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Transcript

"PRIOR USER RIGHTS"

MR. BENSON: All right, we are now into the question of prior user rights. This is an interesting subject and one of the reasons that it's on the agenda is that when I testified before Congress about a year ago, maybe a little more than a year ago the question of prior user rights came up over and over again. None of us at the hearing had a great deal of experience with prior user rights. So I volunteered on behalf of Franklin Pierce to have a study made to find out what prior user rights really are and what kind of experience other countries have had with prior user rights laws. It turned out that this ended up being two projects. Sylvie Strobel did a study relative to prior user rights in Europe and Rochelle Ferber ended up being the lead person here in Franklin Pierce doing the research relative to such rights in U.S. law. So introducing this subject we're going to have Sylvie make her presentation, first and then Rochelle will make hers. Heinz Bardehle also gave us a paper and we're going to let him make a presentation, giving his experience from a German practitioner's point of view, then we're going to open it up for discussion. Sylvie?

MS. STROBEL: Thank you. Now since the time is a bit short to give a comprehensive survey of the topic, I'm going to assume that you are familiar with the most basic arguments which have been very aptly put by Mr. Armitage and Mr. Wegner and I see that Heinz Bardehle has also made a contribution and I will leave the more substantive issues up to him. What I'd like to do is just address a few salient points about prior user rights in principle, which I think have perhaps not been emphasized enough in this country and I'm going to give this a bit of a comparative spin. Apart from the obvious differences stemming from first to invent as opposed to first to file, there are fundamental differences in the manner in which the novelty requirements are framed in Europe and in this country. These differences are very relevant because there's a fundamental link between the novelty requirement and the principle of prior user rights and I think this hasn't been perhaps emphasized enough here. In Europe, the novelty test is objective. To negate novelty of prior use must constitute an enabling disclosure. In the U.S. the rules on whether prior use invalidates or not are arguably more complex and may at times involve an assessment of whether a prior use has deliberately and successfully been kept secret as well as whether it's conferred a benefit upon the public. This involves assessment of subjective elements like intent. In Europe, the mechanism is such that if a

prior user right does not invalidate, it gives rise to prior user rights. So this, of course, provides a state with increased flexibility in the definition of the novelty requirement because this requirement is no longer the first line of defense which protects prior users and their competing interests. A good example of this interaction was provided by Britain when it harmonized its law with the rest of Europe in 1977 upon joining the European Patent Convention and here I'm speaking of harmonization of the novelty requirement in particular. Prior secret use was a ground of invalidity under Section 32 of the 1949 Patents Act in Britain and under the new system, such a use no longer invalidates, but it gives rise to prior user rights. So, of course, the issue of whether you want to relax your novelty requirements in that manner is a policy issue which is outside the scope of this discussion, but this explains, I think, why in Europe prior user rights have never been considered to be an intolerable encroachment on the scope of the patentee's rights simply because many of the patents effected by such rights are patents which would have been invalid under a more stringent concept of novelty and I think the tack was that instead of throwing open the market to all third parties, it was preferable to leave the patentee with perhaps not exclusive rights but a sheltered market where arguably there may not be market failure because the third parties that can claim prior user rights more often than not will have their own R&D costs to recoup, their own acquisition costs or licensing costs. Okay, as Heinz Bardehle points out in his paper, there's no consensus on either the scope or the conditions of the right in Europe and every country of the UPC defines these things in very slightly different ways, but there's no question that prior user rights are unanimously recognized in principle as being just and desirable in a first-to-file system. I'm sure you're all familiar with the arguments that are used to justify them, the argument of efficiency that the right prevents the destruction of existing investment which is in the public interest, not just in the interest of the prior user and also from the fairness point of view, they give a measure of protection to the vested interest of those who have learned nothing from the disclosure of the invention in the patent application. One of the side effects of this consensus is that the Europeans have never really explored the impact of these rights on the patent system in perhaps the searching way that the Americans have done in this country and, in particular, there, I think, is a lot less concern about the impact of these rights on the incentive function of the patent. One reason is that, I think, partly is that the approach to the incentive function of the patent system is different in Europe. The subjective assessment of the trade secret prior user's intent and behavior, which one finds in American patent literature, is conspicuously absent from discussions on this topic in Europe. The exploitation of the trade secret by a prior user is not stigmatized as socially reprehensible behavior in continental Europe. Trade secret protection is construed as a legitimate form of protection, which the user chooses at his own risk. However, there's a limit to what he forgoes in choosing this protection, i.e., he may forego his right to exclusivity, but he shouldn't be foregoing his right to use. So elements which have been deemed to be very important here such as whether the invention exploited as a trade secret was patentable or not or the issue of whether the prior user had doubts about the invention's patentability or whether the prior user had any intent to patent, are simply in Europe not considered to be relevant factors in deciding this issue. In contrast, in the United States, the discussion of this topic is focused on the compatibility of these rights with the constitutional purpose and the main issue obviously because of the class of inventions which are most effected

by these rights appears to be whether prior user rights effects the patent's incentive to disclose which is, of course, reasonable. However, I'd like to put to you that the promotion of the progress of science in the useful arts encompasses also incentive to engage in the costly process of R&D in the first place and you could argue intuitively that prior user rights might produce significant effects at this earlier stage and ask whether the knowledge that one will not be precluded from using the outcome of unpatented but successful research results basically creates a perceived reduction in the level of risk in undertaking R&D projects, but I have no conclusions to formulate. I would just like to raise the issue and perhaps let you respond to it. In particular, in reading the paper by Mr. Rohrback in the documents that have been handed out, he's not alone in this. He seems to consider that patentees are one group of interest and prior users are another group of interest and basically I would like to put to you that perhaps these people are all part of one and the same interest group which is participants in the ongoing process of research and development. So in that sense if you oppose prior user rights, you're basically assuming that you're always going to be a winner in the race to the Patent Office. Of course, these comments are in the first-to-file perspective, and basically I suggest that this may not always be true and that the interest of a single participant will change with respect to this issue on a case-by-case basis.

I'd like to address now the issue of the dearth of litigation in jurisdictions which have these rights and this has led to a double-barreled assumption in this country that either these clauses are unimportant because the situations where the right arises are so few or maybe alternatively the clauses don't work because they fail to significantly effect the defense of alleged prior users in infringement suits. I'd like to suggest that the lack of litigation is not necessarily indicative of the importance of this legal institution within a patent system. Litigation, after all, reflects the pathology of commercial and legal relations and it's probable, but the most important effect of these rights are to redefine the bargaining positions of the respective parties, so intuitively one can also perhaps suggest that the most important effect of the existence of these rights is to promote the conclusion of mutually advantageous licensing agreements resulting in less infringement litigation and furthermore, I would argue that a well worded, well conceived clause would not promote litigation and, therefore, a lack of litigation could be seen perhaps or be interpreted perhaps as a sign of success of these clauses.

My next point has to do with the policy issue of how you would define your rights and in this respect there has been, in several countries, the argument that you want to protect the patentee against undue encroachment and, therefore, if you were to have such rights, you would want to define them in an extremely narrow way. Now addressing that issue, there are three levels at which you can control the intrusion of these rights on the scope of the patent monopoly and these are the conditions of acquisition of the right, the scope of the right itself and, of course, the restrictions on transferability and once again I'd like to suggest that it's perhaps better to exercise maximum control at the entry level, control a very high burden of proof, very stringent conditions of admissibility to the right, and then when the right is acquired, then perhaps give a scope which is perhaps less restrictive than what is advocated by these people, I mentioned earlier. Of course, you would want to couple that with adequate restrictions on the transfer of the right and this is preferable

to having laxer acquisition requirements and then basically hamstringing the prior user right after the fact. One of the problems with this second method is that if you impose either restrictions on act shifting or quantitative restrictions or qualitative restrictions, first of all, they're very difficult to determine on a case-by-case basis and second of all, they're very difficult to monitor as well. In Europe, the attitude is that the rights are geared to allow the prior user to remain competitive in the market although the scope of the prior user right varies from one country to another and the rationale behind this is that if the prior user right is going to be progressively rendered useless because the prior user can't adapt to minor modifications or can't adapt his production to the demands of the market, then if the right is going to progressively become obsolete, there's no point in granting it in the first place. And finally, I would like to end on this point that was made very cogently by both Mr. Armitage and Mr. Wegner, that these rights would be in the interest of American inventors because they have to put up with their patents being subject to these rights in other countries and, therefore, it makes eminent sense to make sure that foreign patentees in this country respect the priorities or rights of American inventors.

MS. FERBER: Rochelle Ferber. I would like at first to focus your attention to two aspects of the draft paper presented in the course materials for today. First, I'd like to mention the title of the draft, Prior User Rights in a Harmonized U.S. First-to-File Patent Law System. There was an assumption made before approaching this paper that a first-to-file system was already adopted. We did not consider the benefits or the drawbacks of adopting a first-to-file system. We merely considered where prior user rights should be implemented and if so, with what restrictions, particularly the restrictions that Sylvie Strobel has so eloquently phrased. Secondly, I'd like to mention the perspective that we took in approaching this project. We did not look across the ocean to the experience of others. We took a very introspective approach. We wanted to see how such a system would function in the United States given our own idiosyncrasies. We looked at our interference practice, a practice that many people in the Bar would like to see completely and utterly demolished. Of course, there are others who believe that finding the first and true inventor is the most important part of our system. We also considered the intervening rights associated with reissue. This particularly seemed to us to be an equitable response to a patentee's claim of exclusivity. I'd like to continue with an anecdote. After having penned this draft, I had the privilege of speaking with one of our MIP students and in trying to explain to a patent attorney from Korea why all of our patent applications are filed in the name of the inventor and going back and forth trying to explain why it's not the applicant as he knew it, that those were our assignees, it occurred to me finally the purpose of this paper and I explained to him that our perspective is a very individual perspective. We're not looking specifically at the rights or responsibilities of just corporations but of individuals, that is a very basic fundamental principle upon which this country was based. So I went and I met with some independent inventors and they have some legitimate concerns in my view. They're concerned that a prior user right is going to protect those who manufacture and not those who are going to license or seek venture capital. It was also raised that universities who do not manufacture will also have great difficulties functioning under a prior user right system.

These are not addressed in our draft and I would very much appreciate, I would invite, I would indeed encourage all of you if you would debate specifically the independent inventors and universities of our country so that we may complete our draft and submit it to the appropriate people. Thank you.

MR. BARDEHLE: Heinz Bardehle. I cannot materially contribute very much to the excellent submission of Mrs. Strobel, but I would like just to mention some points which came to my mind taking into consideration the long debates which we had in the diplomatic conference on the harmonization treaty and before on the committee of experts. First of all I would like to state that in Europe and in other countries where we have prior users rights we live very well with that. We would not give it up. That's our opinion after a very long experience with prior users rights. Secondly, it is, for me imaginable that a first-to-file system can also live without prior users rights. It is not true that prior users right is indispensable for the system first-to-file. It is, of course, not necessary in first to invent, we all know that. If in a first-to-file system the legislature would decide not to have prior users rights one would have to take into consideration whether investment which was made by an independent person before the filing date of a patent application, should be completely in vain or whether there should be some reason to maintain that investment which was made in good faith. Here I would like to read that what I have mentioned in my short paper in the first paragraph. The justification for prior users rights is based on the consideration of fairness and equity. This should prevent that investment in the use of an invention which was made before the priority date of a corresponding patent be in vain if the patent owner could enforce his patent against the prior user. The prior users right in Europe is based on certain criteria so that at least serious preparations for later commercial are necessary. That is a condition because use leads very often to public use and then destroys novelty. So what we normally have to demonstrate is serious preparation for use. The same is mentioned in the harmonization treaty which states that any person who before the filing date or where priority is claimed before the priority date of the application and within the territory of the contracting state concerned has made effective and serious preparations for using for commercial purposes the invention referred to has a prior users right. That is more or less the condition which we also have in my country. In France, the conditions are not so strong. Personal possession for the prior users right is sufficient. But this is not so important to me. In my view a country, if it turns its system from first-to-invent to first-to- file should also at the same time adopt prior users rights. According to my experience I would say it is advisable in order to avoid the loss of reasonable investment which was made before the priority date of a corresponding patent application to avoid that this investment is in vain, if that investment was made in good faith. If on the other hand the decision would be, we don't like prior users rights because that undermines the position of the patentee, that is what I heard very often one can take that point of view. You avoid one serious problem which we discussed at length on various occasions; namely, the problem of derivation, within the grace period. The harmonization treaty includes a grace period and what we want is to have international grace period. What happens in that case if a third party seeing the publication of an invention by an inventor considering that as an interesting subject matter and free prior art because it was published and takes the advantage of

copying that what is published. It may be that the publisher could have just before the publication filed the patent application or filed the patent application later under the grace period, under which that party derivates subject matter which is in the later patent application. What happens with the rights of that person who has the rights on the publication of the inventor. If the inventor takes advantage of the grace period, that derivation can take place with preparation for use before the filing date of the patent application of the inventor. This is a typical case of derivation in good faith in my view because the third party can take it that there is prior art perhaps open to everybody and in the public domain, why not copy it. Would that derivation lead to a right of prior use, yes or no? I know that in this country you consider that it really isn't. Bill Thompson, with whom I discussed this problem is clearly against derivation and I have full understanding for that point of view. You avoid all that under the condition if you have a grace period without rights of prior use. You can believe me that, now taking into consideration the circle of the countries being interested in harmonization that there would be some criticism from outside that Americans wouldn't adopt prior users rights but I would say, so what. This is up to the country adhering to the treaty. As it stands now it leaves it open. You may, avoiding that problem of derivation, better live without prior users rights, but personally I believe that after a certain time when you live under first- to-file you will realize that there are cases where the denial of giving the prior user a right for continuing what that party has done is an injustice because he did that in good faith before the priority date of the patent application, he invested something for later real use, invested possibly a lot of money and all that would be in vain, if there would be no right of prior use. This is the decision which one has to make. This or that. Is it acceptable or not. If you say, okay, the man who files first has the rights, no right of prior use, that is a clear decision, one can live with that. The problem is that you ignore then all those who invested earlier. One can take the point of view not to accept rights of prior use because the party which invested earlier could have also filed at an early stage a patent application. Too bad for him that he did not do that so that it is his fault. So there is no need to cover him for his fault not to file as early as possible a patent application because then it becomes more or less a first-to-invent system, one who first invents goes immediately or very soon to the Patent Office. He is normally also the first filer. In conclusion, I would say since there is so much reluctance here in this country to adopt something which you do not know or about which you are in a way frightened, so that you may just better live without prior users rights. Thank you.

MR. BENSON: Thank you. It's wide open now. Okay, Chico.

MR. GHOLZ: I'll start off by saying that I am in favor of prior user rights. Indeed, the arguments that I hear in favor of prior user rights suggest to me a broader or more extensive prior user right than is proposed in the drafts that are before us. The principal argument seems to be the social dysfunctionality of blind-siding a company that has in good faith invested a significant sum of money in bringing an invention close to commercialization, or at least commercialization in a non-disclosing sort of fashion.

Well, the way it's been proposed, those defined activities have to take place before the a patentee's earliest filing date including priority. Yet you have exactly the same arguments, it seems to me, when those defined activities take place before the patent issues - or, if we go to harmonization in a situation where the application is published after eighteen months, if those defined activities take place prior to publication. People get blind-sided right now when the patent issues.

A number of years ago a case came up to the Federal Circuit, Bott v. Four Star, in which the appellant was arguing for a kind of continuing rights similar to those that we have in reissues in that situation before a patent issues. Well, our continuing rights that are in the reissue statute now and the re-examination statute were originally judicially created. They were not Congress created rights, they were judicially created rights which later got into the statute. The appellant in Bott v. Four Star argued that the court should do the same sort of thing, should create rights of continuing use so that a party that in good faith has invested money in commercializing an invention before the issuance of the U.S. patent shouldn't be blindsided by the issuance of the U.S. patent.

The appellant, I forget whether it was Bott or Four Star, but whichever company made that argument, lost in that case. But now we're talking about amending the statute. The courts refused to extend rights of continuing use judicially in this situation, but now we're talking about amending the statute.

I wonder whether we shouldn't talk about prior user rights that would be keyed, not to defined activities prior to the filing date or priority date of the patentee, but to the defined activities prior to the publication date of the patentee, whether that's the issue date or eighteen month publication date. One of the materials that we were given to read - I think it was Hal's, I'm not certain - indicated that such a change would be contrary to the Paris Convention. I would like to know why that would be contrary to the Paris Convention and why the United States couldn't simply adopt a prior user right keyed to the patentee's publication date.

DR. BISHOP: Let me introduce myself. My name's Bob Bishop, president of Beltronics, Inc., a research-oriented development company. The company was started thirteen years ago. We develop very high speed automated inspection equipment and transfer technology to industry. We deal with companies such as IBM, Honeywell, and Japanese-based Nikon, which involves discussing the inner-workings of our machines. I feel, that if we change to a harmonized first-to-file system, everyone will lose. Large companies will lose, the entrepreneur will lose, and the university will lose. I base this decision on some very specific incidents involving the transfer of our technology. Two incidents in the U.S. and one with Nikon in Japan. Three years ago IBM came to us and asked us if we could supply them with an inspection machine for a special type of semi-conductor. Internally, they had looked at the problem, and to solve it themselves would cost $4-5 million. For Beltronics this involved working closely with IBM. IBM realized we had an adaptable thinking machine that could be taught to look through a microscope and think like a person to make dynamic decisions. They felt that this technology could

be applied to look at their semi- conductor chips. We worked with them hand in hand and after 14 months delivered a machine. To develop such a machine there had to be a very solid understanding of our technology by the other company. I don't know if I want to call it transfer yet, but we worked with them, they saw our technology and they brought their parts in, before their legal people became involved to sign non-disclosure agreements. Now, what I'm seeing and have seen, and I think we've all seen in the past five years is that with the decrease in manufacturing here in the U.S. it's becoming harder, for large companies, to afford the cost of doing pure research. As a result they're welcoming our company with open arms. Our company is made up of entrepreneurs. We take a different approach. It may not be the four million dollar approach, it's the half million dollar approach to solving a problem; or it isn't the hundred thousand dollar approach, but the ten thousand dollar approach.

Another very interesting experience happened with Nikon to which we licensed technology a few years ago for the fabrication of a circuit board inspection machine. Let me describe how this started. We had manufactured a few machines for Honeywell. We needed a certain lens and I called one of the key people at Nikon who referred me to the person in charge of their American operations. He was very interested in what we needed it for and the conversation evolved. He said, "In a way we're almost a competitor of yours because Nikon is developing a circuit board inspection machine". I described the highlights of what we had. Shortly thereafter he flew in his key R&D people. I had to expose my technology. As they worked on the machine, they saw how it ran, and shortly thereafter a disclosure agreement and eventually a technology transfer agreement was signed.

One of the interesting aspects of this whole transaction occurred in the closing of the deal in Japan. We were having dinner with the CEO of the company and the conversation drifted into differences in educational systems between Japan and the U.S. He commented "I hope you continue to work with us because you think differently. Japan is structured so that the average education is high, but people are taught to think the same. We don't have a large variation, we don't have the lows on the totem pole, we don't have the extreme highs. We don't have the individual entrepreneurs. We have to think as a group and as a result people that think differently are almost discouraged in their system. It's not set up like the U.S. where the individual is pushed to shine in the universities, but it's these individuals that come up with the new ideas.

From my point of view, if I'm going to go to a company and supply them with technology, I don't want to worry if this person or this company is going to steal my idea. The other thing that's important is sometimes the final product that's invented, the real novelty doesn't always come out at the beginning. We start working on an approach to a problem, we develop the concept. We alter the algorithms, and finally come up with the final product.

With the harmonized system, beside being paranoid if anyone's going to steal my technology, beside taking away the advantages for the entrepreneur, I am now going to be filing patents every minute and spending more of my resources filing patents than

developing technology. Recently I read an article discussing how the most prosperous companies in the U.S., are small companies such as ours that produce very high technology equipment. And I feel that my concerns represent those of these companies. I sincerely think that switching to a new first-to-file system would hurt everyone involved. Thank you.

MR. WITTE: I just wanted to mention that when the Advisory Commission was on the subject of prior user rights, I was and am still against prior user rights, but I voted for the provision in the Advisory Commission's report. I did this even though I continue to disagree with much of the logic of the proponents of prior user rights, their arguments on the equitable considerations involved in prior user rights and also much of the speculation on what would happen in the absence of prior user rights if we move to first-to-file. I voted for the prior user rights provision for two reasons: one is that a number of persons whose opinion I respect greatly said that they would support a change to first-to-file only if it was accompanied by prior user rights and I concluded that I dislike first-to- invent more than I dislike prior user rights. The second reason is, as finally adopted in the advisory commission after long and careful and very good debate, the prior user rights are defined in a, I think, a very proper and reasonable way, the scope and the conditions and the rest. For these two reasons, I have compromised and I'm pulling back in my opposition to prior user rights, although I would have preferred that there be royalties for prior users who could prove their rights and I would have preferred that the preparation aspect of prior user rights was limited even more than it is. For example, to give prior user rights to people who are making preparations to use a product invention to me is very troublesome.

MR. THOMPSON: Bill Thompson. I'm not sure that I followed our entrepreneur's arguments because it seems to me that we have exactly the same problem under the present system today and I know any time that our company gets involved to have somebody else do some of its research and development work we have contracts up front which not only protect the data, but define the rights between the parties. So we have a clear understanding as we go forward. I wouldn't expect that would change under a first-to-file system. I think maybe the key to the answer though as to whether we would be getting into a system that would stimulate more filing centers on this question of whether there is a prior user right associated with the first-to-file system. Most of the discussions that I've read, that I've heard and the readings and the materials seem to me to deal artificially with the question. They seem to assume that we are either dealing with something that is patentable on the one hand, or something that is a trade secret on the other. That's not my perspective. There's another category. It's a category that I call trivia that has not yet been disclosed and it's the big category. We have over a half a million parts in our parts inventory. If we had piece part drawings on all of those, they would go to the ceiling. We'd probably have to move to the center of the room to stack them up there. If we counted those things that we classically treated as trade secrets, we'd have a few heat treating processes, maybe rubber compositions and maybe ten or

fifteen things that we actually treat as trade secrets in the sense of alerting people to the importance of the secrecy, setting up the mechanism so that casual visitors are not allowed through there and things of that nature. It's a very small stack certainly by comparison and we file something like a 100, 150 patent applications a year so comparatively speaking that's a very small stack. All of this other stuff is simply things that can be determined by reverse engineering of our products and we will say they're trade secrets as long as somebody hasn't done that, but really-they're not. Now, the question is are we going to create a system where we run the risk that all of those people that are interacting closely with us, if they do the filing, can preempt us? What is going to be our behavior as a result of that? Either we might decide to file more frequently and begin to flood and overload the system or we might place more restrictions on how we deal with other people and how we let them in the door through this development and research process. I don't think we want to do either of those things. I think we want to have a system in which the doors are open for developers, but under a discipline where people define at the beginning what their rights are. We don't want to run this perilous journey and we don't want to flood the patent system with trivia. I think the prior user right is the key to that response because it's really the Magna Carte for the right not to file on this trivia, just as 102(g) today is the Magna Carte for the right not to file. I don't think we should just look over our shoulder at our pre- existing interference practice or intervening rights or the systems that we have in this country. It seems to me to be arrogant to reject the experience in Europe and elsewhere who have both the first-to-file and the prior user right. If we cut that cord, what we are in effect doing is creating a system without antecedent. Obviously, there are very minor countries that don't have the prior user right, but we are a major country with major development and we are creating a system without antecedent in the major country industrial world. I think we should only do that with very, very great cause for concern. Thank you.

DR. JUDA: I want to ask the simple question from the public view point. What is better? Who needs more protection? The large company who can afford to file patent applications no matter what they cost, or the individual inventor who has to prove it and sell his invention? Who creates the jobs? Today IBM, GM and the likes let thousands of people go; to the contrary most jobs that have been created in the last 30 years came from inventions by small entities and individual inventors.

The principle of prior user rights puts again the shoe on the wrong foot. It should be the other way around in the Western world. We should protect the first inventor who then can give rights to use the invention to a company that is honestly investing in its commercialization. That is the procedure in our economy which will create jobs.

When you look around the world right now, what has been happening? Back in the forties I started a company, IONICS, bringing to it a basic U.S. patent - IONICS has grown to a big company. Even at that time (in the forties) I couldn't have done the same in Europe. Practically nobody in Europe had a chance to be an entrepreneur under the cartel system's principle of "first-to- file". Look at it from the view point of the economy

of the Western world and where the jobs are generated. Protect the entrepreneurship and see to it that the big companies respect intellectual property, not abuse it.

MR. BALMER: First let me clarify something. Large corporations do not have infinite patent budgets. I'm going to pose some questions. First, I think, we're the wrong group to even look at the policy issue of prior user rights. The real issue is what is the desired societal benefit and that's one for economists. I don't pretend to be an economist. We're trading off interests in the patent system. What's the target out there for society, what's the societal benefit? If we're going to have a patent system, there are certainly elements of it which say the inventor needs to be protected. That's a fundamental that we have abided by. But also we have a tremendous desire to have innovation within the United States and maintain our standard of living. Prior user rights pose a very complex topic and clearly some of us have gut feels and that's probably what we're going to hear around the table. Secondly, and rather repeating a lot that has been said, I'd like to switch to my next topic. We have had a de facto prior user right here in the United States. What happens is that the court decisions get perturbed in order to promote some equity. For example, a company can be doing something in a black box in the bowels of a manufacturing facility, nobody knows about it. But there are cases we're saying because you had school children walk through that factory, that was a public use and, therefore, not only gave the prior user right to that individual, but also defeated the patent for the individual who went so far as to put it out in the public domain. That doesn't seem to be fair. Now, I also ask, in the study of the European experience, to really look into the difference in procedures and I don't mean legal procedures but procedures and interaction between the companies. Prior user right discussions are very often handled in a very closed clique of people and there's an understanding that this one's yours, the next one's mine. Now, what would happen in Europe if that system broke down? One has to consider the legal environment. Bringing a suit in France or many other countries against someone who is practicing in secret a process and to try to catch the infringement, can be very, very troublesome. In the United States, we have a totally different capability through our discovery procedures. It's going to be very difficult to compare, I believe the European experience with what we would exist in the United States. I'm not saying that that's a negative with respect to prior user rights. I'm just saying that's something that we've go to take a look at. We should look at what is the objective of that system overall, what do we want in 1993, what do we want in the year 2000. And somebody has got to take a look at it from the public policy standpoint. Thank you.

MR. KLITZMAN: Maury Klitzman. In prior versions of the treaty reference was made to prior user rights. Although it was voluntary for the various countries, they spelled out what the prior user rights were if a country adopted them. In the last version they took out what those prior user rights would be if a country adopted prior user rights. So if this last version were adopted in this country, legislation could be passed going from no prior user right, to a very weak prior user right, or to a strong prior user right. In my experience in dealing with legislation in Congress, when a great deal of opposition surfaces, there's a tendency for the congressmen to compromise. The chances are great that you may come

out with something a lot worse than what you thought you were going to get. You may very well wish you didn't start it in the first place and I'm afraid with what has been done so far in the treaty when prior user rights are not spelled out. I don't have a comfortable feeling with what kind of prior user rights we're going to end up with in the United States Congress if we go to a first-to-file system. Legislation is likely to end up with a poor prior user right because of the opposition in Congress. I would be opposed to a prior user right unless it's a strong one because a weak one is of no practical value. So I would support a first-to-file system if the details of a strong prior user right were required in the treaty ahead of time so you know what you're getting into. I would be opposed to a first-to-file system if stronger user rights are not spelled out in the treaty.

MR. DUNNER: Don Dunner. I would like to say first that there's been some considerable discussion today on the subject not of prior user rights, but whether we should have a first-to-file system, and I really think we could spend three days on first-to-file. It seems to me that I recall an earlier conference at Franklin Pierce when we did discuss that. So I will not, and I don't think we should be addressing our comments to whether there should be a first-to-file system.

MR. BENSON: Thank you.

MR. DUNNER: Assuming there is a first-to-file system, the question is should we have a prior user right and, if so, what should it be. Dick Witte almost to the word expressed my own experience with the Advisory Commission. I started out very hostile to the prior user concept, basically because of the notion that I felt that a patent right should not be depreciated by people coming in and taking pieces away and basically devaluing that right. I was hit by comments from people who I respect, including Bill Thompson, Karl Jorda and a lot of other people, who wondered how a guy who, using their words, could be bright at times yet was so dumb on this issue. I thought about it quite a bit and while I don't know that I have come to the point where I embrace in and of itself the concept of prior user rights, like Dick Witte I came to the conclusion that without prior user rights there would be no first-to-file. I feel that first-to- file is something we not only should have, but that would be highly advantageous to the U.S. system, not only in the United States, but the United States as part of the world system. Given that fact, and reading cogent analyses such as Hal Wegner and Bob Armitage have generated, I think there's enough to be said for prior user rights in the context of it being a sine qua non to first-to-file that I am prepared to endorse it and did endorse it in the Advisory Commission, but on condition, the condition being that the prior user right granted should be the least right we could give and still get people to support first-to-file. This means a minimalist approach to prior user rights, and that includes two conditions which I thinkI should stress. One is that the Commission report expressly states that where the totality of circumstances makes it appropriate, the court should have authority to assess appropriate and reasonable royalties in favor of the patentee or to expand the right to assure that justice is done. In short, an equitable approach should be imposed by the courts to apply

to specific situations. It doesn't mean royalties in every case, it means royalties where appropriate or expansion of the rights where appropriate. Secondly, it not only would preclude derivation, but would require the prior user to independently develop that process. If, in fact, he didn't independently develop it, he or she's not entitled to the right. And so with those caveats and for the reason that I feel it's necessary to get first-to-file through, I support reluctantly, but nevertheless support prior user rights.

MR. GOLDSTEIN: Steve Goldstein. Just a brief comment to second what Norm Balmer and Don Dunner have said. I think that we can see from the rest of the world's experience that you can have a prior user system and the system survives and seems to work. We can also see from what we've done so far in the U.S. that you can have a non-prior user rights system and things seem to function well. One point that's been made this afternoon is that if you don't have prior user rights and you have someone who's invested a lot of money in technology and someone comes along later with a patent on that same technology all this investment is down the drain. Well, prior user rights have their problems, too. Prior user rights decrease in some way the value of the patent since prior users may have rights to practice under it. So either way someone is going to be affected. I think there's enough policy all the way around that you can basically justify either side of the prior user rights issue. To me, the bottom line ought to be U.S. economic policy and the effect a prior user system would have on it. If we could have a good strong economic analysis to show that prior user rights would make a difference one way or the other, that would be a very important, a very critical factor. Also, prior user rights could be a very important chip in patent harmonization negotiations. Those to me are the kinds of issues that are critical in reaching a final decision on whether to include prior user rights in U.S. patent law. Thank you.

MR. WEGNER: First I would like to identify myself very much with the remarks of Sylvie Strobel and Norm Balmer, in particular. Several brief points. With respect to Mr. Klitzman's remarks that we don't know what it will be and so on, yes, we do. We're not really worried about a new treaty provision. Any treaty provision in the WIPO context is an Article 19 treaty provision under the Paris Convention. In other words, it's subservient, must be within the scope of the Paris Convention. Article 4(b) of the Paris Convention completely outlines the scope of what you can have in a prior user right, so I think we don't have that concern. I also do share Mr. Klitzman's concern that when you legislate, you don't know what's going to happen, but that's not on the table. We're going to have legislation and we have to address this issue. The game is going to be played in Congress and we can't run away from it. With respect to the authority for denying a prior user right keyed to the publication date, it is explicitly clear from the orange book, which you have a copy of, page 123, section 1135, which quotes Article 4(b) of the Paris Convention. It makes it explicitly clear that the prior user right has to be keyed from the date prior to the priority date. Rights in the interval cannot give rise to rights of possession. Reverting back to what Mr. Balmer pointed out, this is the wrong forum to consider prior user rights. International and domestic scholars, particularly the economists, have got to get involved in this. Finally, I thought I was going to agree with

Don Dunner again and Istarted to jump for joy that I was going to agree with him when he talked about a minimalist approach. I do agree with the second point that Don has on the prior user right being limited by the subject matter having been independently derived, if not by the inventor, by someone else and there'd be no derivation. Perhaps I would favor as much limitation as necessary to cut it back, but I would not subscribe to the point of determination of royalties. I want an absolute legal defense. If you're going to have a prior right, it should be clear and it should be firm. The final point I have, this has become a political football. The universities have come out very strongly against prior user right. I think the burden is upon the people that want the prior user right to come forward to explain why it's so important, why it's more than a Magna Carta for trivial inventions. Unless that can be done, I think the baggage carried by the fight with the universities, if the people proposing that we should have a prior user right can't convince the universities, I don't think it's worth fighting for. Thank you.

MR. GRISWOLD: Bob, could I ask you, you have a good memory. What is the language in the bill that the AIPLA submitted to Congress that defines what the prior user rights are?

MR. ARMITAGE: It simply gave the right of prior use to someone before the priority date, either put the invention in commercial use or made substantial preparations therefore. It had also in it a requirement for good faith that was relatively undefined.

MR. BENSON: But wasn't it limited to exactly what the guy was doing on the day that the application was filed and that it was not a license to incorporate what turned up in a later patent?

MR. ARMITAGE: Not in express language, no.

MR. BENSON: Okay. I just wanted to let everybody know what we're talking about when we're talking about prior user rights.

MR. ARMITAGE: Last night I had a dream. I was hiking in the mountains and what to my eyes should appear but Moses carrying two huge stone tablets down from a mountain. I asked Moses, what are they? So he sat them down so I could read them. They began "Title 35, United States Code". I said Moses, this isn't the way it happened. He replied, I know I was given a choice. I could have taken these tiny little tablets that had Ten Commandments on them that sounded like absolutely no fun at all or these big ones. I decided no matter how heavy these were, these were what I wanted. Moses and I had a long talk. I finally convinced him to throw these tablets away, go back up the mountain and, of course, the rest is history. But to me the moral of this story is simply that Title

35, United States Code, is not Divinely inspired, it's not what came down from some mountain. I also am not a believer in the need for a philosophical purity in the patent law. I think rather that Title 35, United States Code, ought to be a very practical pragmatic document. To me, it's a very practical pragmatic question: Is this country better off if we go to a first-to-file system with or without some sort of prior user rights? Now, having posed that as my question, I have to say that among all the issues in harmonization, this ranks on my list as being one of the most unimportant and unexciting. If we didn't have prior user rights, we could have a perfectly fine patent system. If we did have prior user rights, we could have a perfectly fine patent system. I say that because it's not a everyday occurrence. For most people representing even very large companies around this table, prior user rights will not even be an every decade encounter. So if it's not all that important and it's not Divinely inspired, we ought to be able as grownups to come to some kind of resolution of this issue. There are a spectrum of possibilities here. One of the questions that was posed to us is what are we going to do about independent inventors and what are we going to do about universities. First ofall, should an independent inventor, who has no intention of creating a manufacturing facility, be able to acquire some value out of prior user rights? Some foreign systems don't require that a prior user have begun a manufacturing endeavor. The French system merely requires possession of the invention. We could, for example, have a special provision in our law that recognizes possession for persons who, at the time of the filing of the patent application, have not assigned their inventions or made them subject to an obligation to assign, to be enough. What about universities? Again, let's be utterly pragmatic. Universities don't engage in trade secret and know-how licensing. They don't do it because they don't have trade secrets. They don't have trade secrets because they're not involved in a trade or business. They don't have know- how licensing because in the main, they're not allowed to keep and maintain know-how as know-how. Most university charters that I'm familiar with require universities to put information in the public domain. So what they're looking at is the possible diminution in their patent rights by prior user rights. We can look at interference statistics to realize that only a small percentage of the few declared interferences involved universities. Hence, the probability in the next century of universities suffering at the hands of a prior user is probably less than fifty/fifty. In other words, it shouldn't be a problem for them. So what I would suggest is that we go forward with this debate with utter pragmatism, deciding what's best for the country. This book we have before us is filled with arguments on both sides and there simply has to be a solution that's a fair political compromise for all involved.

MR. BRUNET: I'm not going to speak in parables, but to a certain degree I do agree with Bob Armitage in that maybe prior user right questions are not so important; but if they're not so important, then why have them. It's interesting that prior user rights debates seem to have occurred only in the context of first-to-file and yet the same problems that people are discussing that seem to require them to have first-to-file prior user rights also existed to some extent in the first-to-invent system. Patents will issue many years after other companies have invested money in promoting and selling products and they may have to stop when a patent issues under our current system. So I don't see that there's much basic difference between whether you have prior user rights in a first-to-

invent system or in a first-to-file system. Basically what it comes down to is the dichotomy or the clash between trade secrets and patents. The Supreme Court has spoken on this and said that states may legislate in the area of trade secrets but that didn't say that trade secrets have to be superior or even equal to patents. It seems to me that where you have patents clashing with trade secrets patents should prevail. This is because patents serve to promote the progress of science and the useful arts as set forth in the Constitution. Trade secrets do not.

MR. GRISWOLD: It's no secret I'm in favor of prior user rights. I think there are a lot of reasons to be in favor of them. I think they may be part of a first-to-file system and I believe that we do have some solace today in 102(g), but I believe it would be nice to have a prior user rights statute like is proposed in the AIIPLA proposed bill today. What bothers me with this whole debate is that it tends to resolve itself frequently into a small company or university versus a large company discussion. I'm from a large company, but I don't think that's the real issue. We have a lot of reasons to have prior user rights. One of them is to make sure that we maintain the jobs that we do have in the U.S. We have a situation where when people are making decisions on where they put a manufacturing facility, which does use trade secrets, they can decide to locate that plant in the U.S. or they can locate it somewhere else. Multinationals have that as well as other companies have that opportunity. If you have a trade secret process and that country has a prior user right and you have the option, it's more likely you'll put that plant in that country. Another problem that I have with this is that as you know, the treaty will probably not have anything on prior user rights because Article 20 will be deleted. I'm in favor of having it be included and having it be specific. Maury, I do agree with you on that. We don't agree on a number of things, but we do agree on that. I think it will be deleted and the reason observation is that it's a domestic issue. The way I look at that is if a country decides to shoot itself in the foot, and to not provide prior user rights, then they'll be allowed to do so. We have a situation where 45% of patents that are granted in the U.S. are owned by foreign companies or entities. Those companies will, if we don't have a prior user right, be able to preclude us from operating in the U.S. whereas the reverse is not true in respect to their countries. So I think mutuality is a key issue. Relative to this business of legal versus equitable right, Don, as you know I'm in favor of legal right and that's because if you have an equitable right, that means that you are going to be forced to bring forward the issue to the patent holder, disclose your operation to the patent holder because businessmen need to have certainty as to what their costs of doing business are. They have to go to the patent holder and liquidate the amount. Also with a small company who has developed the prior user right, they would need to, if they were going to, for example, sell their company, get that right liquidated prior to the sale of their company, otherwise the perspective purchaser would not buy it. You have to know what the cost of doing business is. And those are just some of the reasons that I'm in favor of it being a legal versus an equitable right. As to independent invention, I think that there should be no derivation, absolutely no derivation, that's contrary to the way we operate here, but independent invention means defining what was independent and whether it was an independent invention and that gets into definition of was it an invention. So it seems to me if there's no derivation, that's the crucial question. It's not whether there's some

independent invention we have to describe. That's why on the commission I certainly was in favor of no derivation and in favor of a legal defense as opposed to an equitable right. That's enough for now.

MR. GURRY: Francis Gurry. May I just say one word about this issue in the context of the harmonization treaty. The harmonization treaty on this issue seeks to address two questions - the first is whether prior user rights ought to be required: that is, whether the treaty ought to require states that sign on to it to provide prior user rights and the general view, I think it's fair to say, that is being reached on that in negotiations so far, is no. It should not so require, and this because prior user rights exist for the benefit of the enterprises and industry of each contracting state and, therefore, should be dealt with by that state itself. Now the second question that it does seek to address is that, if the treaty should not require prior user rights, then should it limit the circumstances in which any of the contracting states may allow prior user rights. Given that, as Hal Wegner has said, Article 4(b) of the Paris Convention presently reserves to the domestic legislation of each state the right to make provision in respect of prior rights, the treaty could go one step further and limit the circumstances in which prior user rights may be granted. In that respect, the conditions that it does lay down are that it states that prior user rights are not required, but if you do grant them, then you have to conform to certain conditions. Those conditions are that they can only be acquired in good faith where the use has been in good faith, where it's occurred geographically within the territory of the office granting the right, and where it's either a use or effective and serious preparations for use. As Gary Griswold has said, as far as the International Bureau of WIPO is concerned, the latest approach that we have recommended to that last question is that the treaty shouldn't even go this far. It should just leave it to each state, leave the situation as it is, so the result would be that there would be total freedom to provide for the sort of circumstances in which prior rights may be acquired and total freedom for each state to provide the scope of the prior user right that may be acquired. Thank you.

MR. SAMUELS: Let me, before I get started, just finish up one thing that Gary Griswold had touched on and that's 102(g). He's right, we do have prior user rights to the extent that 102(g) applies, but I would rather give one party a limited prior user right than to lose my patent as is the present situation. Another comment he made; I like the idea that foreign- based companies could not shut down U.S. manufacturing operations. So I am basically in favor of prior user rights, but like Dick Witte, I have a problem with prior user rights on products to be sold. I have no problem on true prior user rights; namely, process rights and I notice that in all of the texts I've seen, there is no definition of prior user rights as such and I worry about what might happen in the U.S. I think as Maury pointed out, with respect to intervening rights in reissue cases, the statute is specific, that one does have the right to sell. If there's some question about this at this point, I would like to see prior user rights distinguished in such a way that they do not include prior vendor rights, unless, of course, perhaps there is a royalty attached as I think Don Dunner had mentioned. I don't believe there will be an increase in filings. I think a true prior user, if the process is important enough, will have protected himself already. He will

have published perhaps in disguise or he certainly will have gotten an opinion on invalidity or an opinion which will teach him how to get around the patent. So I think by and large what we're talking about here, if my definitions are correct, is what I think has been alluded to in the past as nit inventions, ones that are really not worth filing on, but which under prior user rights will still allow the first inventor to practice his invention as opposed to the second inventor patentee.

MR. PEGRAM: John Pegram. Three thoughts - first of all, in the policy area it seems to me that there's been some talk about the superior public interest in the patent, but I submit that if someone comes along at a later date with a patent on a process, for example, and there has been a prior continuing use of that process, making products which are being sold in the United States market, that in a sense that patent is taking away something, really the first inventor's idea which has been in use in the United States market place. I submit that as a policy matter, it's not such a bad thing to permit that prior use to continue. Second of all, assuming that there is first-to-file, I believe that the very arguments that small business may make against first-to-file should cause them to rush to support the prior user right because the same small business that feels that it has trouble filing promptly on inventions, or that may be using ideas which did not rise to the level that were economical for them to file on and perhaps were not significant enough to file on, they are the very people who would be protected by a prior user right. So that leaves us with the universities and the individual inventors. Certainly they have a sympathetic claim: namely, prior user right doesn't do me any good, I don't "use". However, I believe there is one area that they should recognize and give very serious consideration to. It is something that all of us have to give consideration to today. It is something that we're all being told in business. That is that the customer comes first. Here the customer of that university and the customer of those individual inventors are, in fact, business. If business sees a need in the balance for prior user rights, then I believe that the universities and the individual inventors ought to give second thought to the subject in view of the desires of their customers.

MR. PRAVEL: I've been listening to all of the various comments because primarily I have struggled with the issue myself tying to figure out which way I really would like to see it go if I were the one making the decision. I probably at this point would have to say that the compromise position that the Advisory Commission came up with is probably where I would end up because I can see the basic proposition that you really are to some extent discouraging some people at least from not using the patent system when you have prior user rights. Obviously if you have to deal with the patent system without prior user rights, you're encouraged to use the patent system. On the other hand, in the market place, people who are commercializing inventions are very valuable to the economy. So there is an equitable consideration there that has to be dealt with and as difficult as it is, I think the only solution is to have the compromise that the Advisory Commission has come up with and I think that the important thing now for us is to settle on something like that and go forward because we certainly, at least in my view, should not let that be the tail that wags the dog and causes us to lose the first-to-file system. Thank you.

MR. RINES: I must say I recognize I'm in a den of "enemies" and the thought has always occurred to me, are you all stupid and I'm the one that's brilliant? I kind of have a feeling that might be it and I'll tell you why. You people are not putting yourself in the entrepreneurial position. You're the umpteenth generation in the large companies. You're not the fellow that started your company, and it seems to me that you're singularly unable to put yourself in the shoes of the original inventor that started your company and ask the question where would he be if he didn't have the exclusive rights to his patent, and if he wasn't able to rely on his dates of actual invention to defeat people who came in and contested it. Now I'm only one person. I have been in on the development and the starting probably of more electronics companies in the Northeast than any man alive, spawned out of Harvard, out of MIT and in this peculiar area of New England. Consider, for example, EG&G where Professor Edgerton was represented first by my father. He would have had no company under a first-to-file system. City Service, GE and Sylvania and others jumped in when he announced electronic flash photography and filed their own applications. Both Beranek and Newman (BBN) - the same thing. I asked Dr. Juda of Prototech and my former young student from MIT who's president of Beltronics, Dr. Bishop, to come here because they couldn't believe there were such people in the patent bar who don't know where the seed corn comes from in the United States of America. First-to-file has existed in the world always. Where's their record that can compare with the United States, which gave the entrepreneur the opportunity to develop the invention before jumping into the Patent Office? Brighter lawyers than you and I, perhaps, fought to give two years, then limited to one year, of public use to develop an invention before filing. Find out what the market is before you jump to the Patent Office. We have a record in the United States of what that system has done. Show me that record in Europe. They're my friends, but I don't want to wear their uniform. They're not the United States of America. The next thing I can't understand is how you can possibly sit there and say I don't give a damn for the exclusive rights of a patent. If that's true, Article I, Section 8 of the Constitution and the whole history of that provision was not made for you large corporations of today. It was made for Dr. Juda. It was made for Dr. Bishop. It was made for the people that founded your company. It has nothing to do with pieces of paper and red seals and bureaucratic nonsense that you're working on. Its philosophy was to encourage people to start businesses. It was innovation, not invention and patents and that's why our forefathers knew you needed the exclusive rights. You're saying to us, you giant corporations, that in 1993 you don't give a damn about the exclusive rights. Just give me the prior user free license. You don't need a patent system. But I want to tell you something, that the seed corn of this country that is involved in starting companies, the people who are really making the jobs and the people who make it possible for many of you to later do what a large corporations can do so well - which isn't breakthrough invention. Your genius is to take what these seed corn people do and make it real. And, my friends, what good is the prior user right that we're talking about today to someone who is entrepreneuring or whose business is licensing his patent - licensing the exclusive rights? What evil would prior user wreak. You're missing the whole point at the end of this table when you say, gee, universities ... the university gets its money from licensing technology and usually in this day and age, by exclusive licenses. How are you going to

do that if outsiders have these free compulsory licenses called prior user rights because they can show that even if the university gets the patent, they had started on this and should have a free ride despite the patent. You talk about the little fellow and the little business. Do you know how the little business starts? Do you know we have to have people that put in venture capital? Do you know the first questions they ask - Is it patented? Who's going to compete with us? So what does it mean, the prior user right? Yes, Mr. Venture Capitalist, we're going to get a patent, but, of course, any darn company out here that can show, they thought about it, they put a little money in, they're going to be give a free right to compete. How will we ever start a company? Now I'm not saying that first-to-file might not be the greatest thing for the bureaucratic convenience of the large corporations of this country who presently have to follow these rules in the rest of the world. I've yet, however, to have anybody tell me one real benefit and why the devil it's good for the United States as a whole. One reason. I have never heard it, and I'll shut up in a minute and listen to you. But I do want to tell you that what you are doing is going to tend to dry up the historic brilliant record of this country in terms of the seed corn of America - our independent and small, new company inventors - prodigious sweeps that do not really exist anywhere else in the world at least to the degree in the United States. You say that, but you don't have my experience, sir.

MR. EVANS: I'm not sure I want to be the next person to talk. Larry Evans. A point of clarification and I hope we can dispense with the usual rules in order for Heinz Bardehle to answer just one question. Is it not fact that in Europe one of the reasons there are no "prior user rights" decisions is that this is an argument that often results in a negotiated settlement, even a license rather than a case that goes before some judicial authority?

MR. BENSON: If that was a direct question, we will allow him to answer.

MR. BARDEHLE: As I understand your question correctly, you wish for me to know whether problems or cases of rights or prior use are solved by licensing, for instance, is that correct.

MR. EVANS: Yes.

MR. BARDEHLE: First of all, I would like to say that I follow Bob Armitage's experience. Cases of rights or prior use are very seldom. They are not ... our daily business. When they happen, they are normally solved by settlement in that way that the patentee has to agree because of convincing proof that there is an existing right of prior use. That's all. If the right of prior use is denied then the patentee enforces his patent against the alleged prior user, the prior user has the burden of proof before the court to demonstrate that he has the right of prior use. In order to avoid lengthy litigation it may happen that both parties come together and agree on a small license. This happens, but

this is not our daily practice. Our right of prior use has not at all led to the experience that people abstain to go to the Patent Office. However, in cases which have been mentioned by Bill Thompson, for instance companies may have a stock of spare parts on which they do not intend to file on any small item a patent application. They may rely on their prior users rights and that's important, that they have a stock of rights which exists cannot be destroyed by a patent. But this has never led to the conclusion that companies or inventors who have made an invention and see a commercial value that they would abstain to go to the Patent Office. They file their patent applications as in this country. Thank you.

MR. EVANS: I would like to add that - I thank you very much for that - in support of what Bob Rines said, I think we ought to be very careful "we don't throw the baby out with the bath water in amending the patent law. Having given it a lot of thought I think that the first-to-file system with early publication also necessarily must consider the rights of the prior user.

MR. WAMSLEY: I'd like to expand a bit on a point that was alluded to earlier about the interests of universities and independent inventors in prior user rights and whether prior user rights do anything for those groups. We can't talk about prior user rights in isolation. We agreed that we're not going to debate first-to-file, and I'm not going to debate it. In looking at the benefits of prior user rights however, you have to look at the benefits to universities and independent inventors of having a harmonized first-to-file system that will provide worldwide patent protection at lower cost and with greater legal certainty. Especially for universities and independent inventors who come up with pioneer inventions, it's more important today, with increased international trade, to have protection world-wide at an affordable cost and to have the greater legal certainty provided by that kind of protection. Universities and independent inventors need to look at prior user rights as one logical building block in an improved patent system.

MS. SHAPER: Sue Shaper. I support a first-to-file system and I'm either undecided or indifferent to prior user rights, or at least I thought I was, but I would like to say the comments of William Brunet or exactly what was in my mind and that is were you the proverbial visitor from Mars trying to view this objectively. It seems to me prior user rights would make a lot more sense in a first-to-invent system than in a first-to-file system, yet we've gotten along this far, I tell myself, without any overwhelming problems and why do I say that? Because if you have the person who invents but is really slow to commercialize and bring it to file and yet someone else comes along and subsequently invents and commercializes it, they lose their rights when the first invention is finally filed in patent issues. It also seems to me that the Robert Bishops of the world should oppose prior user rights because if they are a little bit brighter and a little bit quicker, then - but only say twelve months brighter and twelve months quicker than the IBM's and the AT&T's - then they're going to be the first-to-invent and the first-to-file, but before that eighteen months come, Don, if AT&T or IBM or someone else is going to come along

and have made enough steps to get at least prior user rights on them, so that if they want exclusive patents, it would seem to me that they should oppose atleast prior user rights.

MR. JORDA: Let me try to put a different perspective to this. It appears to me we are making a mountain out of a molehill for many reasons, but two in particular. First of all, in the past ten years at CIBA-GEIGY, where they file yearly almost 1,000 patent applications, there were only three instances where prior user rights issues came up. The incidence of prior user disputes or issues arising is much, much, much less than interferences. Why? In order to get into an interference and prevail in an interference, all you have to prove is, among others, reduction to practice. The burden of proof with respect to prior user rights issues is much, much higher because you have to prove something way beyond reduction to practice and that is actual commercial use or preparation for commercial use. That's a much higher standard. Consequently, while the incidence of interferences is very, very low as we all know - and much lower for junior-party victories - the incidence of prior user rights is even less. Only three times in the past ten years has it come up in a big transnational company like CIBA-GEIGY and in two cases they prevailed while in one they did not. It was all settled amicably. Now how is it handled? They do what we are doing in this country when we settle interference. They get together and "compare proofs". These are our prior use dates and they predate your patent filing. The party with the stronger case prevails. Most of our interferences are settled in a similar way. We compare proofs and settle them amicably.

A second reason why, in my view, we really needn't get excited about this, is that we have a prior-user-rights system, as somebody intimated already, as a de facto matter now under our system. And incidentally I am on record by way of JPTOS publications and others that even in a first-to-invent system a prior-user-right system makes eminent sense. This is very important because de jure we have a totally unsettled situation. It is not true, though often assumed, that a patentee can enjoin a prior inventor of the same invention who kept it a trade secret. The reason I'm saying we have a de facto prior-user-rights system is because there's no case on the law books, where it happened that a patentee, in fact, was able to enjoin or otherwise stop a first inventor/prior user from practicing the invention. It doesn't happen and it's unlikely to happen because no patentee when he/she is not a bona fide first inventor, is going to put his or her patent on the block. And by the way, if it were to happen, this would be, in the words of Jim Gambrel, Bill Pravel's former partner, who has written extensively on the issue way back, an unconstitutional taking without due process of somebody's invention, of somebody's property. Why is it an unconstitutional taking? Because the patent system is not superior to our trade secret system. We have an integrated intellectual property system. They are on the same level. The Kewanee case clearly held that the two systems are fully equivalent. Even with respect to clearly patentable inventions, the Kewanee court said that one has a perfect right to keep one's invention as a trade secret. We don't have to go to the patent route. Trade secrets, Professor Kayton is supposed to have said recently, are the cesspool of the patent system. That's of course, absolute nonsense. They are fully equivalent and the Supreme Court has so held. In fact, according to Justice Marshall's concurring opinion he was persuaded that "Congress, in enacting the patent laws, intended merely to offer

inventors a limited monopoly in exchange for disclosure of their invention, ... [rather than] to exert pressure on inventors to enter into this exchange by withdrawing any alternative possibility of legal protection for their inventions." Furthermore, trade secrets and patents dovetail, as the Supreme Court recognized in the Bonito Boats decision. Trade secrets and patents go hand in hand indeed and it is particularly in the context of trade secrets that prior user rights are an important factor, an important consideration. Thank you.

DR. BISHOP: I'd like to elaborate on what Mr. Goldstein and Mr. Samuels said. The key question is what is going to spur greater economic growth both for the large company, and for the small company. If you're an inventor, would you invest $100,000 of your money if another company because of prior use could say: We have been developing a similar concept, we didn't reduce it to practice yet but we filed prior to you. This larger company, because they have a larger marketing force, could then get it to market first. These issues are going to be natural concerns for any investor and we must provide a patent system that's going to help that investor have a very good and warm feeling about investing into new technology and businesses.

MR. MACKEY: I have really three comments I'd like to make. One I heartily endorse the comments that Karl Jorda just advanced with regard to the whole question of prior user. Secondly, the experience of my former employer in Germany would bear out Heinz Bardehle's comment that it's a rare problem, that is rarely does a problem arise with respect to prior user rights. Lastly, at least in the industry in which I work primarily, the instances, over a very long period of years, of any prior user rights issues is very close to zero. Thank you.

DR. JUDA: Just to speak to the issue of the prior user, the suggestion is that the prior user has the right to the patent with the proviso that he pays back any bona fide investment of the second with interest, e.g., for a period of three years.

MR. BENSON: That's your proposal?

DR. JUDA: Yes.

MR. BENSON: Okay, Bill?

MR. THOMPSON: Yes, I just simply wanted us to recall before we got through with this topic that one of the proposals that was suggested with the implementing legislation was that we have an internal priority filing or a provisional filing which I think is a partial

answer to the concern of Dr. Bishop in the sense that this is a very low, quick threshold, low-cost, access to the patent system through this provisional filing right. I visualize that the fee might be $150 versus the $1,000 or more for a filing fee today and that the application is really just the essence of the description without all the professional work that goes in it. It's a very stripped down version and this was intended, this was suggested by the commission and it was also incorporated in the proposed legislation since it was intended to be an assist for the small entrepreneur to secure his rights. One of the advantages of doing so in this way over and above any filing that we do today under our present system is that you secure a priority for international purposes. You don't squander those international rights. We see the small entrepreneur today almost immediately when the product is introduced, facing foreign competition. Those foreign rights are very much more important to the start-up company today than they were in decades past. So that is a partial response. It's not like the system was unfeeling in terms of the rights of the different members or the different sizes of companies that are in our industry. I think one of its geniuses is that it is multifaceted for all sizes of enterprises and that, in fact, should be the way the system is. We shouldn't be saying that a new system is inherently going to create winners and losers among the varying using public and I don't think it's conceived that way. Thank you.

MR. SHAW: I have a question. I have a question about that. I harped in my classes about the claims defining the invention until we got sick of hearing it. But the fact of the matter is, by our law that's the way that it is and I wonder about this... I think that's what Hal Wegner called the brown bag type patent application or maybe not, at one of our meetings here two or three years ago. But whatever, what do you get protection for by filing one of these applications? You do not have a claim in there, so you haven't defined the invention. You're getting protection for the disclosure? I guess I'm asking you.

MR. THOMPSON: I would question your premise because today, of course, we can file on a patent application and claim some part of the disclosure and not other parts. We can later then file a continuation and claim the part we didn't claim the first time around, so that we can, in fact, come in with the late claiming. I don't see the situation in the case of the provisional and the ultimate filing being essentially different than that.

MR. BENSON: I only gave him 38 seconds because this whole business of provisional application is really not prior user rights. Bob Armitage?

MR. ARMITAGE: Bob Rines caused me to look at my own corporate history and reflect on what would be said today if we had invited William Erastis Upjohn to come here and talk to us about the patent system. He started the Upjohn Company by getting a patent on an apparatus for making a "friable pill". It was an innovative way to make a pill that disintegrated so it could be absorbed once it was digested. He moved his family from Hastings, Michigan to Kalamazoo, Michigan to set up a little plant to make friable

pills. I think if Mr. Upjohn were here today, he would say that he was grateful there was no patent interference on his invention because frankly he probably couldn't have afforded any more than he did afford in moving his family and getting together enough to start a business. I'm sure there were no venture capitalists in Kalamazoo, Michigan back in the 1880's. He'd have said he was grateful his patent issued promptly and that his first year in business he made a very small profit. He probably also would have said on the issue of prior user rights that if someone else had also made the same invention that he, after putting all his life savings into building this tiny little plant to make friable pills, would be very grateful, even if he didn't get a patent and couldn't monopolize the market, that as a prior user he could at least stay in the market and make a few pills and earn his investment back. So I think from the standpoint of someone who did risk his fortune to start a company, he'd be very grateful. Now Dr. Upjohn's great invention turned out to be a passing piece of technology. Within five to ten years that invention had gone by the boards. There were other companies who had better ways, frankly of making pills that would do to the same thing. By that time, Dr. Upjohn had gone into other technology himself. Again, this short technology life span demonstrates today he would have been very grateful that he hadn't been involved in a patent interference. As we all know, if he had been, it could have taken more than five years, perhaps even ten years to get a patent issued. More than the lifetime of many inventions, including the friable pill. So I'd say there are some of us here who haven't forgotten their seed corn. In fact, in Upjohn's patent law department is a model of the original apparatus that Dr. Upjohn patented together with a framed copy of the patent that he obtained in 1886. Indeed, there are many of us around this table from big companies that started from small seed corn that were very lucky to have germinated. In fact, luck is just the word. Very lucky the seed corn wasn't demolished by a patent system that claims to protect the first inventor, but often frankly is so difficult, obscure and complicated to use that first inventors lose their life savings instead, or providing the foundation of a multibillion dollar company in Upjohn's case.

MR. WEGNER: I'd like to return to the question that Dr. Bishop posed and the fact pattern that he posed. You have a small company that has its own patent position and then finds out that there's a big company that has a prior conception but not a reduction to practice. This would be called scenario A. If, in fact, there's no reduction to practice, there's been no possession under anybody's definition, then there'd be no prior user right, but now let's go one step further and assume that he had, the big company, reduced the invention to practice. Well, then what happens now, Dr. Bishop, is if the prior big bad company has not abandoned, suppressed, or concealed this prior use, you've lost your whole patent. It's invalid, so neither scenario works out well for you in opposition to the prior user right.

MR. BENSON: Herb Wamsley probably knows more about the possibility and the advantages of converting the United States Patent Office to a government corporation than anybody in the world and so while you've still got a complete full audience, Herb, take over.