



**PROPOSED INTRODUCTION
OF A GRACE PERIOD
IN NATIONAL PATENT LAWS**

UNICE POSITION PAPER

I. INTRODUCTORY REMARKS

1. UNICE is closely following the discussions which are currently taking place in various fora¹ on the possible advantages of introducing a grace period in national patent laws. UNICE would like to use this statement to present its position on a subject which is of direct concern for the companies it represents.
2. The main argument used to favour introduction of a grace period is that, without it, universities, SMEs and inventors inexperienced in patent matters, might be deprived of proper protection because of the novelty-destroying effect of disclosure of an invention within a period prior to filing a patent application².

UNICE believes that this is a simplistic presentation of a very technical issue whose underlying arguments need to be much more carefully assessed. In particular, the grace period needs to be assessed in the context of the patent system in Europe and the consequences of the changes it would imply should be carefully studied.

3. No grace period for patents has been available in Europe for the last 20 years after harmonisation of patent laws in line with the Strasbourg Convention and EPC, and for the majority of users its introduction in Europe would severely affect the legal certainty on which the European patent system is based.

II. THE US EXCEPTION OF THE FIRST TO INVENT SYSTEM

1. The advocates of a grace period often cite the example of the USA. This comparison is mistaken. The USA is the only country in the world to apply a first-to-invent system whereas first-to-file is applied internationally. What is referred to as a “grace period” in the United States is embedded in a completely different legal system. Under US law the inventor is given 12 months to file after any publication or commercial activity. But his priority date is not his date of filing as in the rest of the world, but his date of invention. Any intervening act such as a publication or a patent filing is disregarded if the inventor's date of invention is earlier.

¹ In particular, the draft report presented by Mr W. Rothley to the “Legal Affairs” Committee of the European Parliament.

² This means that once their invention has been disclosed, it can no longer be patented as it has lost its novelty which is one of the three criteria for patentability (art 52 EPC).

2. The so-called grace period in the USA is not a grace period but a period in which an inventor has to file a patent application if he wants to avoid a statutory bar. In addition, the American system contains a trap for European inventors. If the latter takes advantage of a 12 month grace period in Europe and then files 12 months after his European filing date in the US, he would have lost his rights because of the statutory bar. In a reverse case, an American inventor would not suffer this kind of prejudice. This is a clear evidence of how misleading it can be to compare the American system with a grace period.

III. ASSESSMENT OF PROS AND CONS OF A GRACE PERIOD FOR INVENTORS

1. While it is generally accepted that those who are familiar with the patent system can manage their disclosure of technology and do not need a grace period, it is claimed to be necessary to enable less experienced users of the patent system to exchange research results prior to patenting them. The biotechnology area is often used as an example.

It cannot be denied that there may be cases where a grace period might be of help. It has to be noted, however, that reliance on a grace period can be detrimental to a patent applicant because it opens up many traps which will affect, in particular, inexperienced inventors. Thus, the purported advantages of a grace period could very easily turn against those who are supposed to benefit from it.

2. There is no global provision for a grace period. Proposals to amend the Paris Convention to provide for a universal grace period running up to the first filing date in the framework of WIPO/PLT have so far failed. Thus, a prematurely disclosed invention might benefit in a grace-period country, but would fail to be validly patented in other countries. Accordingly, the introduction of a grace period will create a false illusion of security and will result in an increased tendency to disclose (often prematurely) before filing. Inexperienced users of the patent system, such as universities and SMEs would suffer most from the legal uncertainty resulting from introduction of a grace period and will easily fall into the traps it opens at international level.

IV. FURTHER DISADVANTAGES FOR INVENTORS

1. The above disadvantages arise from the mechanics of the patent system, but others arise from the actions of competitors who see the premature publication of the invention. Such competitors can take advantage of the disclosure, completely legally and in good faith, or might be spurred into filing patent applications based on what they already know. Such applications might concern improvements or ways of applying the disclosed invention. Competitors might start using the information commercially or at least start to make serious and effective preparations to that end.

A prior use right for a competitor in such circumstances cannot be excluded so that a subsequent patent cannot be invoked against it. Strategic patenting by competitors of their improvements,

³ An illustration is what would happen in Japan and USA. Japan has a grace period of six months. A European researcher makes a disclosure, relying on an assumed grace period in Europe of six months, files a first patent application in Europe five months later and then, within the Paris Convention year, 11 months later in Japan. He then finds he is 10 months too late for the Japanese grace period shelter! He should have filed in Japan within 6 months of his disclosure, i.e. about the same time as his first filing in Europe, much earlier than he would otherwise have filed in Japan under the Paris Convention. The result would be that he benefits from the European grace period but he loses the 12 months benefit provided by the Paris Convention. Even more importantly, he will lose his American rights if he does not file in the United States within 12 months of his disclosure.

processes, combinations and the like - even prior to the patent application of the inventor who published first- could seriously affect his rights to exploit his own invention and also prevent him from obtaining a patent.

2. To counter such possibilities the USA not only want a grace period in Europe, but also want the publishing inventor to enjoy priority from the graced disclosure so that acts by later inventors, even if based on the latter's own knowledge, can be set aside and ignored. The argument is that the later inventor must have directly or indirectly derived the invention from the publishing inventor, i.e. from his publication. The burden of proof then falls onto the later inventor to show he acted independently. This would import the American first-to-invent system into Europe, considerably raising the cost of patenting and in particular cost of litigation, to the great disadvantage of all European companies, and therefore European competitiveness.

V. LEGAL CERTAINTY

1. Legal certainty is one of the most important and leading criteria for a patent system, which is an advantage to the innovating and investing community. The pressing need to avoid legal uncertainty is one of the main considerations in international discussions on intellectual property generally.

In Europe the existing system is based on a clear legal situation: the filing date is decisive and novelty is absolute. In this first-to-file system, the advantages of the absolute novelty rule have been appreciated for years. Prior art searches need only take into account the date of the first filing. All acts made available to the public before this date are to be considered prior art⁴. It is a clear-cut situation which has met users' expectations, avoids costly, uncertain and lengthy litigation, and facilitates predictability of the outcome and safe assessment of the rights of others.

In the American first-to-invent system, establishing the decisive "invention date" is not easy. Lengthy, uncertain and expensive interference proceedings have to be undergone which eventually lead to a decision on who is entitled to the patent. For the parties involved, as well as for competitors, e.g. for an interested licensee, there is a long period of uncertainty and introducing a grace period in Europe would import part of this legal uncertainty, add seriously to cost and make investment decisions difficult⁵.

2. Patents are used also by wide circles for technical information and legal assessment. Questions concerning freedom to operate/infringement and validity of a third party's patent have to be answered every day. This is already complex with the existing system, but would be even more so with a grace period⁶. SMEs and isolated inventors would be particularly affected.

⁴ With the very rare exceptions of Art. 55 EPC.

⁵ In the dialogue held with the USA under the Patent Law Treaty and TABD concerning a switch to the first-to-file principle the main supportive argument has been the legal uncertainty that is connected with the first-to-invent principle. Introducing a grace period in Europe would mean switching from absolute novelty to relative novelty and increasing legal uncertainty.

⁶ In a patent right under assessment, you need to know if a relevant disclosure was made available to the public within its grace period? If so, did it stem directly or indirectly from the inventor or the applicant for that patent right? It will then be disregarded. Is any later disclosure, also within the grace period, directly or indirectly derived from it? Does a relevant competitor's patent application claiming priority from an application filed in the grace period concern an invention, which stems wholly or in part from such a disclosure? These difficult questions need not be considered under the present European patent system.

3. Introducing a grace period to aid inexperienced users would result in all users of the patent system facing these difficult questions and a longer uncertainty period⁷. These considerations apply not only to investment decisions but to clearance studies with respect to third parties' rights generally.

VI. ALTERNATIVE SOLUTIONS TO ENSURE PROPER PROTECTION OF INNOVATION FOR SMEs AND ISOLATED INVENTORS

1. One of the stated reasons for introducing the grace period is to help inexperienced who are unaware of the patent system and of the consequences of disclosure before the filing date in a first-to-file system.

UNICE is of the strong opinion that instead of changing an efficient regime which provides the legal certainty required by large and small companies, it would be much more productive to concentrate efforts on informing those few people who lack experience of patenting rules, procedures, formalities and strategies and who could be misled by a grace period.

If these people are unaware of the functioning of the existing system, they will also be unaware of a grace period, the length of such grace period and all possible consequences. Thus, there will still be a need for education.

2. UNICE therefore urges European institutions and national governments to launch and promote initiatives aimed at ensuring that SMEs, scientists and other inexperienced inventors are properly educated about the patent system and are informed that they have a number of possibilities to secure their rights without need of a grace period.

This is possible through entering into confidentiality agreements if disclosure to or testing by third parties is involved. Filing provisional patent applications at low cost or even free of charge to secure a priority date prior to any public disclosure is another alternative.

VII. CONCLUSION

- Weighing the reasons given for introducing a grace period against the above-mentioned disadvantages calls for a single and firm answer. Claimed advantages, which can be seen only in fairly few real cases, would not strike a balance against serious losses of legal certainty for wide circles of patent applicants, for the disclosing inventor and for the competition as well.
- The legal uncertainty deriving from introduction of a grace period would severely affect European companies, and in particular those which are not familiar with patent application rules. The proposal for establishing a grace period in the European patent system is therefore strongly rejected by UNICE.

⁷ After filing a patent application on a new development, the applicant must under the present law wait for 18 months in case a senior application is published before his own application. If no senior priority patent application on the same or a related invention has appeared during that time this first applicant is safe to make investment decisions. But if there is a 12 month grace period he must wait 12 months longer. There may be a second applicant in a position to claim priority. The second applicant may point to his own earlier publication within his grace period and allege that the first mentioned applicant must have seen it and has derived the invention in the first mentioned application from that publication. Under the WIPO proposal the first application is then disregarded.

- UNICE is of the strong opinion that rather than changing a well-balanced system for a minority of inexperienced users, efforts should concentrate on educating those users who are not familiar with the patent system. UNICE is concerned that all users of the system be properly informed of its functioning and it therefore urges the highest authorities of the European Union to launch appropriate efforts to inform inexperienced users of the system, in particular individual inventors and SMEs, about the possibilities provided by the existing system for effectively securing protection of their inventions.

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