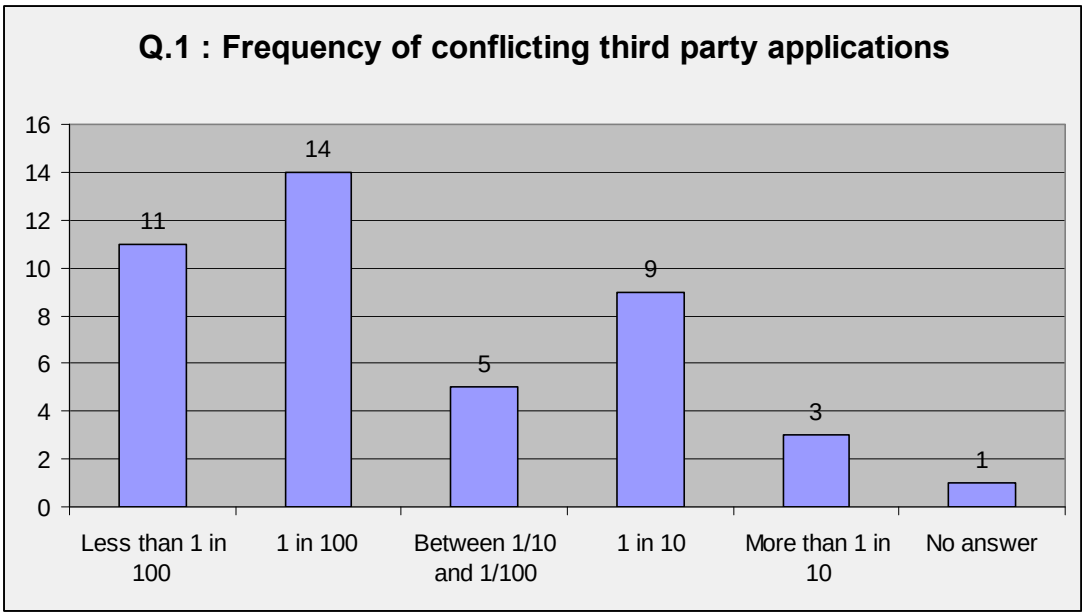
271. There were only 52 respondents to this section of the TJQ, reflecting the fact that it was not the longest, but certainly the most complex and difficult section of the survey to complete.

272. All 9 participating European user associations refrained from responding to the empirical questions going to the experience of individual applicants/counsel. Thus, in those empirical sections, there were 43 individual respondents. Once again, this may be considered to be a relatively small group, representing no more than anecdotal evidence, but this evidence is still quite interesting.

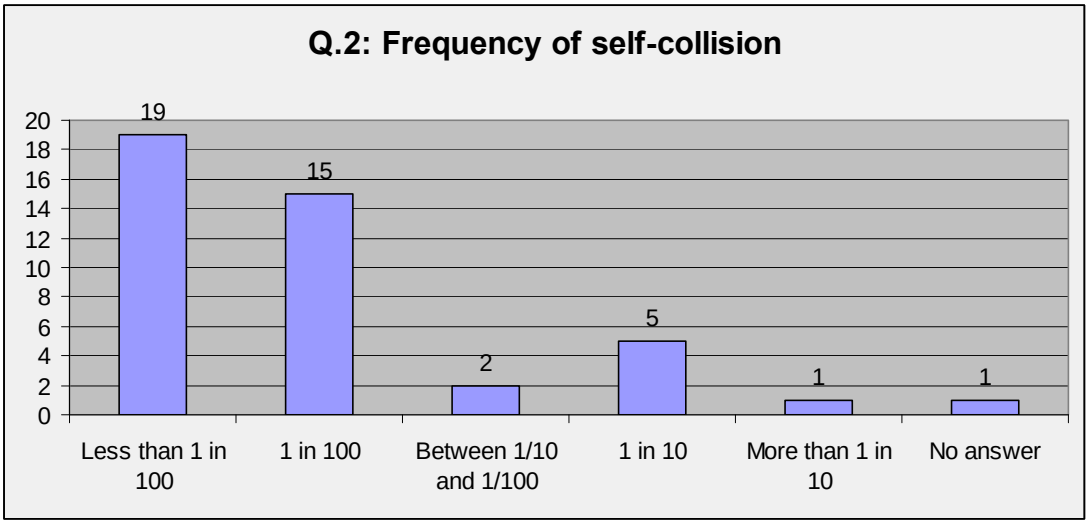
B. EMPIRICAL QUESTIONS

273. First, participants were requested to state how often they faced a conflicting application filed by a third party being cited against their own application, in the region in which they conducted their main patenting activity. In the sample for this part of the questionnaire, 7 respondents identified the USPTO as their main filing office, one identified the JPO and the rest filed primarily at the EPO and/or in other national offices in Europe.

274. Of the 43 individual respondents, 25 or 58 % of the group stated that the frequency of conflicting applications filed by third parties was 1 per 100 applications or less. It should be noted that this group contained all those respondents having the USPTO as their main filing office. There were no discernable patterns between the frequencies reported and the area of technology involved.



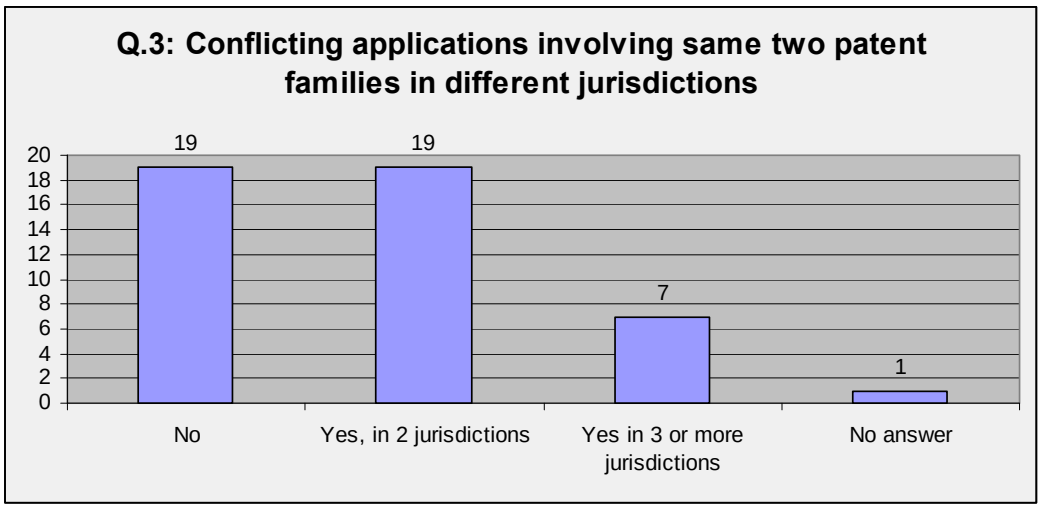
275. As can be seen from the chart below, the frequency of self-collision with co-pending applications was even lower than the rate of conflict with patent applications filed by third parties, with 79% reporting a rate of 1 per 100 applications or less. Significantly, with three exceptions, all respondents reported either a higher (53,5%) or similar (37,2%) frequency of conflicting applications emanating from third parties than that of instances of self-collision.



276. When asked to specify the frequency of self-colliding applications where this event occurred in either less than once per 100 applications or more than once per 10 applications, our respondents did not cite figures, but they did kindly provide comic relief. One respondent reported that the frequency was so low "because we are very smart in drafting our patent applications (lol)". Another respondent, commenting on his own lower rate of self-collision, wryly remarked that it was easier for him to manage self-collision issues than it was to manage conflicting applications filed by third parties.

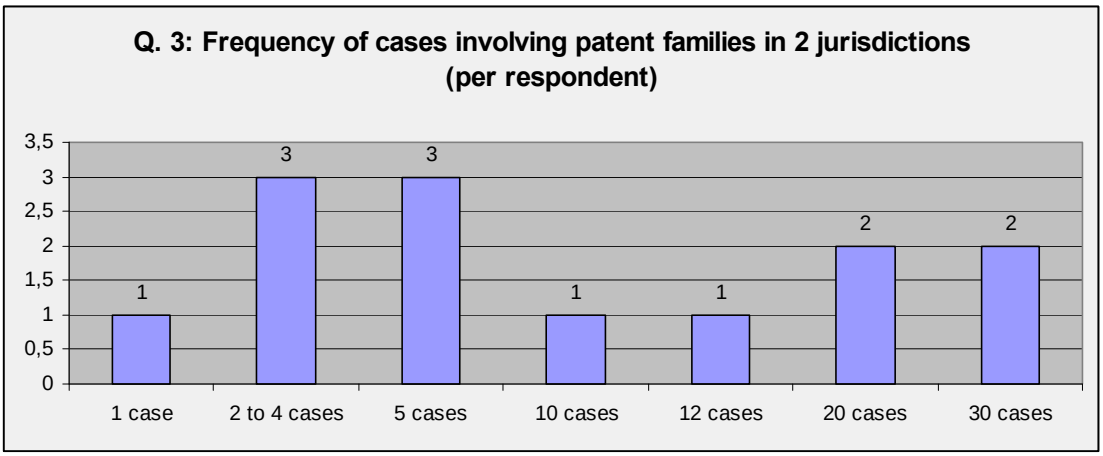
277. In the Tegernsee report, it was suggested that it might be useful to carry out a study comparing conflicting applications involving the same two patent families, one family forming prior art, the other family being examined, across jurisdictions applying different rules on conflicting applications, thereby allowing the gathering of concrete evidence of the consequent variations in outcome. This was attempted with the empirical questions 3 to 5 of the conflicting applications survey of the TJQ.

278. First, users were asked whether they had faced this phenomenon. The data collected is reflected below, with roughly 60% of users having faced this situation before, albeit very rarely.



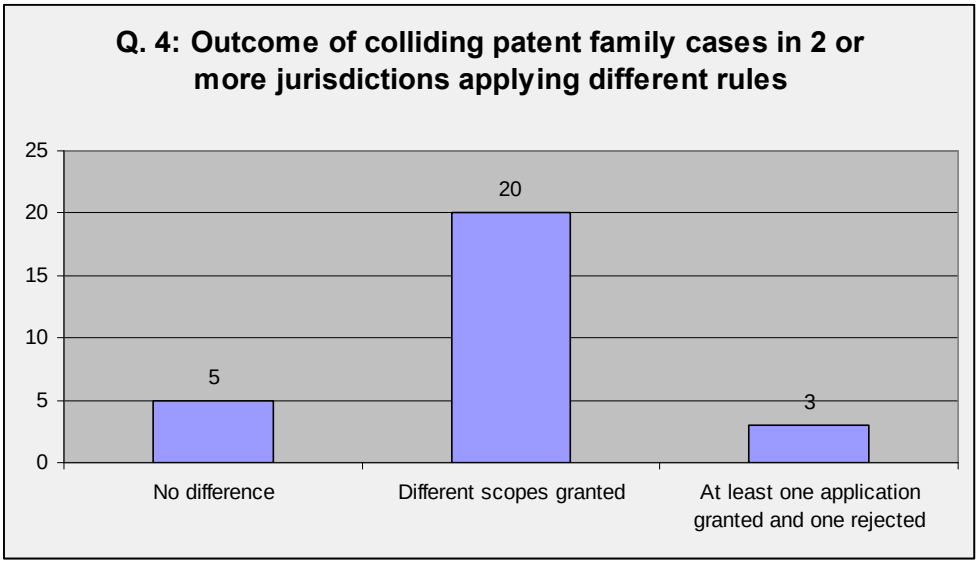
Note: Total responses > N=43, since three participants reported families of conflicting applications in both 2 jurisdictions and 3 or more jurisdictions.

279. Users were then requested to indicate the number of cases in which they had experienced conflicting applications involving the same two patent families. Partial results (excluding inconsistent responses) are included in the chart below.



280. Seven respondents reported having had cases of conflicting applications involving the same patent families in three or more different jurisdictions applying different rules on conflicting applications. Of these, three gave no figures as to the number of cases - one of them stating that this was commercially sensitive information. One respondent had around 10 cases, one respondent had two cases.

281. Respondents were then required to characterise the outcome of colliding patent family cases in 2 or more jurisdictions applying different rules: was there either (1) no difference in the outcome, (2) patents granted in all jurisdictions, but with claims of different scope or (3) an instance of at least one patent being granted in one jurisdiction which was refused in another. The chart below contains the results reported by respondents in terms of whether they had experienced at least one such outcome. The numbers in the following chart are considered reliable.



282. However, users were also asked to report how many cases they had experienced with each outcome, and here, regrettably, unreliable data was collected (Q.4).

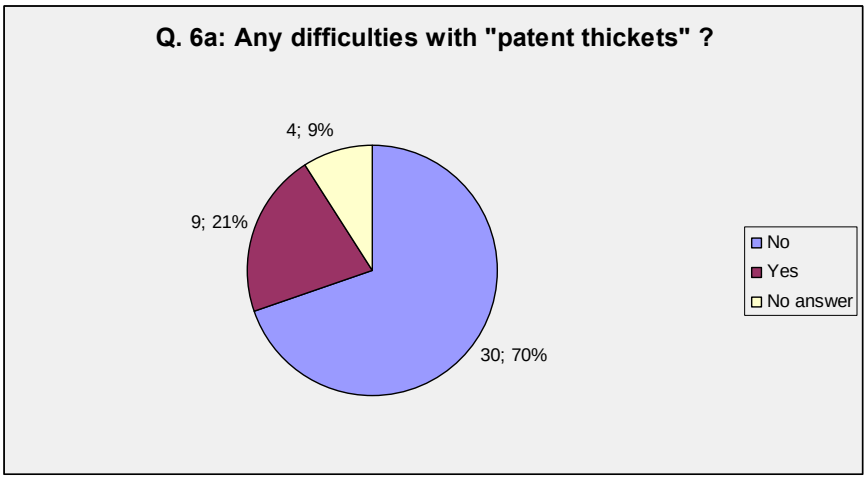
283. Admittedly, such *impromptu* recollection is difficult. Most respondents gave single digit numbers, but several respondents indicated numbers in the two-to-three digit range, which, when correlated with their respective volume of annual filings and their reported frequency of conflicting applications, simply did not add up, whatever the grounds for the discrepancy. Thus, no figures are given in this respect, but in relation to the apparently reliable data, the aggregate number of cases of all those respondents seemed to be very low, circa 5 for those with no difference in the outcome, 30 for those granted with different scopes, and less than 10 for those where a patent was granted in one jurisdiction and refused in another.

284. The TJQ attempted to investigate the causes of these variations in outcome (Q.5). In all the cases where different outcomes were observed, these were all deemed by the respondents to be related to the rules governing conflicting applications. Six users stated that these variations in outcome were due to the differences in the rules governing conflicting applications alone, whereas 17 indicated that the latter rules in conjunction with other factors explained these contrasting results. The only other relevant factor mentioned was a difference in the novelty requirement between jurisdictions. Most respondents refrained from replying to the follow-on question requesting them to indicate the relevant factors, meaning that they either did not speculate, did not recall, or, at least in one case, felt that this was "commercially sensitive information".

C. THE PHENOMENON OF "PATENT THICKETS"

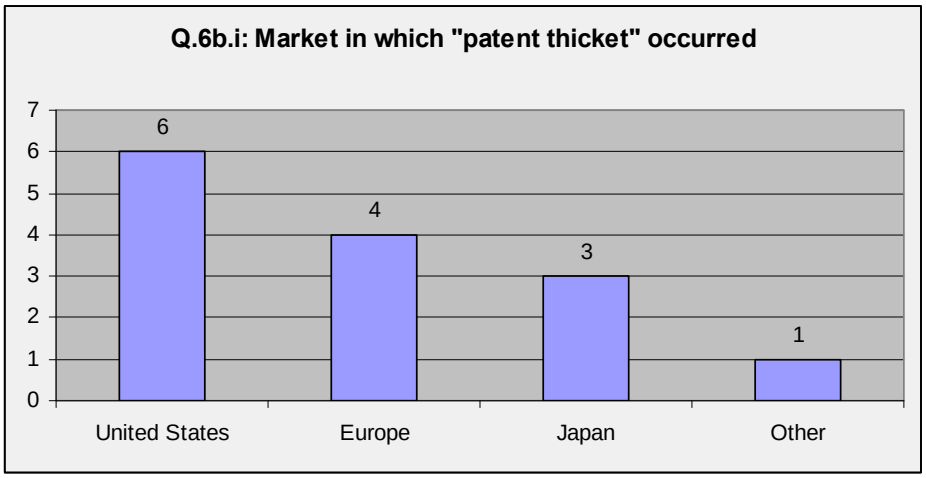
285. The TJQ attempted to explore the phenomenon known as "patent thickets", defined as a "cluster of patents that may or may not be related or subject to common ownership, and which have claims of overlapping scope".

286. Users were asked whether they had ever experienced difficulties licensing a technology or been subject to multiple infringement claims for the same or similar subject-matter, which they believed were directly attributable to a "patent thicket" (Q.6). Here, once again, the group numbered 43 individual respondents.

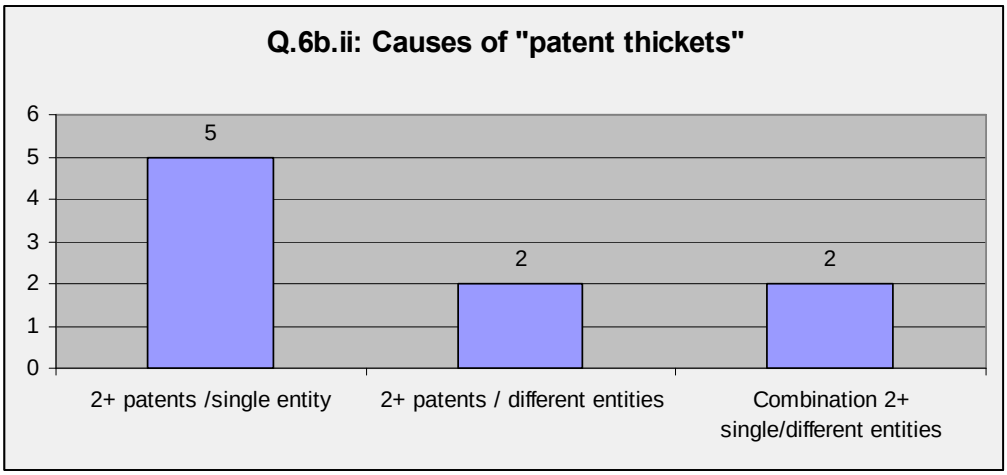


287. Only 9 respondents, or 21 % of total individual respondents, reported having had difficulties with "patent thickets". Three of the respondents had problems in Japan, 4 in Europe and 6 in the US (multiple markets could be checked). Of these 9 respondents, 4 were active in the field of Chemistry, and three of those reported having problems in all three main jurisdictions. One respondent stated that he had had that problem in other jurisdictions, but did not indicate where, simply that the issue had "global" dimensions.

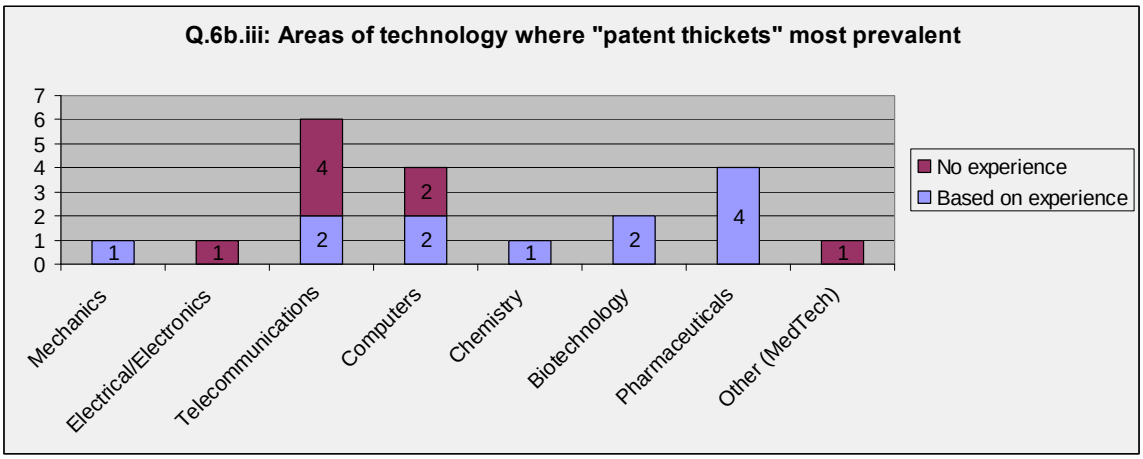
288. One European respondent active in the area of Chemistry who reported not having been confronted with this phenomenon, commented that he believed *"it should be alright to apply for and obtain more than one patent on the same technology, as long as the normal criteria for patentability are met"*, concluding that *"there is no such thing as a 'patent thicket'"*.



289. The following question endeavoured to discover which scenarios were believed to have given rise to the "patent thickets" in question. The sample is very small, with a total of 9 respondents, but interestingly, the majority, *ie* 5 of these 9 users, stated that such clusters of rights were due to several patents issued to the same entity, which is consistent with the responses regarding the markets in which such phenomena were perceived to occur (above): indeed, the US and JP rules, which provide for anti-self-collision, are presumably more likely to give rise to this scenario. Close patents issued to different entities, which are arguably more likely to arise in Europe due to the relevance of conflicting applications for novelty only, regardless of whether both applications are held by the same entity or not, were pointed to as a root cause by only two respondents.



290. Finally, users were asked, based on their experience, to indicate in which areas of technology such "patent thickets" were the most prevalent. Multiple answers were possible. First, it was noticed that some respondents having purportedly no experience of patent thickets as users of the patent system, nevertheless opined that patent thickets existed, in other areas than their own. For those respondents having encountered patent thickets, a quick check was run comparing their own areas of expertise with technical areas they indicated as having a prevalence of patent thickets. It had to be concluded that some had experienced patent thickets in areas quite bafflingly remote from their own technical areas (*eg* users in the area of Chemistry pointing to patent thickets in the area of Telecommunications or Electronics). It is emphasised that this correlation was not rigidly established. For instance, it was deemed plausible that a user in the area of pharmaceuticals could have had first-hand experience of "patent thickets" in the area of Chemistry. All the responses are collated below.



291. Several individual European respondents active in the pharmaceutical field responded that they had encountered "patent thickets" in their technical area. This may be contrasted with a statement included by one large US corporation and several European user associations representing the pharmaceutical industry: *"We would like to highlight the fact that patent thickets have different meanings to different*

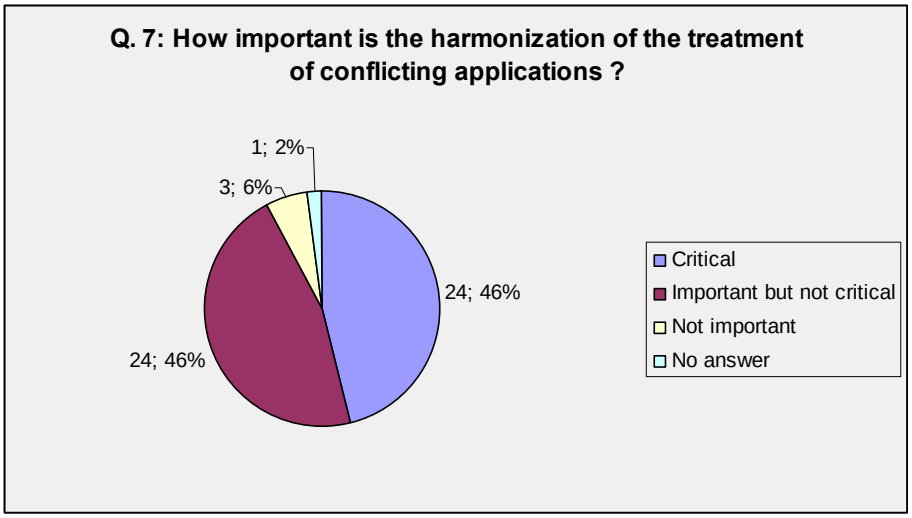
companies and industries. However, we do not believe that patent thickets exist in the pharmaceutical industry".

292. Ultimately, what this latter chart tends to indicate, is that (1) "patent thickets" do not appear to be as prevalent as one would expect from the amount of attention they receive in patent policy discussions; and (2) the perception of "patent thickets" appears to be based more on preconceptions than on concrete experience.

D. POLICY ISSUES AND HARMONIZATION

a) Importance of harmonization

293. In this section, respondents were asked to rate the importance attributed to the international harmonization of the treatment of conflicting applications (Q.7). Respondents were split evenly as to whether the issue was critical or merely important but not critical, at 46% each, with only 3 respondents opining that the issue was not important.



294. Many comments were received from users on this point:

- Patent systems should be harmonized as much as possible. Three respondents opined in essence that *international harmonization of the treatment of conflicting applications was important/critical to achieve maximum legal certainty*.

- Overall, I think regional harmonization of procedures is important, regardless of what issue is being harmonized.

- If there is going to be a worldwide substantive patent law harmonization, then the definition of prior art and the effects of prior art should most definitely be among the issues that are harmonized.

- Protecting a new technology requires a group of patent families. Protecting such technology effectively is hard if the rules for patentability for related but different applications are not harmonized across important jurisdictions.

- In an increasingly global market, it hardly makes hardly sense that essentially the same invention may be protected by different competing entities just because the rules for attributing ownership of the invention may differ in different parts of the world.

- For parties in the market, it is always difficult to have to separate the world into different sections in which in one jurisdiction the one application would prevail, in others the other one …!

- The definition of prior art must be identical in order to reach harmonization synergy in several cooperating patent offices.

- Intermediate documents should be treated in the same way: if they are relevant e.g. to novelty and not to inventive step in one jurisdiction, the same must apply for others, otherwise the IP policy of a corporation becomes a mess.

- The state of art is different in Europe, Japan and the US Self-collision at the EPO is a big problem for applicants from Japan and the US.

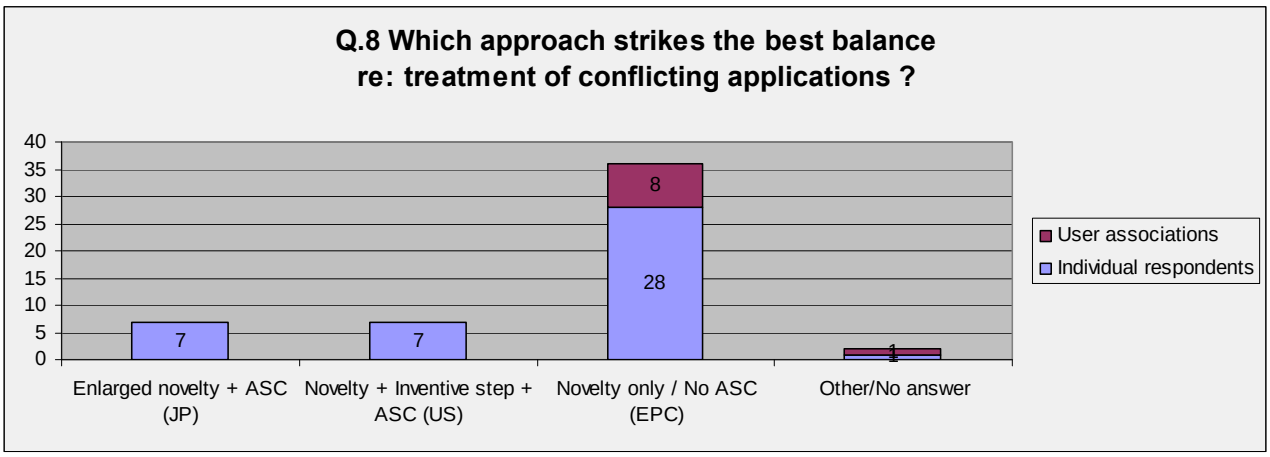
- Worldwide clarity, predictability and similarity are critical to a pharmaceutical industry that operates internationally

- We would judge it to be somewhere between 'critical' and 'important' - as the current situation shows that it is possible to have a strong IP system which allows for differences in the handling of conflicting applications

295. One respondent who did not think that the harmonization of the treatment of conflicting applications was important believed that *"the issue does not occur frequently. It does not affect other areas of patent law."*

b) Identifying best practice

296. The responses to the question of which approach struck the best balance regarding the treatment of conflicting applications were interesting (Q.8).



297. None of those respondents preferring the JP approach were Japanese (6 were European, and one was from the US), whereas the one Japanese respondent in this section preferred the EPC approach. Of those favouring the US approach, 6 were European and one was from the US. The remaining US respondent as well as three of the four European-based heavy USPTO-filers preferred the EPC approach. Such a mix shows both open-mindedness and critical analysis with regard to a complex issue, which is to be welcomed in a harmonization perspective.

298. Generally, however, the EPC approach treating conflicting applications as relevant for novelty only, without anti-self-collision, was the clear favourite, garnering the support of 8 of the 9 European user associations (one did not respond), as well as 27 of 43 individual respondents, representing 62.8 % of that sub-group.

299. One European favouring the Japanese system commented that the only reason for which conflicting applications should be relevant is to prevent two patents emanating from different applicants from issuing on the same subject matter. Another European respondent favoured the concept of enlarged novelty as applied in Japan, but did not endorse anti-self-collision, as it was specified that *"only one patent should be granted for the same or substantially the same invention made by the same inventors/ applicants"*.

300. Regrettably, none of the 7 respondents (or 16,3% of the total) who favoured the US system provided any reasons for their answer.

301. One respondent who checked the box marked "other" commented that the possibility to introduce a disclaimer for the conflicting disclosure was very important for their daily work, but did not indicate which type of system was preferred.

302. Those users favouring the EPC approach - which were in a clear majority - commented as follows:

- The EPC has in principle a good system. There is no need for anti-self-collision. Keep it clear and simple. However, the EPO goes too far in that even cases claiming priority from the same application can kill each other (or a divisional can kill the parent it derives from). That practice needs correcting.

- [The EPC approach] seems to give better balance of effects. Reduces the language complication.

- At least in principle, a good approach could be that conflicting applications should be relevant for the examination of novelty only, a concept encompassing minor differences, provided the inventions are "substantially the same". However this would end up by setting a sort of intermediate "equivalence" yardstick between pure novelty and inventive step, which would be very difficult to properly manage at examination/opposition/appeal level.

- An anti-self-collision clause is at odds with the principle that applicants should be treated equally. So, an earlier application should have the same prior art effects irrespective of who are the applicants of the earlier and later applications. In the framework of

harmonization it is an acceptable outcome that earlier applications are also relevant to inventive step.

- Double patenting should not be allowed.

- If an applicant files two applications covering overlapping technologies, I think they should be subject to the same type of scrutiny as other applicants. The important issue is to prevent the existence of two patents containing similar/the same subject matter.

- The only reason for making an unpublished application part of the prior art is to avoid two patents on the same subject matter. For that purpose it is adequate to apply it only for novelty. It makes no sense to apply it for inventive step since there can be no obviousness in respect of something unknown to the applicant. This is incompatible in particular with the EPO problem-solution approach if the technical problem can only be found in an unpublished application and the applicant could not be aware of it. This would make the determination of patentability unreasonably artificial.

- One respondent in the field of pharmaceuticals stated: *One of the main purposes of the provision is to avoid double patenting. To achieve this purpose, a simple novelty approach is sufficient and fair; the later application filed before publication of the earlier one does need to be inventive/non-obvious over this earlier application – this goes beyond the double patenting purpose. These provisions should apply whether or not the earlier application is from the same applicant or different applicant. This does not require anti-self-collision for conflicting prior art. At the same time, we have a growing concern about recent practice at the EPO regarding self-collision of patent applications stemming from the same patent family in the case of different priorities for different parts of the invention (the so-called EP "poisonous divisional" application issue). In harmonizing the law, it should be made clear that there should be no self-collision of patent applications of the same patent family. The recent changes in the US under AIA are very concerning for us, i.e. that earlier 3rd party applications are not only considered as novelty-defeating but also obviousness prior art as of their earliest priority date. In addition, these are relevant regardless of where filed or whether they even enter the U.S. national phase after having designated it (102(a)(2)) – this goes well beyond the double patenting purpose.*

- However, there is one exception [to the support of the EPC approach]: Under the current practice of the EPO, applications within the same family (parent and divisional application) can be novelty-destroying to each other under certain circumstances, as for example found in BoA decision T 1496/11, based on G4/98 (so-called "poisonous divisionals"). Already from a practical perspective such a type of self-collision seems inappropriate: E.g., a claim that would be allowable in a single application can become unpatentable merely because a divisional application is filed, and a claim that would be allowable e.g. as an (additional) independent claim in a single application is not be allowable if followed in a divisional application. Also if one takes into account the rationale for the provision of Art. 54(3) EPC and particularly its interpretation (the so-called "whole contents approach"), namely to broadly avoid double patenting (cf. G 1/93 referring to the "preparatory materials" of the EPC), this consequence seems inappropriate.

- There are good policy reasons to avoid granting patents for the same subject-matter. On the other hand, it is impossible for an applicant to amend an application in light of prior art

of which he is not aware. A system without anti-self-collision provides for the best legal certainty.

- Since the applicant at the time of filing of the later application could not possibly know (in a legal way) about the subject matter disclosed in the earlier application of another applicant, the obstacle posed by the earlier application on the patentability of the subject matter of the later application should be easy to overcome. Self-collision should not be treated any differently, since double-patenting of the same invention is to be avoided.

303. One national user association submitted lengthy comments reproduced below:

- Conflicting patent applications are a problem because there is a time lag between filing a patent application and its publication. This time lag provides a window during which other conflicting patent applications may be filed. Following a policy aim to prevent multiple patents being granted for the same invention, different countries have adopted different approaches. These approaches are still evolving, but should be considered in view of the underlying policy aim.

- [The association] is in favour of the whole contents approach.

- The effect of anti-self-collision provisions is that the first inventor to file becomes entitled not only to the invention filed [which seems the whole purpose of the patent system] but also to inventions not yet made. This provides a large first mover advantage rather than a level playing field. This is particularly the case in the USA for those applications not subject to 18 month publication, where the validity of later filed patents may not be determinable for many years.

- Anti-self-collision provisions appear the inverse of insider trading rules – as though insider trading rules permitted trading for those who have inside information, but barred trading for those who do not. For such a counterintuitive effect to be part of the law, strong policy reasons would appear necessary, and these strong policy reasons have not been set out in the Tegernsee document.

- [The association] is against anti-self-collision provisions, other than the Paris Convention which grants a one year term to file a later application claiming priority.

- [The association] is most in favour of the European (novelty only) approach to assessing conflicting applications, but could live with a harmonised system using either of the Japanese of US approaches provided that there were no anti-self-collision provisions, and provided that all applications are published at 18 months from priority.

- It is plain that in Europe at least the original policy objective of preventing double patenting is extending from a state by state level to a Europe-wide level. This policy objective has not yet extended to preventing double patenting on a world-wide basis.

- Making PCT applications automatic prior art would not deal with the issue of national or regional patents that may not be accompanied by a PCT application. The logic of wanting a uniform patent landscape worldwide would appear to require that all applications anywhere in the world would be considered as conflicting applications for any application worldwide. This may be a step too far.

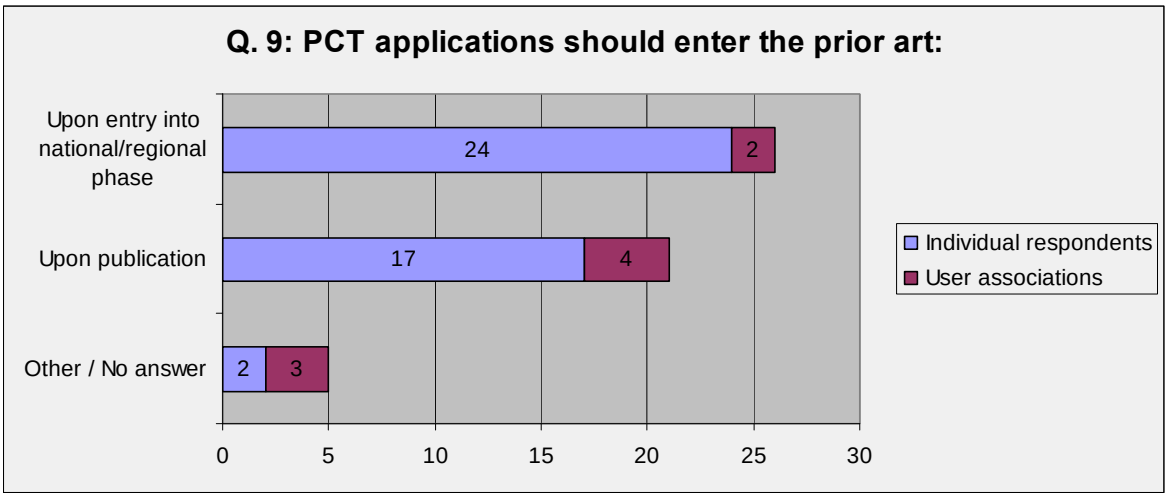
- Indeed, making PCT applications automatic prior art may be a step too far. Are we ready for worldwide novelty in respect of conflicting applications, or does this lose sight of the original policy aim of preventing double patenting?

- [The association] is of the view that whereas in the long term worldwide prior art effect may have advantages to facilitate international trade, its effect on innovation is uncertain, and in the short to medium term, enhancing the prior art effect of PCT applications poses significant risks to the patent system. Caution is advised.

c) Time of entry of PCT applications into the prior art

304. It will be recalled that another issue broached by the Tegernsee study was the matter of the time of entry of PCT applications into the prior art. Here, there is a mixed picture, with European associations split three ways.

305. An apparent slim majority of European individual users (55,8%) as well as two national European user associations would prefer to keep the current approach under the EPC, to allow PCT applications to enter into the prior art as of the entry into the national/regional phase alone.



306. Arguments advanced by those preferring the status quo in Europe included:

- [The EPC approach] seems to give better balance of effects, and it reduces the language complication (x 3, including one user association).

- PCT applications typically designate all PCT countries/regional offices and most will not pursued i.e. are meaningless. The focus on territorial scope must be preserved.

307. Those in favour of PCT applications entering the prior art as of their date of publication at 18 months represented 39,5% of individual respondents, but it should be remarked that the 4 European user associations represented include one major supra-national association.

308. Respondents in favour of allowing PCT applications to become prior art as of their date of publication commented:

- Prior art generally does not depend on the language of the prior art document, so why should things be different in the case of an earlier PCT application? The current exception for PCT applications results in that an earlier applicant who abandoned his application before national phase entry may have to respect a patent granted to a later applicant for the same invention, which is an unacceptable deviation from the first-to-file principle.

E. QUESTIONS SPECIFIC TO THE EPO

a) Guiding principles

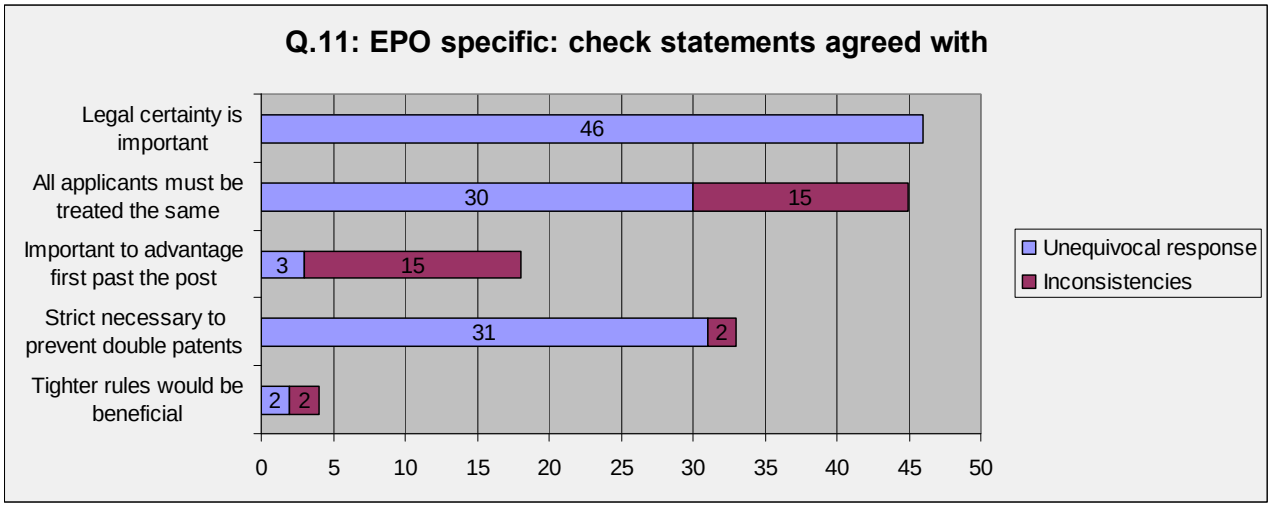
309. Fearing that the comments sections above might not yield sufficiently precise positions with regard to fundamental policy issues, the EPO added a few questions. The first one asked respondents to agree with clear formulations of basic guiding principles.

310. Some results were more cogent than others. For instance, legal certainty was clearly considered to be important by 46 of 52 total respondents.

311. However, two sets of statements were included which were arguably mutually exclusive. The statement, "all applicants must be treated the same", was inspired by feedback received in the past from European users, (Tegernsee Report on Conflicting Applications, p. 27, § 107), who thus explained their preference for the EPC rule, which renders conflicting applications relevant for novelty only, but then applying equally to all subsequent files regardless of the identity of the applicant. This is in contrast to the approach pursued in jurisdictions applying the concept of anti-self-collision: a conflicting application will be a bar to patentability only where the subsequent applicant is different from the first applicant, which can be summed up as "advantaging the first-past-the post". Not all applicants are thus treated equally. Thus, given that 15 respondents checked that they agreed with both boxes, their responses are reproduced below, but flagged as not entirely consistent.

312. Likewise, it would appear intuitive that if one agrees that rules against double patenting should be reduced only to what is strictly necessary to prevent double patenting, this does not appear consistent with a view that proliferation of rights must be stopped, and thus tighter rules for all would be beneficial. Likewise, all responses are duly recorded below, but as two respondents agreed with both statements, this is also indicated as not entirely consistent.

313. Finally, it is interesting to note that 13 of the 31 respondents agreeing with the statement that "rules on double patenting should be reduced to what is strictly necessary to prevent double patenting", also indicated that they favoured modifying the EPC approach to PCT applications in Q.9 above, so that it would be possible for a PCT application which never enters into the national/regional phase to block the patentability of an invention subsequently applied for in that jurisdiction. This is arguably also not entirely consistent (but this aspect is not reflected in the chart below.)



Note: N=52

b) User flexibilities

314. Harmonization is not a viable process without the acceptance of parties that some rules may require change. Thus, user flexibilities in this area were explored (Q. 12). With regard to a possible harmonization process, 41 respondents or almost 79% of the total were prepared to consider the modification of rules in their jurisdiction as part of the process of harmonization. This group included 7 of 9 European user associations as well as all non-European respondents, from the US and JP.

315. Only 5 participants responded that if the rules applicable to their jurisdiction were to change, they would prefer no harmonization, but this figure included 2 European user associations, including one major supra-national association.

316. Finally, only 6 participants felt that in the area of the treatment of conflicting applications, all existing systems were flawed and there would be a benefit in striving to find an alternative, compromise solution. Finally, there were two respondents who either disagreed with all the statements listed or chose not to answer this question.

c) Is substantive difficulty out of proportion with potential benefits of SPLH?

317. The treatment of conflicting applications is an area in which the three major patenting regions each march to a different tune, and there are several other approaches in other countries, so that there is an unusual level of variety in the conception of these rules. Thus, respondents were asked whether they considered the level of substantive difficulty which exists in harmonizing these rules to be out of proportion with the expected benefits of harmonization. (Q. 13) The answer was abundantly clear: 39 of 52 respondents or 75% did not feel this was the case, including 7 European user associations. Only 6 respondents felt the level of difficulty to be greater than the potential benefits, and 7 did not reply. This latter figure included two user associations, but this question being "off the beaten path", possibly, they may simply not have had the time to consult their membership, and had no previous consensus building exercises they could rely upon.

III. EUROPEAN USER HEARING REPORT RE: CONFLICTING APPLICATIONS

318. The EPO pointed out that there were two main issues which should be discussed: (1) the preferred general approach to the treatment of conflicting applications; and (2) whether the EPC rule should be amended so that PCT applications would enter the state of the secret prior art as of their date of publication at 18-months, rather than upon entry into the regional phase, as now.

319. Generally, European users were very happy with the current approach under the EPC, with the exception of the discriminatory treatment of PCT applications, which was not in line with the first-to-file principle, and seemed to be based on the misconceived idea that all PCT applications came from abroad, which was not the case. If the first applicant withdrew his PCT application prior to national phase entry, another applicant who filed later could get a patent and possibly stop the earlier applicant. The participant requested that Rule 165 EPC be abandoned as soon as possible. This would achieve a limited alignment with the AIA. Otherwise, PCT applications should be treated in the same way as earlier European applications, and be relevant for novelty only.

320. Another participant confirmed that users were very happy with the EPC principles, and would like the US to adopt a novelty-only approach. Since applications were secret, how could something be obvious from these unknown disclosures ? Self-collision had never been a problem. However, problems could arise when a priority application and a later application were not exactly the same. The participant did not want the issue of EPO BoA decision in T1443/05 to become a common problem, so it was suggested that anti-self-collision might perhaps be cautiously considered.

321. One participant opined that there were two questions here, and much confusion. In France, the general view was that there was no need to change the EPC, in terms of the relevance of conflicting applications to novelty only. It was difficult to analyse the impact of any change. There were few cases, and this was not considered to be a big issue in practice. On the other hand, it was agreed that there was no point in knowing whether the PCT application would enter the national/regional phase, and the earlier the treatment of PCT applications was changed, the better off Europe would be.

322. One supra-national association was against anti-self-collision, mainly because it created an unfair advantage for the first applicant to file. It was in favour of the approach under the EPC, with conflicting applications relevant for novelty only. It also favoured changing Rule 165 EPC regarding PCT applications so that they would enter the secret prior art at the date of publication under Art. 21 PCT, with the same effect as a European patent application under Art. 54(3) EPC, for novelty only.

323. Another user supported the notion that the treatment of PCT applications was an area where harmonization could be achieved.

324. Article 54(3) EPC was the best practice. There was no ambiguity, much legal certainty. It was the clearest rule allowing an immediate determination of the extent of rights conferred. Conflicting applications were crucial to a harmonization package.

Regarding PCT applications, the user reported that the large majority of Italian Industry preferred that Rule 165 EPC be retained as is.

325. Although no system is perfect, the current system under the EPC was the best, and provided the best balance of interests. There should be no anti-self-collision clause. For PCT applications, amending the EPC was supported, so that all applications would be treated equally.

326. There should be prevention of double patenting, whether by the same or by different applicants. Thus, anti-self-collision was opposed by most of UK Industry. The novelty approach under the EPC was fair, it worked. The participant personally approved of amending the EPC rules governing PCT applications in this regard.

327. Another user stated that the European system was the best. If harmonization were to occur, UK practitioners could live with the Japanese or the US system, provided there was no anti-self-collision at all, although it would be a very harsh system. It was suggested that anti-self-collision was "a bit like the reverse of insider trading, where the person with insider knowledge cannot use it, but the public can trade, whereas here, there was an extra advantage for persons with insider information." This appeared fundamentally unfair. With regard to PCT publications, Rule 165 EPC could be amended.

328. One user stated his personal view that amendment of the EPC in regard to the treatment of PCT applications would be a good thing to aim for in the long term. Under the AIA, there was a big advantage to filing PCT applications, regardless of whether it was intended to pursue them or not. Inevitably, this would lead to an increase in defensive PCT applications intended to create a barrier. If this happened on a large scale, it could have a destabilizing effect and PCT could be swamped by applications intended to "clear the path".

329. Another participant disagreed. Already today, filing a PCT application was a good thing, one could delay entry into the national/regional phase for 30 months. This already affected the system, so that no large threat was seen in modifying Rule 165 EPC.

330. It was observed that Art. 54(3) EPC functioned along the same principle. A European patent application constituted prior art for 40 + countries. Why should there be a problem in making PCT applications prior art as of their publication? Sometimes, the user noted, Europeans will be the earlier applicant.

331. <u>Conclusion of the results of the Hearing</u>: there was great support for retaining the novelty only approach of the EPC, there was a split view with regard to anti-self-collision, with one voice in favour and a majority in favour of amending the EPC Rules to align the time of entry into the secret prior art of PCT applications with that of European applications, as of the date of publication.

IV. <u>SUMMARY OF ADDITIONAL WRITTEN SUBMISSIONS</u>

A. FICPI

332. FICPI considers the issue of the treatment of conflicting applications to be a "*particularly difficult issue to address*", as the questionnaire itself suggested.

333. "*FICPI considers that the existing European provision dealing with novelty and secret prior art, without any "anti-self-collision" provision, seems to be the easiest to follow in seeking international harmonization of the rules for treating conflicting applications.*"

334. Moreover, it is also observed that the "novelty-only" approach, due to the objective nature of the novelty requirement, is a good starting point for international harmonization, since tests based on "substantially the same invention" and "novelty and inventiveness" involve a certain amount of subjective evaluation of the prior art, which could lead again to different results in different jurisdictions.

335. Regarding PCT applications, FIPCI is in favour of them entering the secret prior art once they have entered into the national/regional phases, as is currently the case under the EPC, since it is believed "*that it is economically undesirable to deny the grants of parallel patents for the same invention to different applicants in different jurisdictions*".

B. AIPPI

336. AIPPI does not report their members having any experiences with "patent thickets". It views the harmonization of the treatment of conflicting applications to be important but not critical.

337. The AIPPI believes that the approach striking the best balance amongst the competing interests involved in the treatment of conflicting applications to be the approach taken by the EPC, ie that such applications be relevant for novelty only, without anti-self-collision.

338. The AIPPI favours that a PCT application enters the secret prior art only if it has entered the national/regional phase, as it believes that rules against double patenting should be reduced to what is strictly necessary.

C. IP FEDERATION

339. The IP Federation stresses that they "*do not want double patenting, whether the two applications are from the same or different applicants". A simple novelty approach as between co-pending applications is the fair way to ensure that there is no double patenting*. Thus, the EPC approach to conflicting applications is preferred, and the IP Federation is not in favour of an anti-self-collision provision.

D. PAK

340. The EPC approach should form the basis of international harmonization, whereby conflicting applications should be relevant to examine novelty, but not inventive step.

341. However, PAK favours anti-self-collision and is critical of two EPO Board of Appeal decisions, T 1443/05 and T 1496/11, dealing with priority right issues, and in which it

is argued that self-collision occurred. (It is the only European user association having responded to the EPO Tegernsee questionnaire espousing this position.)

342. It is observed that the latter position appears to reflect not a paradigm shift in the policy considerations going to anti-self-collision in an SPLH context, but a reaction to recent developments in several European courts going to the interpretation and application of the priority right, which are causing growing concern.

E. KONINKLIKJE PHILIPS ELECTRONICS N.V.

343. Philips Electronics sent a written submission addressing substantive patent law harmonization. The corporation supports the deletion of Rule 165 EPC, bringing the EPC closer to the AIA as regards the prior art effect of earlier PCT applications, which should then enter the secret prior art as of their date of publication.

344. However, Philips also provided the EPO with comments from a more general perspective, pointing out that SPLH is not a goal in itself, but a means to achieve a higher objective, viz. a highly desirable reduction in patent office backlogs worldwide. Given that the SPLH, although desirable, will be extremely difficult to achieve, it thus makes sense to consider whether SPLH is the most efficient way to reduce backlogs, and whether there are other ways to achieve the same objective in a much shorter timeframe.

345. As it was difficult for the US to achieve the AIA, which made some policy choices which differ from EP patent law, it is not expected that the US will move again soon. Importantly, even if it were possible to achieve agreement on SPLH between the USA and Europe, it is argued that such agreement would also be difficult for Europe to implement, as it would require a revision of the EPC (38 Contracting States), to which all states have to implement or they cease to be members of the European Patent Organisation pursuant to Art. 172(4) EPC.

346. Against this backdrop, Philips argues that a true alternative to SPLH is to strengthen the PCT, and that applicants use the PCT procedure not just in order to delay the procedure, but to obtain a high-quality and in-depth search and examination before just one office that replaces part of the work done otherwise at several offices (without diminishing any designated office’s responsibility to only grant patents when the requirements of its national law have been fulfilled).

V. ANALYSIS AND CONCLUSIONS

347. The empirical data collected showed conflicting applications are a rare occurrence, with 58% of applicants reporting rates of conflicting applications filed by third parties estimated at 1 per 100 applications or less, and 79% reporting rates of self-collision of 1 per 100 applications or less.

348. Data was also collected with regard to colliding patent families - also characterised as "a very rare occurrence" - and in the majority of cases, the outcome was that patents were granted in different jurisdictions applying different rules with claims of different scope.

349. Nevertheless, given that the issue of conflicting applications go to the definition of prior art, users are quite adamant that the harmonization of the treatment of conflicting applications should be kept on the agenda as an important (46%), or critical (46%) issue. Users state that they are prepared to be flexible on this point (79%) and do not expect the difficulties of harmonization of this complex issue to be out of proportion with the potential benefits for users.

350. The phenomenon of so-called "patent thickets" was explored, defined as "a cluster of patents that may or may note be related or subject to common ownership, and which have claims of overlapping scope." Only 9 or 21% of individual respondents reported having had difficulties with "patent thickets", with the majority of issues arising as a result of patents granted to a single entity, and with the highest number of "patent thickets" being observed in the US. The results of the survey on this point appear to suggest mainly that (1) "patent thickets" do not appear to be as prevalent as one would expect given the attention they are given and (2) the perception of "patent thickets" appears to be based more on preconceptions than on actual experience.

351. As far as identifying best practice was concerned, the clear majority of users in Europe are in favour of retaining the approach under the EPC, with conflicting applications being relevant for novelty only (8 of 9 user associations and 62,8% of individual users). Both the AIPPI and FICPI endorse the EPC approach to conflicting applications, making them relevant for novelty only, without anti-self-collision, as "*the easiest to follow in seeking international harmonization of the rules for treating conflicting applications*".

352. The vast majority of European users appear to be against anti-self-collision, but some concerns regarding recent case law developments in regard to the application of the priority right in Europe have led at least one national user association to reconsider its position on anti-self-collision as a possible remedy for these concerns. (However, it is too early to predict the ultimate impact of these decisions on European practice, and if the issue is solved, support for anti-self-collision might evaporate).

353. With regard to the issue of the treatment of PCT applications, a majority of European users during the Hearing were in favour of amending the practice under the EPC, in order to align it with the AIA, so that PCT applications would enter the secret prior art as of the date of the publication of the applications at 18 months. As far as the TJQ was concerned, only 39,5 % of individual European respondents supported this approach, along with 4 of 9 user associations, showing that the issue remains controversial. It may also be noted that neither of the international user associations having sent additional written submissions endorse this approach.

PART IV: PRIOR USER RIGHTS

I. BACKGROUND

354. A prior user right is the right of a party to continue the use of an invention where that use began before a patent application was filed for the same invention.

355. The main purpose of prior user rights is to strike a balance between the effects of the first-to-file principle on the one hand and prior user considerations on the other.

356. Prior user rights are provided for by the different national patent legislations and such provisions in national legislation only have national effect. However, whilst the national provisions on prior user rights have common ground, there are also differences in the conditions under which they may be acquired.

357. The main differences which have been identified in the national provisions relate to the critical date by which prior use must have occurred, whether actual use must have taken place or whether preparations for use may suffice, the effect of patentee-derived subject matter, and whether there should be any exceptions to the applicability of the prior user rights defence to infringement.

358. This section of the survey aims to obtain the views of users on the effects of these differences in prior user rights provisions.

II. RESPONSES TO THE TEGERNSEE JOINT QUESTIONNAIRE

A. INTRODUCTION

359. Altogether, there were 54 respondents to the prior user rights section of the Tegernsee Joint Questionnaire, and only 8 user associations responded (the vno-ncw did not fill out this section of the online survey).

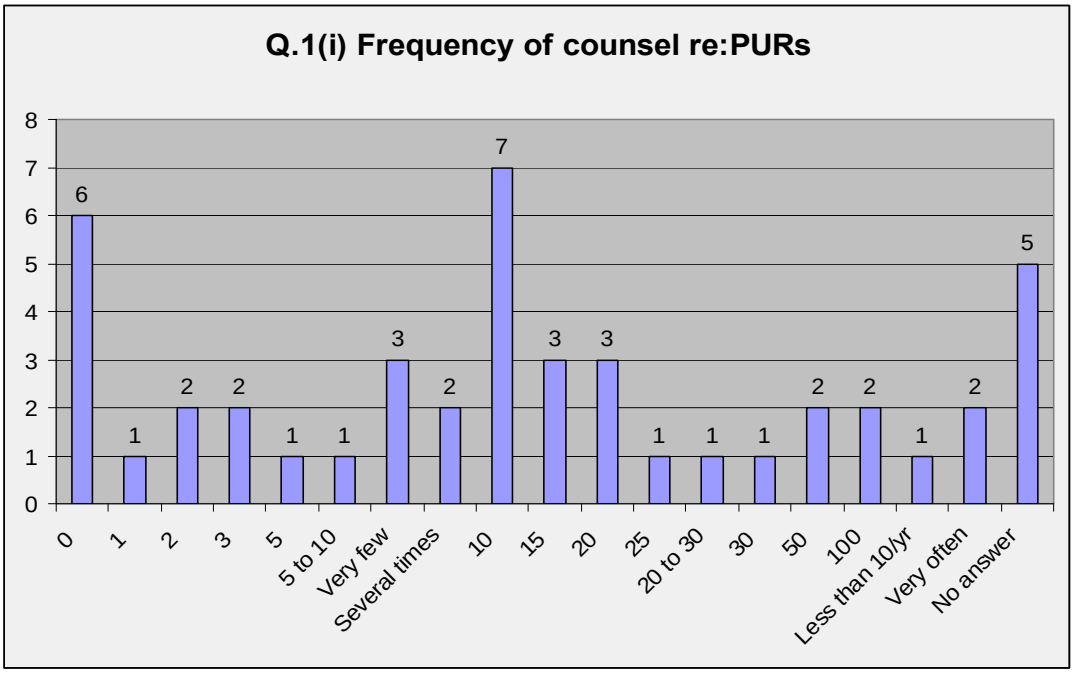
B. EMPIRICAL DATA

360. One of the objectives of the survey in regard to prior user rights was to attempt to gauge their importance in practice. Accordingly, several questions going to respondents' experience with these rights were included in this section of the TJQ.

a) Frequency of instances of prior user rights

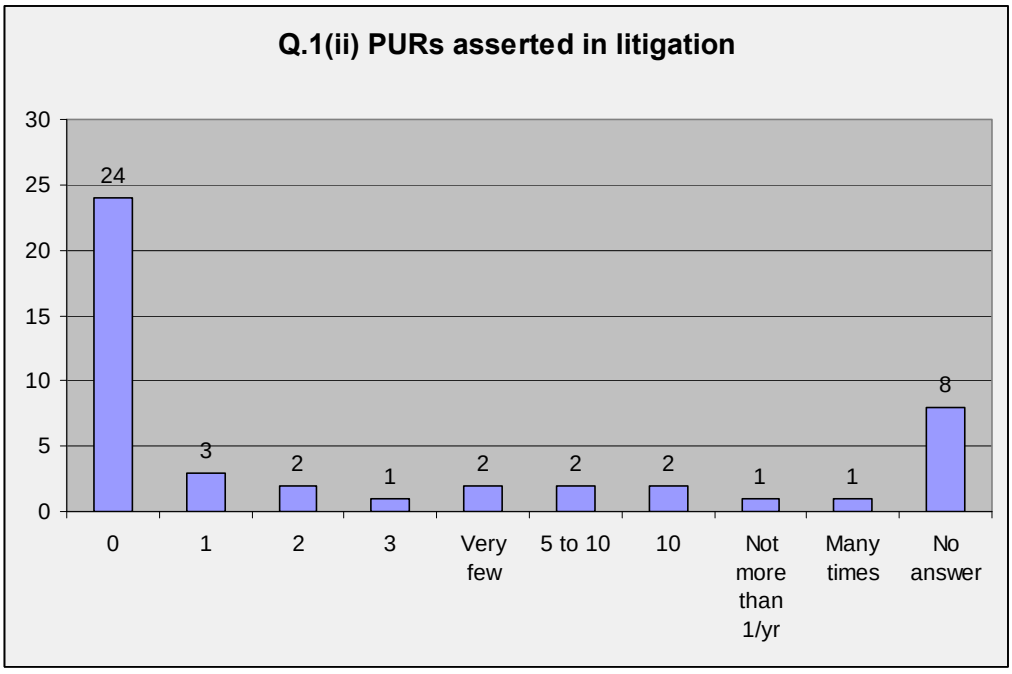
361. The table below shows the responses to the question of the frequency of instances in which the respondent had either counselled or been counselled regarding the

availability of prior user rights. None of the 8 European user associations replied. Of the respondents having stated that they had never counselled or been counselled in this regard, 2 were from the US, and one was affiliated with a university/research institution.



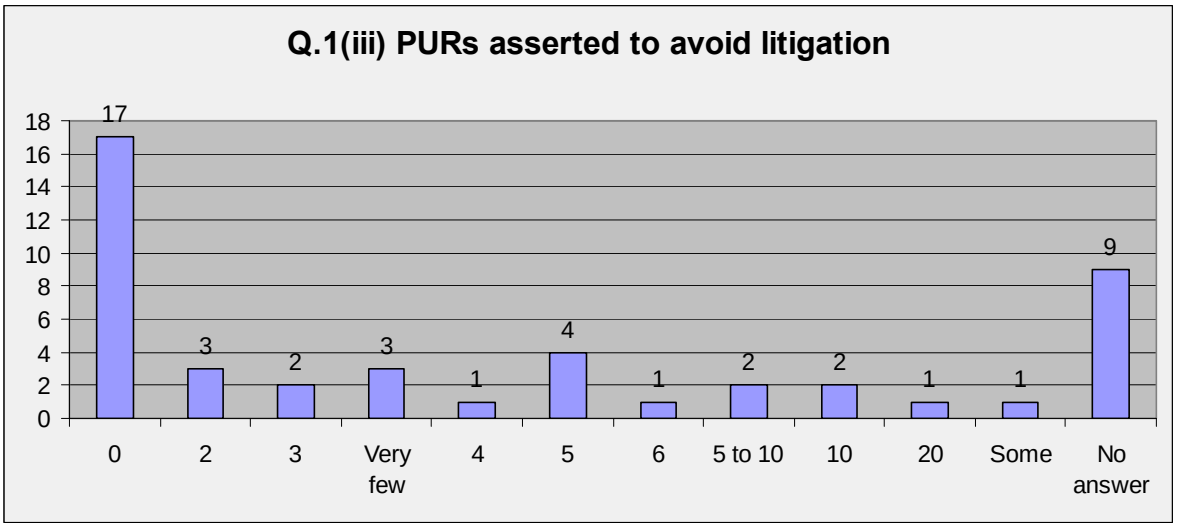
Note: N=46

362. Next, respondents were requested to state how often they or their clients had asserted prior user rights in litigation. As the table below shows, this is rather an infrequent occurrence.

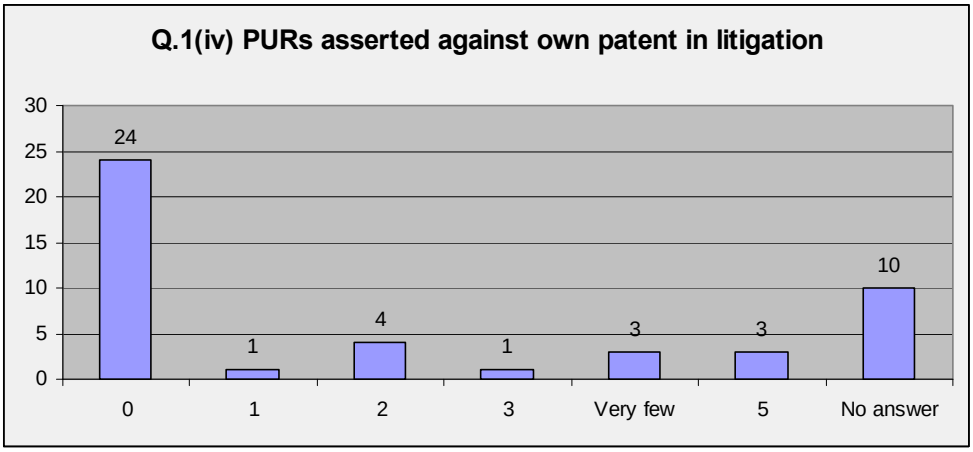


363. Numbers were higher, but still remained quite low in the absolute when respondents were asked how often they or their clients had themselves asserted prior user rights

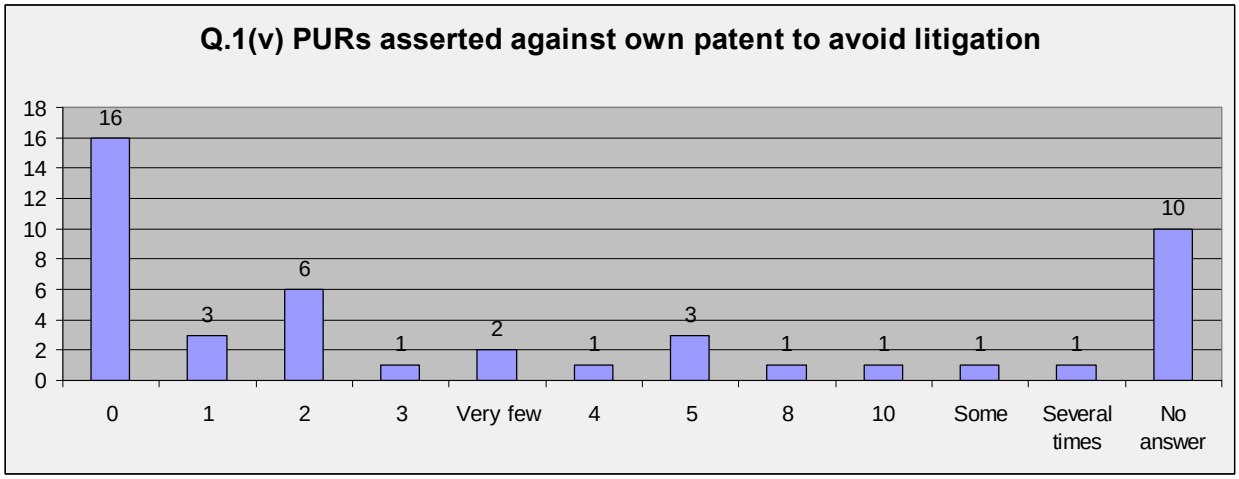
in order to avoid infringement or other litigation, including settlement or licensing negotiations.



364. Turning the tables, the TJQ then asked how many users or their clients had had prior user rights asserted against their own patent. On the one hand, here, recollection was more precise, but the numbers cited were even lower than in Question 1(ii) above.



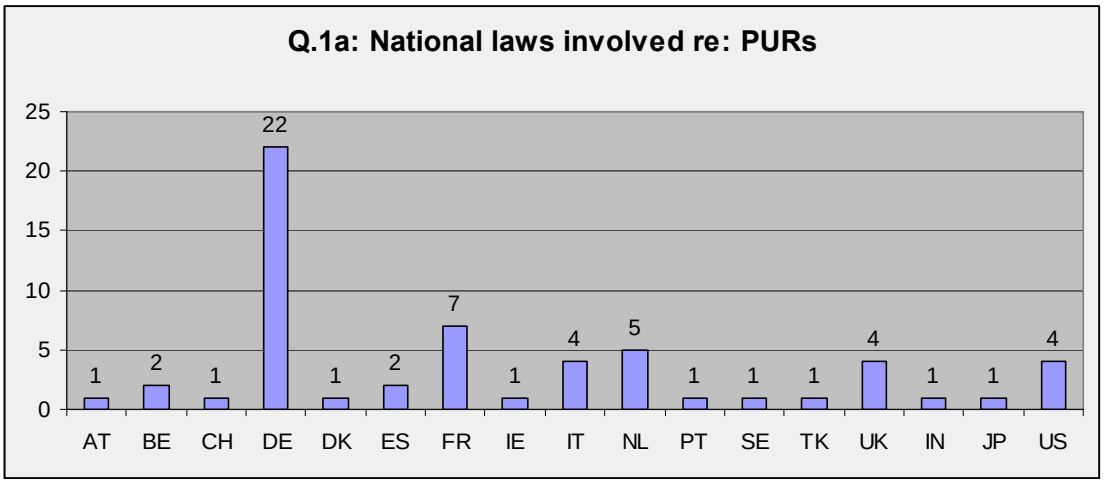
365. Finally, respondents were asked how many times they or their clients had had prior user rights asserted against their patents in order to avoid infringement or other litigation, including settlement or licensing negotiations. Once again, although such assertions are not daily occurrences, they were more frequently asserted in a negotiation/settlement context than in court.



366. These charts provide evidence for the widespread assumption that the true role of these rights - outside a grace period context - is to redefine the bargaining positions of parties in a conflict situation, so that they occasionally effectively deflect litigation.

b) National laws involved

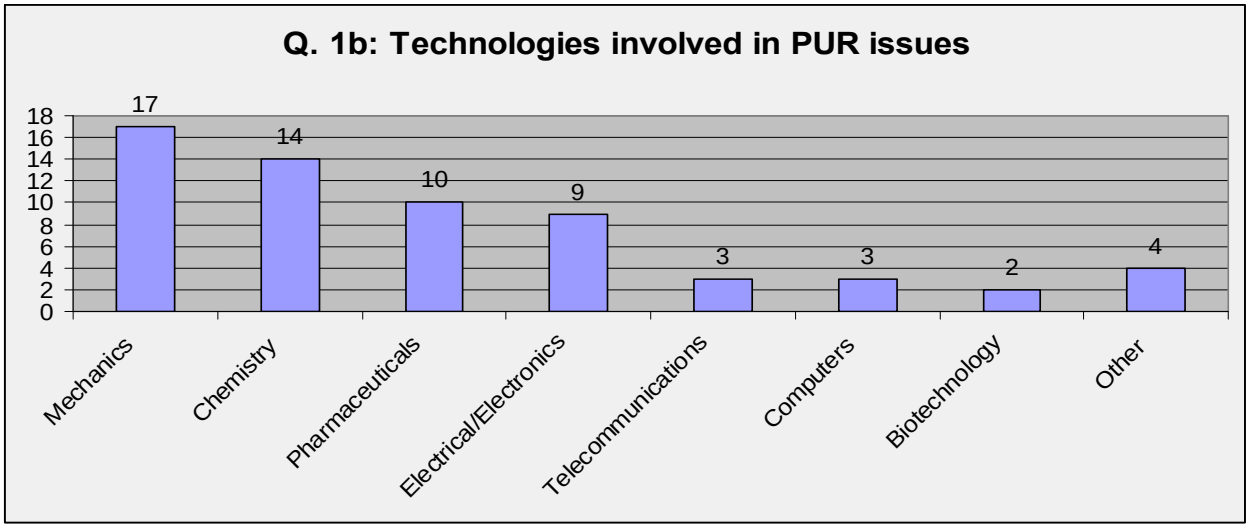
367. The national laws governing prior user rights invoked in the occurrences described above are shown below. Figures refer to the numbers of respondents having reported prior user rights issues in a given jurisdiction, and do not refer to numbers of occurrences or cases. Not surprisingly, the vast majority of respondents have dealt with prior user rights issues in Germany, which, not coincidentally, has both a well-developed and detailed body of caselaw on prior user rights ("Das Vorbenutzungsrecht"), and simultaneously happens to be the European jurisdiction having the highest rates of patent litigation.



Note: Numbers refer to number of respondents having had to deal with prior user rights under the law of the country referred to, not instances of prior user rights. Of course, respondents could indicate several countries.

c) Areas of technology involving prior user rights issues

368. Next, users were asked which technologies were involved in prior user rights issues. Results appear in the chart below.



Note: "Other" in this chart involved "fast-moving consumer goods", powder metallurgy, steelmaking and steel applications, inventions in the automotive industry.

369. Here, there are clear variations across technological areas. It is important in this respect to bear in mind that where a prior user invoked serious and effective preparations to use an invention, this may in theory occur for any type of invention, as such preparations may be carried out secretly. However, in Europe, once a prior user has progressed to actual use of the invention, the only types of inventions lending themselves to the acquisition of prior user rights (outside the context of a grace period) are those which may be used in such a manner as not to make the invention available to the public: otherwise, such prior public use becomes an invalidating use, and there can be no more issue of prior user rights, which are only necessary when a valid patent issues, to prevent the patentee from stopping third parties from doing that which they did before the patent was applied for. Thus, there is an inherent restriction of the scope of the nature of the inventions susceptible of giving rise to prior user rights, and they frequently arise in relation to method inventions, machines which may be hidden from view, or inventions which cannot be successfully reverse-engineered, so that their use does not result in a prior enabling disclosure. To conclude, variations in frequency across technologies would be expected to occur, and this chart confirms that this is in fact the case.

C. POLICY ISSUES

370. At the outset, it must be recalled that from an international harmonization perspective, prior user rights were included in discussions in the past (for instance, under the SPLT) as a an essential element of the definition of a safety-net grace period. As such, the emphasis was placed on the conditions for these rights to arise, rather than on their scope.

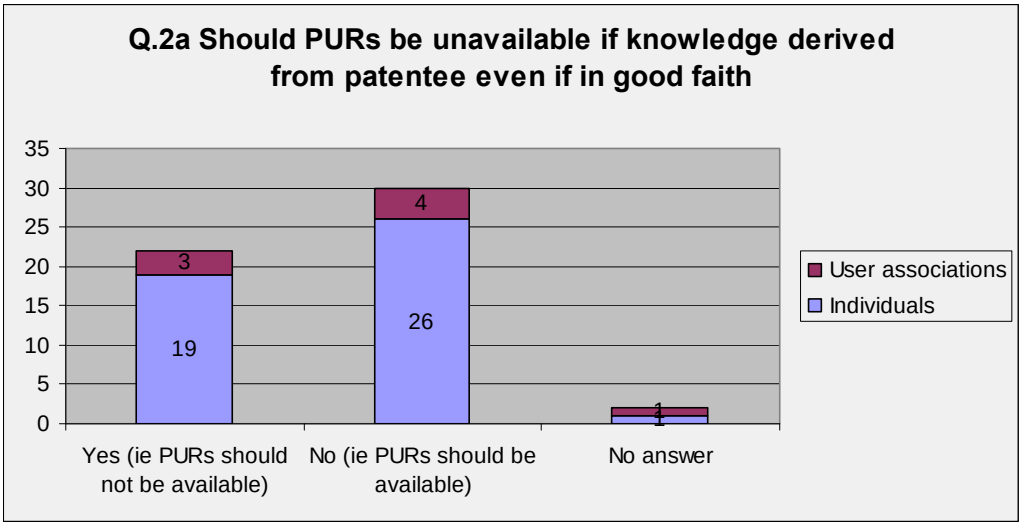
371. In an attempt to discern what users would consider to constitute best practice in terms of the acquisition of prior user rights, the questions focused on the disparities which were noted between the national laws of the different delegations in Europe, Japan and under the new AIA through the drawing up of the Tegernsee Matrix document of 2011, which offered a summary of the law, practice and guidelines on the major harmonization issues drawn from the "SPLT Reduced Package".

a) Derivation from the patentee in good faith

372. The first policy issue which was explored was intended in its original proposal to address the issue of the function of prior user rights within the context of a grace period, both as a self-corrective mechanism producing a disincentive to pre-filing disclosure, as well as a protective mechanism for third parties engaging in early adoption of new technology which appears to be in the public domain.

373. The question as agreed was set forth as follows: *"Given that it is generally a requirement for acquiring prior user rights that the prior user has acted in good faith, should prior user rights nevertheless be unavailable if the prior user derived knowledge of the invention from the patentee, even though the knowledge could be considered to have been derived in good faith?"*(Q.2a).

374. To this admittedly convoluted question (acquiescence from respondents to rights arising requiring in effect a double negative), the majority of respondents, 30 or 55,5% replied that PURs should "not be unavailable" where derivation occurred, even in good faith, whereas 22, or 40,7% opined that such accrual should not be possible. The chart below breaks down the responses according to individuals and user associations. Two respondents did not answer this question, one of them being a major supra-national European user association.



375. One user association chided: "*Question 2 could have been worded more clearly*". Indeed, arguably, the basic issue addressed was in fact: who should bear the risk of early adoption of new technology in a pre-filing disclosure, grace period context ?

376. It was this early realisation which prompted the EPO to include an additional EPO-specific question in the grace period questionnaire, going to the systemic issue of where the risk in pre-filing disclosures should lie in a grace period context (see grace period section of the TJQ, Q. 18). It will be recalled that the response to that arguably clearer question was unequivocal, with 8 of 9 user associations and 88% of individual respondents to that questionnaire opining that where the inventor chose to divulge his invention prior to filing, it was the inventor - and not third parties - who should bear any risks associated with such early disclosure. (Note: it is important to recall that the two sections of the TJQ had different sets of respondents. Nevertheless, it can also be mentioned that Q.18 was replied to by a group of 69 respondents compared with 54 in the case of the prior user right questionnaire.)

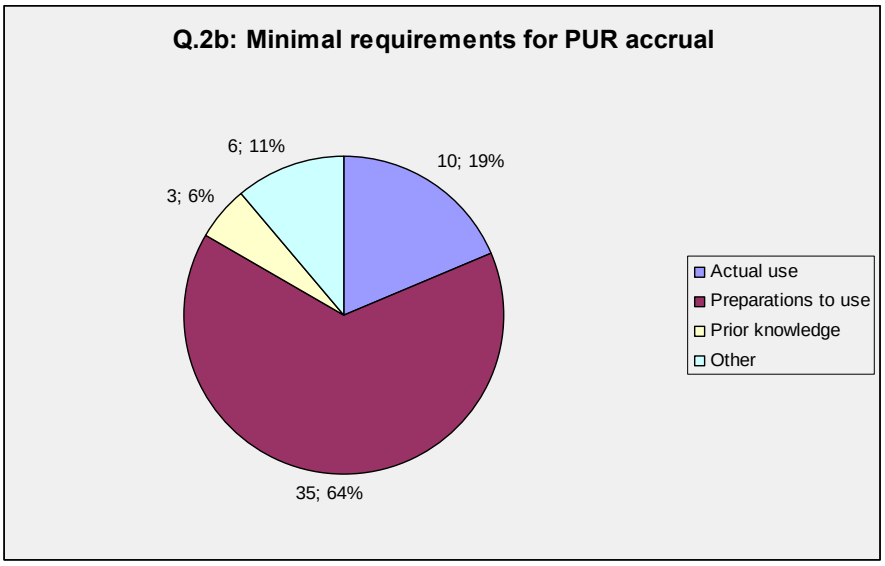
b) Minimal requirements for accrual of prior user rights

377. Respondents were requested to identify the minimal conditions for prior user rights to arise (Q.2b). The question was presented in multiple choice form, with multiple box-markings possible, which was, in hindsight, not entirely coherent since "minimal" requirements were being requested, rather than "which requirements" should be deemed to suffice.

378. Three options were laid out: "Preparations to use the invention"; "Actual use of the invention" and "Prior knowledge of the invention". This created a further problem for European respondents. In the US, actual use is required for prior user rights to accrue under the AIA. However, in Europe and Japan, only "effective and serious", or "substantial" preparations to use the invention meet the required standard for rights to arise. The formulation of the question clearly put some users in a quandary, as mere "preparations", whatever their stage, scale or seriousness, did seem to some to be a low threshold. Thus, it is interesting and useful here to report on the results of this question in two stages.

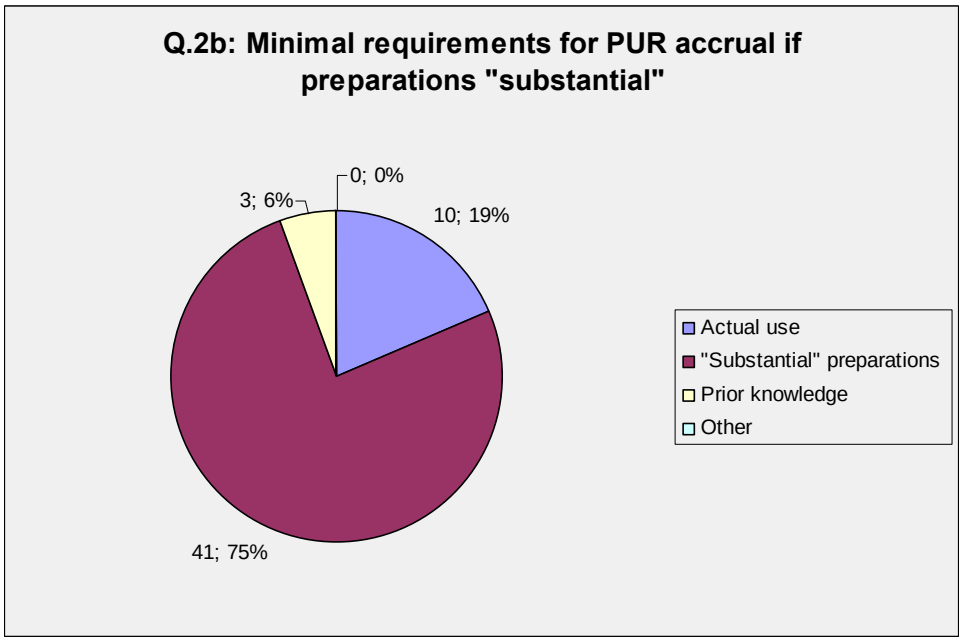
379. First, as to the methodology, the answers were parsed out to take on board the "minimal" requirement, ie the lowest ranking requirement cited by the respondents. It would have defied logic to conclude that because a respondent checked "actual use", that any lower threshold condition should be ignored. Some respondents clarified that they were indicating all the conditions under which they thought prior user rights should arise.

380. The first chart shows the results reporting "preparations to use", which some users interpreted to mean "serious and effective" preparations to use the invention as required by European national laws/courts, and those responses where the "other" box was ticked, followed by the explanation that preparations should qualify if they meet the standard of "substantial" preparations. Only 10 users or 19% were in favour of requiring actual use in order for prior user rights to arise. Noteworthy: three of these respondents were affiliated to universities/research institutions, which may be argued to have an interest in restricting access to rights presumably irrelevant to their activities, but which may be asserted against patents they hold.



381. A second chart was then created merging the results if preparations were specified to be "substantial": this brought the total to 41 or 75,9 % of total respondents in favour of substantial preparations to use forming the minimal requirement for prior user rights to arise. These respondents comprise all 8 European user associations which participated in this section of the TJQ, as well as one major US corporation and one JP corporation.

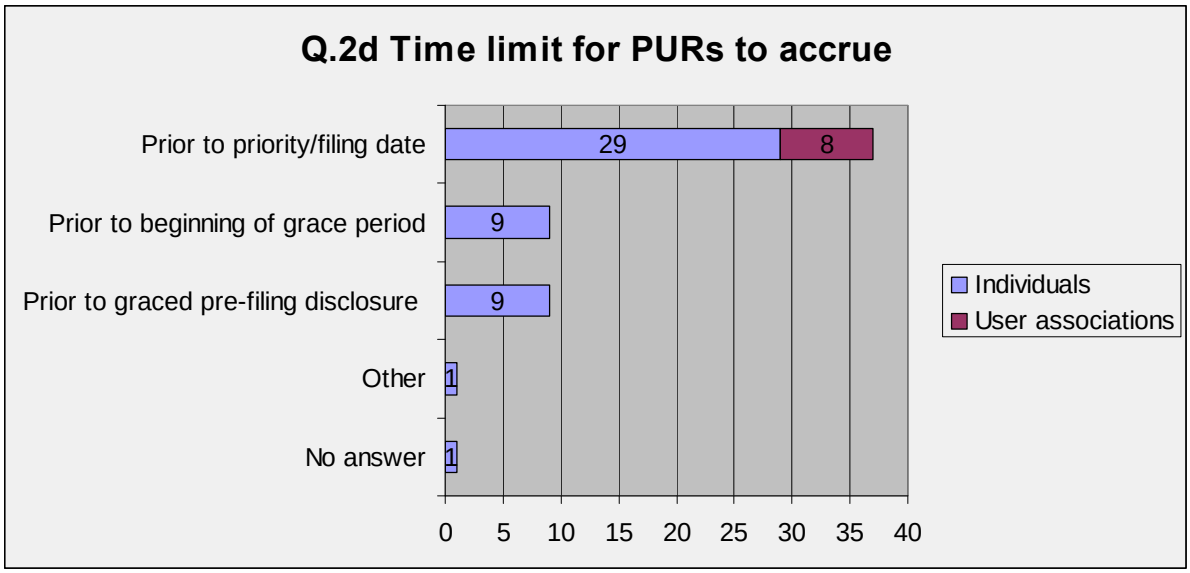
382. Although it is strictly speaking methodologically flawed to assume that all respondents having indicated "preparations to use" as a requirement intended these to be substantial simply because this is the standard prevalent in Europe, all the comments gleaned in this section of the questionnaire emphasised that this was the spin which respondents put on the phrase: "Preparations need to be 'serious' i.e. not just a vague idea"; "Preparations to use only if prior user has incurred significant investment"; "Preparations to use the invention are too low a standard and should only give rise to prior user rights provided they are serious and effective."



383. Finally, interestingly enough, none of the three users who endorsed the requirement of prior knowledge of the invention - reflecting the standard existing in France - were French, but rather from Switzerland, the UK and Sweden respectively.

c) Critical date for accrual of prior user rights

384. One major difference between US law and the national laws of all the other Tegernsee delegations resides in the critical date by which all of the requirements for accrual of prior user rights should be met. In Europe and Japan, such rights accrue until the priority or filing date. Under § 273 of the AIA, the policy decision has been made to offer maximum protection to inventors engaging in pre-filing disclosure, and thus, prior user rights may only arise if requirements are met either one year from the effective filing date, or, if there has been a pre-filing disclosure, one year prior to that graced disclosure.



Note: N=54; Multiple boxes could be checked.

385. The survey thus asked respondents to identify "at what point in time relative to the actual filing date or the priority date of the patent at issue should the activity giving rise to prior user rights be required to take place ?" (Q.2d).

386. Given that more than one box could be checked in regard to this question, in analysing the results, it was considered necessary to adjust the results to focus on the substance of the question, which is whether prior user rights should be allowed to accrue during the grace period, particularly if there has been a pre-filing disclosure.

387. Thus, the result that 37 respondents checked the box "any time prior to the actual filing date or the priority date" does not include the responses of those users who also checked either one of the other boxes. It may thus be concluded that these 37 respondents (29 or 63% of individual users and all 8 participating user associations) agreed that prior user rights should accrue throughout the grace period, regardless of whether there has been a pre-filing disclosure or not.

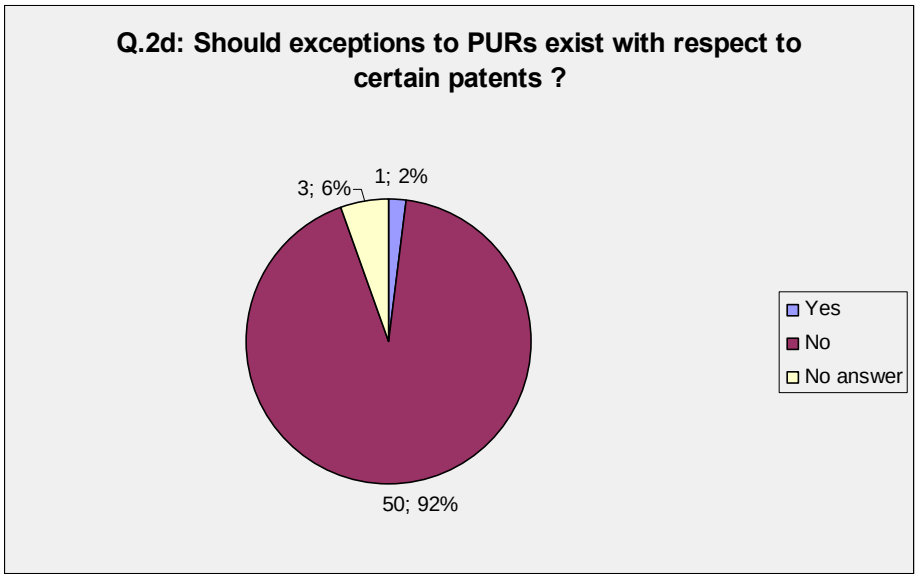
388. Four respondents, including 3 user associations, opined that reliance on a graced disclosure should not entitle someone to rely on prior user rights - their responses on this point were consistent with their replies to Q. 2a, but not with their responses to Q.18 in the grace period questionnaire. In this regard, it can be observed that in the national laws (or case law) of most European countries, the requirement of good faith on the part of the third party claiming prior user rights has an important gate-keeper function which ensures that such rights only arise when it is fair to protect the prior user. In many of these jurisdictions, the good faith requirement generally extends from the acquisition of the knowledge of the invention to the use or preparation activities carried out and grounding the rights.

389. One European respondent appeared to suggest that regardless of how far back activities giving rise to prior user rights have occurred, the prior user should be required to be actively using or pursuing preparations at critical date, an approach which exists in some jurisdictions.

d) Exceptions to prior user rights

390. The background of this issue is that under US law, prior user rights are applicable to patents in all fields of technology, but an exception is carved out for patents on inventions made, owned or subject to an obligation to assign to a university or an affiliated technology transfer entity as defined under the AIA.

391. The question was straightforward: "Should exceptions to prior user rights exist with respect to certain patents ?" (Q 2d). For the sake of accuracy, there was only one respondent who agreed that this should be the case, so that the answer is duly recorded below, but then in the comments, the respondent specified that prior user rights should be denied where there is bad faith or fraudulent intent, a valid point of view, but not quite the issue which was intended to be addressed under this heading. Three respondents did not answer, two of those being user associations. All other respondents, 92%, including those participants working in a university/research institution setting, replied that there should be no exceptions to prior user rights with respect to certain patents.

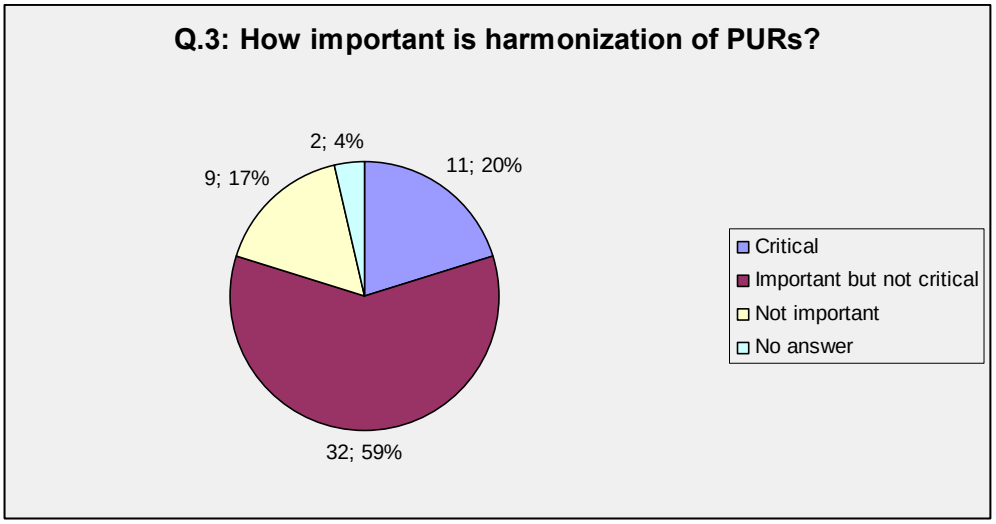


392. Several respondents (including user associations) commented that in view of article 27(1) TRIPS, any distinction of inventions in different fields of technology should be avoided. However, the distinction which the present question was intending to focus on was an exception defined not as a function of the area of technology of the patent involved, but rather based on the identity and nature of the patent holder.

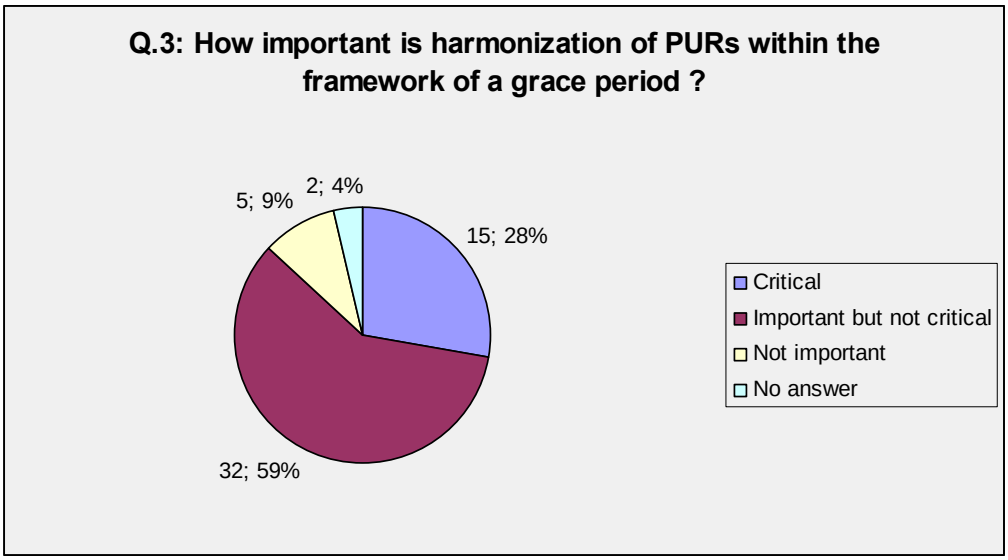
393. Nevertheless, it is submitted that it can be concluded that despite its somewhat vague formulation, in fact, the responses to this question not only give a fair indication of the position of users in terms of the current distinction existing in US law, but go further to posit a broad, general principle that prior user rights should apply to all who fulfil the statutory conditions as interpreted by the national courts, without any exception or discrimination.

D. IMPORTANCE OF HARMONIZATION

394. Users were asked how important they considered the international harmonization of prior user rights to be (Q.3). As can be noticed from the chart below, only 20% consider such harmonization of prior user rights *per se* critical, whereas 59% state that the harmonization of such rights is important, but not critical. In contrast, 9 of 54 respondents or 17% opined that such harmonization is not important.



395. However, 4 of these 9 respondents made the statement that they did not view the harmonization of prior user rights as being important "except in the framework of the harmonization of grace period regimes," thereby indicating that they share the view that it is an element of the definition of the grace period. For this reason, another chart below gives an arguably corrected assessment of user responses, with 87% of respondents finding the harmonization of prior user rights important or critical.



E. OTHER ISSUES WITH REGARD TO THE HARMONIZATION OF PRIOR USER RIGHTS

396. Finally, respondents were requested to give input regarding any other issues with regard to prior user rights which they considered should be addressed from the standpoint of international harmonization (Q.4).

397. Obviously, users approach the matter from two vantage points: that of the harmonization of these rights *per se*, and that of prior user rights as an element of the definition of a grace period, within a broader SPLH context (such as under the SPLT).

398. First, general comments were made to the effect that it would be desirable to harmonize not only the conditions of acquisition of prior user rights, but also their scope. Amongst the elements identified were:

- The burden of proof
- Scope of the rights (scale, flexibility in terms of sites, normal product development/modernization issues)
- Transferability
- Territorial aspects of the rights both in terms of accrual and scope

399. Several users, including some user associations, believe that it would be helpful to harmonize prior user rights within the EU and/or Europe prior to attending to international substantive patent law harmonization. Once again, there are two fundamental issues here:

- Ironing out disparities in formulation and practice which exist in the national laws of the European states, and
- Creation of a prior user right taking effect throughout the market and territorial scope covered by the unitary patent.

400. Other comments received:

- It is critical to harmonize prior user rights if the grace period becomes part of the harmonization basket.

- [Prior user rights] need to be harmonised and clear. The issue of the scope of the prior user right needs to be clarified. For example is it limited to exact same use in exact same place? Ideally prior use would be Europe-wide right, with flexibility on site and some flexibility for normal product development, otherwise the right could easily become useless with time. On the other hand, it should not be loose enough to essentially provide a full licence under the patent. The right should be assignable but only with the relevant business unit as a whole.

- Prior user rights are not that important as such (even within Europe there is no harmonization yet), but in the framework of a worldwide substantive patent law harmonization, the subject is intertwined with the definition of the effects of the grace period. The grace period should be defined such that it is a safety net only, and in that framework, it should be possible to establish prior user rights until the priority date. There should be no exception for patents owned by certain classes of patentees (such as universities). Our first-to-file system should not be turned into a first-to-publish system, as would result from a provision that prior user rights can only be established up to (one year before) a publication by the patentee.

- It must be admitted that the European system is not a good model because a prior user right in one EU state does not appear to provide any prior user rights in any other EU state, which leads to legal uncertainty.

- It is strongly recommended that the aspects of the territorial effect of prior user rights in the EU are explored now, particularly bearing in mind that Art 28 of the draft Agreement on a Unified Patent Court appears to restrict prior user rights to the national country.

- In the EU, there should be prior user rights that take effect in all of the Community, not only in the national states. One Market - one (prior user) right, same as the Community patent.

- Prior user rights should not be limited geographically to the country where activities, such as investment in production facilities, have taken place.

- If manufacture takes place in one country A and sale and use in another country B, both should give rise to prior user rights. Regarding sales in B, it would be justified if the manufacturer and/or seller and/or distributor in country B would be entitled to sell to anyone in B and not only the customers at the filing or priority date. No quantitative limitations should apply to the prior user right. Prior user right should not be limited to the exact same embodiment as used before priority date but should allow a level of variation to extent it is not covered by separately patentable dependent claims.

- If the prior user has used the invention in the past, but has stopped using before the priority date of the patent and only started again after grant of the patent, is a prior user right still available? Is the prior user right limited to what has been used prior to the priority

date of the patent, or does a single use of one embodiment open the door to the entire scope of the patent? Should the prior user right be territorially restricted?

- Prior user rights are rarely used because the requirements and level of proof required differ everywhere and are restrictive. In addition, the places of manufacture and distribution are often different.

- We feel that this is not the highest priority as it seldom arises in practice. The system under UK law seems fair and proportionate. Nonetheless we believe that harmonisation is the desired outcome to ensure that nationals of all countries are treated consistently in all countries.

III. EUROPEAN USER HEARING REPORT RE: PRIOR USER RIGHTS

401. One in-house counsel stated that the issue of prior user rights (PURs) was important within the framework of the safety-net approach to the grace period. If someone relied on a pre-filing disclosure of an invention and began use based on such public information, this should be deemed to be in good faith. If a third party broke in and stole secret information, it should preclude prior user rights arising. It was a balancing act. Even if there was a grace period, a third party should not be able to be stopped by a later applicant. This counteracted the effects of the grace period to dissuade pre-filing disclosure, thereby increasing legal certainty. The participant clarified that the good faith requirement should only apply with regard to undisclosed information.

402. In the context of a grace period, PURs were held to be absolutely indispensable. If a grace period were adopted, it had to be ensured that PURs would apply during the grace period interval. The user agreed with the previous participant that good faith should not be relevant where public information had been relied upon. The acquisition of PURs should not depend on a requirement of good faith if there had been pre-filing disclosure.

403. Prior user rights were a problem in Europe as there was no right covering the single market. Despite the requirement of prior possession, in France, in practice, preparations to use were required to provide evidence of such prior possession. The participant opined that such acts should create rights to use throughout Europe. No one was suggesting that prior use in France should give rise to rights in the US. Before harmonizing PURs internationally, the participant emphasised that they should be harmonized within Europe. Whether PURs were harmonized with those in the US was arguably irrelevant. It was more important for Europeans to obtain such rights in their home country.

404. Another participant agreed that before international harmonization, it would be important to harmonize within the EU and straighten things out within Europe. Within the context of the unitary patent, Art. 28 UPC referred to national rights.

405. One practitioner agreed that harmonization within Europe was needed. Prior user rights should be available particularly if there was a grace period, because of the added length of time of legal uncertainty. Their national character was inherent in their nature. Someone had a patent right in a territory, if a third party had engaged in

activities in that territory, such rights arose. A party in the same situation relying on activities carried out outside the territory would not have such rights. The participant personally believed that this was discriminatory, and might be covered by TRIPs Art. 27.1. Art. 30 TRIPs was referred to, which was argued to allow PURs to arise in conformity with the Agreement, but the participant felt this provision might not completely address the territoriality issue. TRIPs attempted to eliminate barriers to trade, and this territorial limitation "looked wrong".

406. One in-house counsel for a global player disagreed that the acquiring of PURs in the US was not important: it was good for Europeans to export. If PURs in Europe did not apply outside Europe, that was a problem in dealing with patent families. In the US, preparations to use did not suffice to give rise to PURs. If one could do something in the US which could not be done in Europe, or vice versa, it was a problem. The participant's company sold its products throughout the world. Prior use in good faith prior to the priority date should result in rights which applied world-wide.

407. It was reiterated by another participant that prior user rights were essential to the patent system if there was a grace period. Absent breach of confidence, reliance on published information should be considered to be in good faith.

408. In terms of EU-wide or international application, as an exception to an IP right, if the scope of the right was limited to the scale which was actually used or prepared for prior to the critical date, it might be possible to deal with this issue through free circulation of goods within the EU after the first legitimate sale. *(Ed. Note: this is not the case under current EU caselaw, as goods legally manufactured or sold pursuant to a PUR are not put on the market with the consent of the right holder.)*

409. The German "Vorbenutzungsrecht" could be a template for international harmonization. Serious preparations should suffice for such rights to arise. With regard to the issue of scope, it was argued that if one could not "scale up", preparations would not lead to rights. An international harmonization package should include PURs.

410. One participant queried whether Europeans were in favour of a harmonization of national PURs, or in favour of creating a world-wide PUR ? In principle, PURs were attached to a single market.

411. Another in-house counsel for a global player opined that for a multinational company, it was far more important to get better PURs abroad than to have conflicting applications harmonized, the latter of which they viewed as being the "bottom of the list" for harmonization. The participant could live with all the different systems which existed in regard to conflicting applications. Prior user rights, on the other hand, were important in terms of what a company and its competitors could and could not do. Prior user rights would be very important in a harmonization package.

412. <u>Conclusion of the results of the Hearing</u>: there was broad support for the harmonization of prior user rights within Europe as a first step. The vast majority supported including prior user rights within the SPLH process. These rights were deemed particularly important within the context of a grace period, and should also arise within the grace period. Several voices opined that where

prior use relied on public information (such as where there had been a pre-filing disclosure by the applicant) such use should be considered to be in good faith, *i.e.* it should not be possible to stop those third parties from continuing such use post-grant.

IV. SUMMARY OF ADDITIONAL WRITTEN SUBMISSIONS

A. FICPI

413. According to FICPI, "*Any third party who acquires knowledge from a pre-filing disclosure and starts using the invention, or makes substantive preparations for such use, may be awarded prior user rights*". Further, "*[t]he only condition should be that the use occurs before the patent filing date" in order to obtain patent prior user rights.*"

414. Moreover, no exception to prior user rights should be contemplated with respect to certain patents, for example when granted to specific entities, because such exception, apart from creating areas of legal uncertainty, would also contradict the spirit of an international harmonization.

B. AIPPI

415. As far as prior user rights are concerned, the AIPPI is against prior users acquiring rights -even if in good faith - if knowledge of the invention has been derived from the applicant, and would restrict such rights to cases in which there is actual use of the invention. It rejects any exceptions to such rights for certain patents.

416. The AIPPI considers the international harmonization of prior user rights regimes to be important, but not critical.

C. IP FEDERATION

417. Prior user rights should be "*mandatory, not optional, and should permit the prior user to develop his/her product and /or process and/or manufacturing capacity.* As mentioned already in the section of the report on the grace period, the IP Federation's position is that "*Prior use might start within the grace period. There should not be any consideration of whether the prior use was in 'good faith'."*

D. PAK

418. PAK is in favour of prior user rights being available until the priority date, on the basis of either actual prior use or effective and serious preparations to use the invention (mere knowledge should not suffice) and territorially limited to the jurisdiction in which such use or preparations have taken place.

V. ANALYSIS AND CONCLUSIONS

419. One of the objectives of the TJQ was to gather empirical data on the importance of prior user rights in practice. The majority of the users reported on experiences within Europe, which does not have a grace period, and thus, where prior user rights do not have the systemic function of being a self-correcting mechanism creating risk for inventors, dissuading them from engaging in pre-filing disclosure.

420. The results of the TJQ show that prior user rights are indeed an issue which do not arise very frequently. However, it would be wrong to conclude from this that prior user rights are unimportant and that the harmonization process need not concern itself with them further - they appear to occur actually more frequently than those instances in which a user is unable to obtain a patent due to lack of a grace period (compare outcomes of Q.1 of the prior user rights section with Q.5 of the grace period section of the TJQ above, although it is observed that these relate to two discrete groups of respondent). Further, as with the grace period, where prior user rights actually do become an issue, the effect thereof is likely to be of utmost importance for the actors involved.

421. When comparing the assertion of prior user rights in both the litigation and pre-litigation contexts, the data collected supports the widespread assumptions that the true role of prior user rights outside of a grace period context is to redefine the bargaining positions of parties in a conflict situation, with clear variations in the frequencies in which these rights become relevant, across different technological areas.

422. Prior user rights are an essential component of a safety-net grace period and contribute to enhancing legal certainty by discouraging pre-filing disclosure where such disclosure may be avoided, according to 71,6% of individual respondents, and 8 of 9 participating user associations (the only user association who considered prior user rights irrelevant to the definition of the grace period was against the grace period), and 87 % of respondents find the harmonization of prior user rights important or critical, "if within the framework of the harmonization of grace period regimes".

423. In terms of best practice, 55,5% of respondents believe that prior user rights should be available to prior user in good faith having derived knowledge from the applicant, which would enable these rights to perform their systemic function of dissuasion from pre-filing disclosure in a grace period context. However, users complained that the question was unclear, and in the grace period section, 88% of individual respondents and 8 of 9 user associations opined that where pre-filing disclosure occurs, it should be the inventor who should bear the risks associated with such pre-filing disclosure, rather than third parties.

424. Moreover, during the Hearing, European users supported a radical approach which would eliminate the inquiry into good faith of the prior user where the invention has been intentionally disclosed by the inventor prior to filing in a grace period context, so that the information was at the relevant time clearly in the public domain. This appears to be supported by FICPI, but not the AIPPI.

425. In a systemic perspective, this approach is consequent: where there is no issue of good faith, the dangers of pre-filing disclosure are magnified, lending these rights a dissuasive effect which would probably even trump that of the lack of protection from independent third party disclosures. Part of the reasoning is presumably that litigating the good faith issue might be difficult (and costly) in a grace period context where there has been a pre-filing disclosure. However, this issue has not been ventilated in detail.

426. Views on best practice were explored in regard to the other features of the prior user right, with 75,9% of respondents appearing to believe that at least "substantial" preparations to use should suffice to ground prior user rights, and 63% of individual respondents and all 8 European user associations participating in this section of the TJQ agreeing that prior user rights should be able to accrue throughout the grace period until the priority or filing date. Finally, 92% of respondents believe that there should be no exceptions to the prior user right regime.

427. Taking the issue of prior user rights *per se,* outside the context of a grace period, many European users believe that prior user rights, before they form the object of international substantive patent law harmonization, should be harmonized within Europe, to iron out the disparities which exist within European national laws, not only in terms of their conditions of acquisition, but also in terms of their scope, burden of proof, transferability and their territorial aspects.

428. In addition, some users believe that the creation of a prior user right taking effect throughout the market and territorial scope covered by the unitary patent is a fundamental issue which should be addressed.

PART V: OTHER ISSUES

I. INTRODUCTION

429. The TJQ concluded by asking respondents whether there were any areas of patent law, other than the grace period, the 18-month publication of applications, the treatment of conflicting applications or prior user rights, where differences in national law caused problems for them or, as the case might be, their clients.

430. The responses were many and varied (where more than one, number of comments received on the point in brackets) and they will be collated here without being discussed further.

431. Users suggested that substantive harmonization of the following points would be of benefit.

II. POINTS WHICH FALL WITHIN SPLH

- Definition of patentable subject-matter generally (5)
  - Approaches to the patenting of business methods and software (4)
  - Methods for treatment of the human or animal body
  -Technical/non-technical subject-matter (2)

- Novelty requirement (1)

- Definition of prior art to be considered in relation to novelty (more precisely, to the first inventor to file, or his successor in title, subject, where appropriate to a grace period. Note: arguably, this point is being addressed here already.)

- Determination of inventive step (4) (particularly differences between the EPO and the USPTO)

- Practices relating to sufficiency of disclosure generally (3)
  - Enablement/written description requirements (2)
  - Data requirements for pharmaceutical inventions (particularly differences between Europe/US and JP/CN) (2)

- Recognition of second medical use claims

- Unity of invention

- Admissibility of amendments and objections to added subject-matter (5)
  - Disclaimers
  - EPO "Literal basis in the application as originally filed" v. liberal practice of USPTO
  - the treatment of examples as a basis for amendments to claims

- Allowable scope of protection of the patent grant
- Conditions for filing divisional applications (3)
- Practices relating to the form of claims
- Requirements of inventor declarations (more precisely, their removal)
- Time limits for deferred examination
- Special treatment of universities and SMEs
- Reinstatement of rights
  - Criterion of "all due care required by the circumstances"

III. OTHER POINTS NOT CONFINED TO THE GRANTING PROCEDURE

- Requirements of first filing in country where inventor has his residence/place of business
  - National defence regulations
  - Foreign filing licenses
- Regimes governing employee inventions (2)
- Formalities for assignment of patents and recording of change of ownership
- Formalities related to validation / maintenance fees

PART VI: CONCLUSION

432. Despite the fact that the results of the EPO Tegernsee European User Consultation are based on a relatively small, non-representative sample and do not in itself give a complete picture of the position of Europe in relation to the substantive patent law harmonization issues, the exercise has delivered a wealth of data of great interest, and provides an indication of current trends in Europe in this regard.

433. Although some of the issues and in particular the grace period remain controversial, it appears that a majority of European users could accept an internationally harmonized safety-net grace period including mandatory prior user rights arising until the priority or filing date, as part of a harmonization package comprising also "classical first-to-file", 18 months publication and possibly also conflicting applications.

434. A majority of European users appear to support the harmonization process, and a certain flexibility is apparent with regard to the points addressed by the Tegernsee consultation process.

435. However, in order to better assess the chances of agreeing on a harmonization package and assist in consensus building within Europe, it would be interesting to compare the user data collected in the three regions, in order to determine the areas and degree of convergence and divergence existing at a global level amongst users in regard to these four fundamental issues, both in general and in detail.

ANNEX

I. LIST OF PARTICIPANTS AT THE HEARING OF EUROPEAN USERS

Association Française des Entreprises Privées (AFEP)
Mr Manfred Rossmanith, Technicolor

Bundesverband der Deutschen Industrie e.V. (BDI)
Mr Udo Meyer, Chairman of the BDI Patent Working Committee

BUSINESSEUROPE
Mr Axel Braun, F. Hoffmann-La Roche AG
Mr Jacques Combeau, Air Liquide
Ms Catriona Hammer, General Electric Company
Mr Ilias Konteas, BUSINESSEUROPE
Mr Francesco Macchetta, Bracco Imaging S.p.A.
Mr Udo Meyer, BASF
Mr Lars Holm Nielsen, Confederation of Danish Industry
Mr Uwe Schriek, Siemens AG
Mr Leo Steenbeek, Philips International BV

epi
Mr Antonius Tangena, President
Ms Gabriele Leißler-Gerstl, Vice-president
Ms Mihaela Teodorescu, Vice-president
Mr Francis Leyder, Harmonisation Committee
Mr Lothar Steiling, Harmonisation Committee
Mr Philippe Conan, Harmonisation Committee
Ms Natasha Andreeva, Harmonisation Committee
Ms Nicole van der Laan, legal advisor

IP Federation
Mr Bobby Mukherjee, President

Patentanwaltskammer (PAK)
Fr. Brigitte Böhm, Präsidentin
Fr. Ursula Wittenzellner, Hauptgeschäftsführerin

The Chartered Institute of Patent Attorneys (CIPA)
Mr Jim Boff, Council Member

EPO

Mr Raimund Lutz, Vice-President, International and Legal Affairs
Ms Margot Fröhlinger, Principal Director, Patent Law and Multilateral Affairs
Mr Eugen Stohr, Director, International Legal Affairs, PCT
Ms Sylvie Strobel, Lawyer, International Legal Affairs, PCT

Observers

German Patent and Trademark Office
Mr Oliver Werner, Department 1.44

JETRO Düsseldorf
Mr Takuya Tanabu, Senior Director for Intellectual Property

US Patent Office
Mr Mark Guetlich
Ms Summer Kostelnik