

THE “GOLD STANDARD” GRACE PERIOD UNDER FIRE^{*}

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“I think of [the grace period] as the gold standard of best practices. I think where the U.S. is going to be if patent reform goes through is that it is once again going to have the gold standard of patent systems, including the grace period component. ... [T]he rest of the world wants to move to best practices, especially the grace period.”

– David J. Kappos^{***}

The American “grace period” safeguards the inventor in the one year up until his patent filing from his own acts of disclosure or commercialization of his invention during that period. Absent a full grace period, the inventor who commercializes his invention or discloses his subject matter even one day before filing may forfeit his patent rights. America uniquely among the largest patent granting nations of the world retains a grace period whereas Germany and other leading countries provide an immediate forfeiture of patent rights against the inventor who even one day before filing makes a public disclosure of his invention.

^{*} Paper prepared for the Fordham University School of Law Nineteenth Annual Conference, International Intellectual Property Law & Policy, April 28-29, 2010. The views expressed herein are personal and do not necessarily reflect the views of any colleague, organization or client thereof. [This draft: April 16, 2011]

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^{***} Keynote Address of David J. Kappos, Under Secretary of Commerce for Intellectual Property, Fordham University School of Law Eighteenth Annual Conference, International Intellectual Property Law & Policy, Thursday, April 8, 2010.

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Despite the understanding of innovation leaders in the United States that the grace period is important and despite the views of the Under Secretary of Commerce supporting the grace period as the gold standard for patent systems, the grace period is under attack in the United States.

Is the American “grace period” dead?

This in essence would be the net result if the *America Invents Act* that is currently pending in the United States is enacted into law in the identically worded definitions of patentable novelty in SEC. 2 of both Leahy, S.23, that has already passed the full Senate and Lamar Smith, H.R. 1249, which has now been approved by the full Judiciary Committee and sent to the floor of the House of Representatives.

The American grace period under the 1952 Patent Act exempts an inventor’s own activities in the year running up to filing as prior art, including any acts which would otherwise be patent-defeating acts of putting the invention use or sale. The literal wording of the *America Invents Act* denies *any* grace period for any act of “public use” or putting the invention “on sale” by anyone *including the inventor* even one day before the filing date. (To be sure, the *America Invents Act* would continue to exempt an inventor’s *publication* in the year prior to filing that *discloses* the invention, but such exemption would not save the inventor from pre-filing acts of public use or on sale.)

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At the time of the Fordham Conference a year ago and indeed at all times from the June 2005 introduction of the forerunner patent reform bill to the present *America Invents Act*, patent reform legislation has always continued to honor a liberal one year grace period exempting all of the inventor’s activities as prior art that occur during that period. Only in this year’s *America Invents Act* have matters changed to lead to the effective elimination of a practical grace period.

As part of the *America Invents Act*, the one year grace period exempting acts of public use or on sale activity has been abolished in favor of a narrow grace period keyed to the inventor’s “disclosures” of the invention. This leaves the inventor exposed to a statutory bar for any other pre-filing activities such as a secret (or other) commercialization or placing the invention “on sale”.

The *America Invents Act* has already passed the full United States Senate and on April 14 2011, passed the House Judiciary Committee which has sent the bill to the floor of the House for final consideration. While some differences exist in the texts of the two bills, the “grace period” is found in the identically worded text of SEC. 2 of each.

To the extent there *is* enactment of a comprehensive patent reform bill in the current Congress that includes the current wording of SEC. 2, the United States will have moved to a first-to-file system with an at best *de minimis* grace period unlike anything the United States has heretofore known in modern times where the remaining grace period be more theoretical than real in actual practice.

This paper commences with an understanding of the American grace period. One of the particular attributes of the American innovative community is the special role played by the grace period for “upstream research”. See § II, *Need*

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for a “Gold Standard” Grace Period. “Upstream research” involves work in the university research laboratories, spinoffs and other startups that deals with cutting edge technology; generic coverage is particularly needed, and pre-filing commercialization activities are necessary even though after an initial provisional or other priority filing. See § II-A, *Functioning Upstream Research Requires a Grace Period*. A grace period is fully compatible with first-to-file. See § II-B, *German Model: A Grace Period is Paris Convention-Friendly*.

While patent reform legislation in the period 2005-2010 has provided a strong grace period completely compatible with first-to-file, now, for the first time in 2011, the grace period is effectively vitiated in the *America Invents Act*. See § III, *America Invents Act Vitiates the Classic Grace Period*. The central flaw in the new legislation is that the grace period is provided only for an inventor’s “disclosures” of the invention such as in “printed publication” prior art. There is nothing in the grace period provision that excuses “public use” or “on sale” activities which do not involve disclosures of the invention.

Both the “public use” and “on sale” categories were *eliminated* in earlier versions of patent reform legislation; yet, they are resurrected in the *America Invents Act*: Each has long-standing meanings well established in the judicial patent literature. Even the concept that a “patented” invention necessarily implicates a *disclosure* is refuted by the history of this provision of patent-defeating activity. See § III-A, *A “Patented” invention is not necessarily “Disclosed”*. Neither is it necessary that there be a “disclos[ure]” of the invention to constitute a “public use”. See § III-B, *“Public Use”, e.g., Secret Commercialization Bars the Inventor*.

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To fully comprehend the magnitude of the change created by the *America Invents Act*, it is useful to contrast the new provision with the original 2005 legislation introduced by Lamar Smith. See § IV, *2005 Lamar Smith Definition of the “Grace Period”*.

What is immediately striking about the 2005 legislation is the blanket proscription against using any of the inventor’s activities in the year prior to filing as prior art, a provision totally eliminated in the *America Invents Act*. See § IV-A, *A Full One Year Exclusion for the Inventor’s Pre-Filing Actions*.

A second feature of the 2005 legislation is the elimination of the *Metallizing Engineering* patentability bar based upon the inventor’s secret commercialization. This unpopular bar is totally eliminated in the previous versions of the legislation; yet, the *Metallizing Engineering* bar is resurrected in the *America Invents Act*. See § IV-B, *Abolition of Broadly Defined “Public Use” as a Bar*.

The remarks of the Floor Manager in the Senate debates prior to the final vote manifest his narrow interpretation of the grace period. See § V, *Legislative History Suggests a Narrow Grace Period*. His contributions to the legislative history focus the grace period on “disclos[ures]” of the invention but not, for example, secret commercialization which remains a bar. See § V-A, *Legislative Intent to Narrowly Interpret “Disclos[ures]”*.

Recognizing that the result of the *America Invents Act* may be contrary to what a large constituency favors, the Floor Leader sought to create “legislative history” after the Senate vote. See § V-B, *The Faux Post-Vote Legislative History*. If anything, the statements focus upon “disclos[ures]”; this *faux* legislative history

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if anything digs a deeper hole for a broad interpretation of the grace period. *See* § V-B-1, *Explaining “Disclosures” After the Vote*. Of course, statements made after the vote do not constitute legislative history. *See* § V-B-2, *Post-Vote Statements are Valueless*.

With upstream research being so vital to the process of American innovation, one may wonder *why* the Congress has moved to effectively strip away the vital guts of the grace period so essential to this critical aspect of the patent system. The answer may be found from the fact that in the six years of lobbying efforts on K Street for the various *entrenched* factions in all technologies, there is only the voice of independent inventors and universities that speak up for upstream research, drowned out by the entrenched interests that neither need a grace system nor receive benefits from strengthened generic protection where the entrenched interests are potential patent infringement defendants. *See* § VI, *The Unheard Advocates for Upstream Research*.

First-to-file may be an idea where the time has come to act. But, destroying the grace period at the same time presents an unnecessary business cost and uncertainty that should make it imperative that the current wording of the *America Invents Act* be fixed before enactment. The grace period language of the Chairman of the House Judiciary Committee that has been in every version of the patent reform bills from 2005 up until just this year should be substituted for the ill-considered current version of the *America Invents Act*. *See* § VII, *Restoration of the 2005 Lamar Smith Version*.

II. NEED FOR A “GOLD STANDARD” GRACE PERIOD

First-to-file is indeed a necessary integer for a modern patent system, but so, too, is a full, one year grace period a vital aspect of the American patent system. But, there is no reason to go to first-to-file and abandon the grace period which is fully compatible with first-to-file.

A. Functioning Upstream Research Requires a Grace Period

Upstream research on the one hand faces a very difficult and expensive road to gaining the full scope of patent rights, while at the same time is invariably short on capital, whether the upstream research is conducted at a university research facility or a startup. The modern upstream research facility recognizes the need to be first to file to seek to gain international patent rights, but at the same time necessarily must enjoy the one year grace period to benefit from generic rights in the United States.

The idea that a simple priority application can be filed in the United States whether as a provisional or as a foreign priority document and that this will safeguard the right to generic coverage is largely a myth, given the nature of the unique American law for priority coupled with the realities of a cash-starved environment that necessarily mandates otherwise bar-creating activities that could be deemed a “public use” or “on sale” of an invention which take place in the interval between the first provisional or foreign priority filing and the United States regular (nonprovisional) filing one year later.

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Typically in the biotechnology and pharmaceutical fields, a single example may no longer be good enough to provide a “written description” for a generic invention, even if that generic invention is claimed, as such, but without a full scope of exemplification to support the broad claim. *Ariad Pharms., Inc. v. Eli Lilly & Co.*, 598 F.3d 1336 (Fed.Cir.2010)(en banc)(Lourie, J.).

But, in the world of first-to-file that exists as a global reality outside the United States today and will be part of the *America Invents Act*, the upstream research facility will promptly file a first application with a broad claim but limited exemplification which may not meet the test of *Ariad*. In the one year period between the first filing and the regular United States application, efforts are made to conduct further testing and to create further examples, while at the same time commercialization efforts are conducted to finance such activity – actions which can constitute a “public use” or “on sale” bar.

Yet, without a grace period, the regular United States application would be denied priority for the generic invention because of the *New Railhead* reality that priority based upon a provisional application requires that the *disclosure* in the parent application meet the requirements of 35 USC § 112, ¶ 1, as of the provisional filing date, which will fall short under the *Ariad* case. As explained by Chief Judge Rader, “[c]laims enjoy the earlier filing date only if the provisional application provided adequate written description under 35 U.S.C. § 112, ¶ 1.” *Trading Techs. Int'l, Inc. v. eSpeed, Inc.*, 595 F.3d 1340, 1359 (Fed. Cir. 2010)(Rader, J.)(citing *New Railhead Mfg. v. Vermeer Mfg.*, 298 F.3d 1290, 1294 (Fed. Cir. 2002)).

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Thus, only with a full grace period in place are the post-provisional but pre-regular filing activities of a “public use” or “on sale” excluded as prior art.

B. German Model: A Grace Period is Paris Convention-Friendly

Any argument that is made that the limitations to the grace period of the *America Invents Act* are necessary to make the legislation compatible with either the Paris Convention or first-to-file does not stand scrutiny.

The historic German patent law that remained substantially unchanged until the 1976 German Patent Law included *both* a full grace period for the inventor’s own actions (albeit limited to six months) *and* followed the principle of first-to-file. The German law had provided a blanket six month grace period that exempted from the scope of prior art “[a]ny description or use *** prior to the application [which] shall not be taken into account [as prior art] if it is based upon the invention of the applicant ***.” Frithjof E. Müller & Harold C. Wegner, *The 1976 German Patent Law*, § IV-B-4, *The Effective Destruction of the Six Month Grace Period*, 59 J. Pat. Off. Soc’y 89, 113-15, 113 (1977)(quoting the pre-1976 German Patent Law, Art. 2, second sentence).

The elimination of the German grace period had nothing to do with any need to comply with the Paris Convention, but rather was a necessity by virtue of the Strasbourg Patent Convention, a regional treaty from the previous decade. *Id.* at 89. Germany only reluctantly eliminated its grace period and indeed *deferred* implementation of that provision of its 1976 law to take effect only upon

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ratification of the Strasbourg Convention which was deferred for a couple years even after opening of the European Patent Office. *Id.* at 114 n.12.

III. *AMERICA INVENTS ACT* VITIATES THE CLASSIC GRACE PERIOD

Novelty under the *America Invents Act* is defined under new 35 USC § 102(a)(1):

“A person shall be entitled to a patent unless... the claimed invention was patented, described in a printed publication, or in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention....”

The grace period as to the inventor’s own activities is defined under 35 USC § 102(b)(1)(A) as exempting

“[a] disclosure made 1 year or less before the effective filing date of a claimed invention [which] shall not be prior art to the claimed invention ... if... the disclosure was made by the inventor or joint inventor or by another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor[.]”¹

The lion’s share of attention on the new novelty provision for proposed 35 USC § 102 focuses upon the first-to-file aspect of the law while the absence of a comprehensive grace period has been largely overshadowed by the unique “publication” grace period of the new law.

¹ Additionally exempt under 35 USC § 102(b)(1)(A) is “[a] disclosure made 1 year or less before the effective filing date of a claimed invention [which] shall not be prior art to the claimed invention ... if the subject matter disclosed had, before such disclosure, been publicly disclosed by the inventor or a joint inventor or another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor.”

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Under the “publication” grace period any applicant or applicant-based *disclosures* of the invention in the one year before the effective filing date are excused under the unique grace period of the new law. Instead of providing a blanket exclusion of any of the inventor’s acts in the one year prior to filing as under the current law, only *disclosures* of the invention are excused:

But, the definition of novelty-defeating events under new 35 USC § 102 includes actions *other than* the “disclosures” of the invention which are *not* within the ambit of the wording of the new grace period:

A. A “Patented” invention is not necessarily “Disclosed”

An anachronism of the *America Invents Act* is the inclusion of a bar based upon an invention having previously been “patented” because today every “patented” invention is also a part of a “printed publication” which is a far broader bar than one based upon an invention having been “patented”. (Thus, only the *claimed invention* is a bar based upon patenting whereas the whole contents of the patent is a bar based upon the patent being a “printed publication.”)

The continued reference to a bar based upon an invention having been “patented”, however, illustrates that the scope of prior art in the *America Invents Act* is broader than “disclosures” of the invention because a “patented” invention is not necessarily even *disclosed* at the time of the patent grant.

The critical feature of a bar based upon a prior patenting has nothing to do with the *disclosure* but only when the sovereign grants the exclusive patent right, as explained in the *Monks* case. *In re Monks*, 588 F.2d 308 (CCPA 1978)). In *Monks*, , “the court considered the date on which an invention was ‘patented’ in Great Britain ... and inquired whether the effective date for purposes of that section was

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the date on which the complete specification was published... or the date on which the patent was ‘sealed’ under British law.... [T]he court concluded that ‘patented’ means “a formal bestowal of patent rights from the sovereign to the applicant such as that which occurs when a British patent is sealed.’. It was on the ‘sealed’ date that the patentee's rights became fixed and settled and the rights of the patent accrued, not the later publication date.” *In re Kathawala*, 9 F.3d 942, 946 (Fed. Cir. 1993)(Lourie, J.)(quoting *Monks*, 588 F.2d at 310).

Even a *secret* patent where there is *a fortiori* no disclosure of an invention of any kind creates a “patented” bar. Of course, there never has been a *domestic* secret patent. *Woodbridge v. United States*, 55 Ct.Cl. 234(1920), *aff’d*, 263 U.S. 50 (1923) (“We have no such thing as a secret patent[.]”).

Yet, in earlier years, secret patents were not uncommon in Europe and could be basis for a “patented” bar in the United States. Some patents are not even available to the public upon grant yet create a bar against the patentee keyed to the date of grant:

“In *Talbott* the court held that a foreign patent need not be publicly available to be “patented”..... The court rejected the applicant's argument that the statutory bar did not apply because he had kept his German patent secret until after his U.S. filing date.” *Kathawala*, 9 F.3d 942 at 946 (citing *In re Talbott*, 443 F.2d 1397 (CCPA 1971)).

Under a previous French law, “[a]n invention is ‘patented’ in France ... on its ‘délivré’ date, the date on which the inventor's exclusive rights formally accrue, not on the later publication date when the patent is made publicly available.” *Id.*

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(citing *Duplan Corp. v. Deering Milliken Research Corp.*, 487 F.2d 459 (4th Cir.1973), *cert. denied*, 415 U.S. 978 (1974)).

B. “Public Use”, e.g., Secret Commercialization Bars the Inventor

A “public use” bar within the meaning of 35 USC § 102(b) has not been a problem at the initial filing stage because the use or sale as part of commercialization of the invention applies as a statutory bar only one year after the event, long after the first application is filed. Yet, under the new law a “public use” as a bar *continues* as new § 102(a)(1) which provides a bar where “the claimed invention was *** in public use [or] on sale *** before the effective filing date of the claimed invention[.]”

One of the classic bars to patentability is any prior “public use” of the invention by the inventor (or anyone else). Patent applicants seeking to comply with the literal wording of the statute should avoid any public use or on sale activity prior to the actual filing of the patent application.

Even one offer for sale a day before the filing of the patent application may be fatal to patentability if it is understood that there is no grace period of any kind under the new law for a pre-filing “public use”. Thus, for example, an experimental marketing “field test” of an invention is a “public use”.

To be sure, there is a grace period for a *disclosure* of the invention such as through a “printed publication” but under the literal wording of the statute there is no parallel grace period for a “public use”. Thus, for example, the inventor may *publish* information about his invention and then later have a single commercial

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sale of the invention just prior to filing and while the grace period exempts the disclosure in the printed publication the single sale creates a bar that is not exempt.

An inventor’s “public use” of an invention has been classic patent-defeating prior art for nearly two full centuries: “[The Supreme Court] originally held that an inventor loses his right to a patent if he puts his invention into public use before filing a patent application. ‘His voluntary act or acquiescence in the public sale and use is an abandonment of his right.’” *Pfaff v. Wells Electronics, Inc.*, 525 U.S. 55, 64 (1998)(quoting *Pennock v. Dialogue*, 2 Pet. 1, 24 (1829) (Story, J.)). Under a judicial expansion of the law prior to the 1952 Patent Act created by Learned Hand, even a *secret* commercialization that fails to inform the public about the invention constitutes a “public use” within the meaning of the patent law. *Metallizing Engineering Co. v. Kenyon Bearing & Auto Parts Co.*, 153 F.2d 516 (2nd Cir. 1946)(L. Hand, J.). The 1952 Patent Act codified the existing law as to “public use” under *Metallizing Engineering* as recognized in the *Pfaff* case: “[I]t is a condition upon an inventor's right to a patent that he shall not exploit his discovery competitively after it is ready for patenting; he must content himself with either secrecy, or legal monopoly.” *Pfaff v. Wells Electronics, Inc.*, 525 U.S. 55, 68 (1998)(quoting *Metallizing Engineering*, 153 F.2d at 520).

The Federal Circuit has also followed *Metallizing Engineering*: “A commercial use is a public use even if it is kept secret.” *Kinzenbaw v. Deere & Co.*, 741 F.2d 383, 390 (Fed. Cir. 1984)(Friedman, J.)(citing *Metallizing Engineering Co.*, *supra*; *D.L. Auld Co. v. Chroma Graphics Corp.*, 714 F.2d 1144 (Fed.Cir.1983) (citing *Metallizing*); 2 D. Chisum, *Patents* § 6.02[5], at 6-36 (1983) (‘it is now well established that commercial exploitation by the inventor of a

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machine or process constitutes a public use even though the machine or process is held secret.’))”.

The *America Invents Act* stiffens the public use bar in two respects. First, the “public use” bar now applies to acts anywhere in the world (as opposed to a domestic limitation under the current law). Second, the one year grace period under the current law is removed.

IV. 2005 LAMAR SMITH DEFINITION OF THE “GRACE PERIOD”

The starting point for patent harmonization as part of the original Lamar Smith bill introduced in 2005 (and continued through all subsequent bills in all subsequent Congresses up until 2011) had included a full one year grace period and also would have overruled *Metallizing Engineering*.

A. A Full One Year Exclusion for the Inventor’s Pre-Filing Actions

The original legislation gave a blanket grace period for the inventor’s own actions by limiting pre-filing prior art to the acts of third parties and having a separate grace period provision with a one year bar applicable to the inventor’s own acts (as well as the acts of others).

In Lamar Smith, H.R. 2795 (2005), first-to-file unpatentability as to pre-filing acts of third parties was based upon 35 USC § 102(a)(1)(B) that barred a patent where “the claimed invention was patented, described in a printed publication, or otherwise publicly known...before the effective filing date of the claimed invention, other than through disclosures made by the inventor or a joint inventor or by others who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor[.]”

The one year grace period was broadly maintained in the original text found in Lamar Smith, H.R. 2795 (2005), which reworked the current statutory bar of 35 USC § 102(b) into new 35 USC § 102(a)(1)(A) that would create a statutory bar against patentability as to acts *by the inventor* (or anyone else) where “the claimed invention was patented, described in a printed publication, or otherwise publicly known... more than one year before the effective filing date of the claimed invention[.]”

B. Abolition of Broadly Defined “Public Use” as a Bar

The 2005 legislation would have overruled *Metallizing Engineering* where “public use” encompassed a broad sweep of activities including secret commercialization. To redefine the scope of patent-defeating events formerly set forth under “public use”, that term was abolished in the 2005 legislation and replaced by the *alternative* of a *disclosure* (“was patented [or] described in a printed publication”) or “otherwise publicly known”. To make certain that “otherwise publicly known” could not be interpreted in the broad manner of a “public use”, there was an explicit definition provided in the 2005 legislation to make this point:

Thus, in Lamar Smith, H.R. 2795 (2005), under 35 USC § 102(b)(3)(A) “[s]ubject matter is publicly known for the purposes of subsection (a)(1) only when (i) it becomes reasonably and effectively accessible through its use, sale, or disclosure by other means; or (ii) it is embodied in or otherwise inherent in subject matter that has become reasonably and effectively accessible [.]” Furthermore,

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under 35 USC § 102(b)(3)(B), “[f]or purposes of [35 USC § 102(b)(3)(A) – ‘(i) subject matter is reasonably accessible if persons of ordinary skill in the art to which the subject matter pertains are able to gain access to the subject matter by without resort to undue efforts; and (ii) subject matter is effectively accessible if persons of ordinary skill in the art to which the subject matter pertains are able to comprehend the content of the subject matter without resort to undue efforts.’”

Through the definitional statements made in 35 USC § 102(b)(3) it became absolutely clear that secret commercialization activity of the type in *Metallizing Engineering* could no longer be considered as part art.

V. LEGISLATIVE HISTORY SUGGESTS A NARROW GRACE PERIOD

Against the clear meaning in patent law of what is a “public use” or “on sale” that speaks *against* such actions necessarily constituting a “disclos[ure]” of the invention, the argument is posed that legislative history supports a contrary result.

A. Legislative Intent to Narrowly Interpret “Disclos[ures]”

The fact that for five (5) full years the Congress in both the House and the Senate had contained a full one year grace period in the statutory wording of their legislation, and then suddenly *eliminated* this full one year grace period speaks volumes about the intention of the 112th Congress to provide a far narrower grace period than has existed heretofore.

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To the extent that legislative history is considered important, the pre-enactment statements of a floor leader may be beneficial to understanding the intention of Congress in the enactment of legislation. Here, the Senator leading the legislative process *did* discuss the grace period in pre-enactment debates and when he *did* speak he spoke of the grace period as saving the applicant from his own *disclosures* of the invention in the period leading up to the filing of the patent application.

In the week before the final Senate vote, the Floor Manager explained that the *America Invents Act* “protects against the concerns of many small inventors and universities by including a 1- year grace period to ensure the inventor's own *publication or disclosure* cannot be used against him as prior art but will act as prior art against another patent application. This encourages early *disclosure* of new inventions regardless of whether the inventor ends up trying to patent the invention.” Patent Reform Act Of 2011, *Bill Provisions*, Proceedings and Debates of the 112nd Congress, First Session, 157 Cong. Rec. 1175, 1176 (March 3, 2011)(emphasis added)

In the floor debates leading up to the Senate vote that day it was explained that “[t]he America Invents Act transitions to a first-inventor-to-file process, as recommended by the administration, while *retaining the important grace period that will protect universities and small inventors, in particular*. We debated this change at some length in connection with the Feinstein amendment. That amendment was rejected by the Senate by a vote of 87 to 13. The Senate has come

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down firmly and decisively in favor of modernizing and harmonizing the American patent system with the rest of the world.” Patent Reform Act Of 2011, Proceedings and Debates of the 112nd Congress, First Session, 157 Cong. Rec. 1348, 1348 (March 8, 2011)(Remarks of Senator Leahy)(emphasis added)

That same day, the explanation of the *America Invents Act* was given in greater detail:

“Many commentators and organizations, including the National Academy of Sciences, have urged the United States to adopt a First Inventor to File system. S. 23 moves the United States to a First Inventor to File regime. As part of that, it creates an administrative proceeding to ensure that the first person to file is actually the true inventor. It also *preserves and strengthens current law's grace period*, by providing that *disclosures* made by the true inventor, or someone who got the information from the inventor, less than one year before the application is filed will not be held against their application.

“Additionally, during the one-year period before the application is filed, if the inventor publicly discloses his invention, no subsequently-*disclosed* ‘prior art,’ regardless of whether it is derived from the inventor, can be used to invalidate the patent. Prior art is a term of art in intellectual property law. S. 23 defines ‘prior art’ as actions by the patent owner or another (such as publication, public use, or sale) that make the invention available to the public. This effectively creates a ‘first to publish’ rule within the one year grace period. An inventor who *publishes* his invention retains an absolute right to priority if he files an application within one year of his *disclosure*. No application effectively filed after his disclosure, and no prior art disclosed after his *disclosure*, can defeat his patent application.”

Patent Reform Act Of 2011, *Bill Provisions*, Proceedings and Debates of the 112nd Congress, First Session, 157 Cong. Rec. 1348, 1365-66(March 8, 2011)(emphasis added)

B. The *Faux* Post-Vote Legislative History

Faux legislative history seeks to turn black into white, to render the term “disclosures” generic to acts of “public use” having nothing to do with a “disclosure[]”.

The Floor Manager once again focuses upon “disclosures”. He states that “any disclosure by the inventor whatsoever, whether or not in a form that resulted in the *disclosure* being available to the public, is wholly disregarded as prior art. A simple way of looking at new subsection 102(a) is that no aspect of the protections under current law for inventors who disclose their inventions before filing is in any way changed.” *America Invents Act* (Statement of Senator Leahy), 157 Cong. Rec. 1496 (March 9, 2011).

Senator Hatch discussed the implications of *Metallizing Engineering*: “[T]he important point is that if an inventor's disclosure triggers the [prior art] bar with respect to an invention, which can only be done by a disclosure that is both made available to the public and enabled, then he or she has thereby also triggered the grace period... If a disclosure resulting from the inventor's actions is not one that is enabled, or is not made available to the public, then such a disclosure would not constitute patent-defeating prior art [] in the first place.” *Id.* (Statement of Senator Hatch).

To this statement, the Floor Manager was in agreement. The Floor Manager states that the legislation was designed to overrule the situation in *Metallizing*

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Engineering. Referring *sub silentio* to *Metallizing Engineering*, the Floor Manager stated that the *America Invents Act* “was drafted in part to do away with precedent under current law that private offers for sale or private uses or secret processes practiced in the United States that result in a product or service that is then made public may be deemed patent-defeating prior art. That will no longer be the case. In effect, the [*America Invents Act*] imposes an overarching requirement for availability to the public, that is a public disclosure, which will limit [] prior art to subject matter meeting the public accessibility standard that is well-settled in current law, especially case law of the Federal Circuit.” *Id.* (Statement of Senator Leahy).

Senator Hatch then posed his understanding of the *America Invents Act* and asked the Floor Manager whether he agreed with that understanding: Senator Hatch said that the *America Invents Act* “ensures that an inventor who has made a *public disclosure* – that is, a *disclosure* made available to the public by any means -- is fully protected during the grace period. The inventor is protected not only from the inventor's own *disclosure* being prior art against the inventor's claimed invention, but also against the disclosures of any of the same subject matter in disclosures made by others being prior art against the inventor's claimed invention... – so long as the prior art disclosures from others came after the public disclosure by the inventor. Is that the Senators' understanding of this provision?” *Id.* (Statement of Senator Hatch), 157 Cong. Rec. at 1497. The Floor Manager responded that “[t]hat is correct”. *Id.*

In a nutshell, the Floor Manager expressed his post-vote *intention* that the grace period should be broad, but he continued to focus upon the grace period

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being keyed to “disclosures” of the invention which is antithetical to a secret public use or offer of sale, thus providing small solace to those who would wish to use this “legislative history” to argue for a broader grace period. One of the keys to this argument was the position taken by the Floor Manager that only *public* disclosure are prior art, but once again there is no explanation for the well settled meanings in the patent law of “public use” and “on sale” which go far beyond public disclosures. This is of particular note given the fact that the 2005 and subsequent legislation did not use the wording “public use” and included *other* language that would have overruled *Metallizing Engineering*.

1. Explaining “Disclosures” After the Vote

To be sure, there is *faux* legislative history that is part of the Congressional Record where principal authors of the Senate version of the legislation explain that it was their *intention* to include within the meaning of “disclosures” any of the other patent-defeating acts by the inventors, whether literally “disclosures” or not. *See America Invents Act* (Statements of Senators Leahy and Hatch), 157 Cong. Rec. S1496 (March 9, 2011).

The argument is made that a “public use” is a “disclosure” of the invention and hence eligible for the grace period of S.23. This argument is made based upon the following portion of the new law:

“A *disclosure* made 1 year or less before the effective filing date of a claimed invention shall not be prior art to the claimed invention under [35 USC § 102(a)(1)] if...*the disclosure* was made by the inventor” S.23 35 USC § 102(b)(1)(A)(emphasis added).

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This says nothing about a “public use” or a “sale” of the invention as being part of this grace period:

“A *disclosure* made 1 year or less before the effective filing date of a claimed invention shall not be prior art to the claimed invention under [35 USC § 102(a)(1)] if...*the disclosure* was made by the inventor” S.23 35 USC § 102(b)(1)(A)(emphasis added).

What is left *unsaid* in the faux “legislative history” is that the original 2005 legislation clearly provided a one year grace period while the language of the current legislation intermingles the inventor’s own activities with third party activities without *any* grace period except for pre-filing “disclosures”. Furthermore, while the *faux* legislative history implicitly suggests that *Metallizing Engineering* is overruled by the current legislation, only earlier versions of the legislation contain a definition that excludes the term “public use” and, more importantly, only the earlier legislation includes an express definition to make it clear that the inventor’s non-enabling secret commercialization is excluded from the scope of prior art.

2. Post-Vote Statements are Valueless

While legislative history cannot trump the plain meaning of statutory wording, if anything, the Congressional Record statements of the two proponents of the bill constitute an *admission* of the shortcomings of their wording.

The statements also had nothing to do with the legislative history which is supposed to show the *prospective* arguments for enactment that are limited to explanations of the meaning of a proposed statute *in advance* of the vote; here,

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however, the “legislative history” in question came a day *after* the Senate passed the legislation so it has nothing to do with true “legislative history”. If anything, to the extent that the House in its deliberations is aware of the glaring admissions made in the “legislative history” and the House does nothing to change this, then this may well be considered a recognition of the bad choice of language for the bill and that the literal wording should be interpreted in its literal fashion.

“[P]ost-enactment legislative history by definition ‘could have had no effect on the congressional vote[.]’” *Bruesewitz v. Wyeth LLC*, 131 S.Ct. 1068, 1081-82 (2011)(Scalia, J.)(quoting *District of Columbia v. Heller*, 554 U.S. 570, 605 (2008)). Thus, “[r]eal (pre-enactment) legislative history is persuasive to some because it is thought to shed light on what legislators understood an ambiguous statutory text to mean when they voted to enact it into law.” *Bruesewitz*, 131 S.Ct. at 1081 (citing *Exxon Mobil Corp. v. Allapattah Services, Inc.*, 545 U.S. 546, 568 (2005)).

VI. THE UNHEARD ADVOCATES FOR UPSTREAM RESEARCH

Universities face the tension of the need for early patent filing versus the “publish or perish” mentality of its academic inventors coupled with the relative absence of secrecy of research operations vis a vis major industry counterparts: Without a grace period, obtaining meaningful patent protection would be problematic. Startups and entrepreneurs critically need the grace period to the extent that they focus their businesses on new products that need the exclusivity of a patent in order to obtain Wall Street financing for their innovations and to protect their financially fragile ventures as they bring new products to the market in the face of large, entrenched products backed by the millions or billions of dollars worth of support from long-standing industries. Because of the need of startups and entrepreneurs to split their energy and resources between actual product development and raising capital on Wall Street and elsewhere, patent filings may need to be deferred somewhat while the Wall Street activity may lead to divulgation of information about the invention that but for the grace period would destroy patent rights.

Startups and entrepreneurs often have no resources to expend on anything other than the task of today, perfecting their new products and getting them to the marketplace: Lobbying on patent reform legislation has everything to do with what will happen in the years to come and little to do with survival today.

It is one thing for upstream research to win the scholarly debates in the academic circles. It is yet another thing – and the political reality – that the dominant voices in the K Street corridors where expensive and intensive patent

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reform lobbying takes place that upstream research has at best a small seat at the end of the debate table, if at all. The major players are divided into factions largely comprised of two major groups, neither of which has any real, positive use for the grace period.

The real players on K Street have no *affirmative* stake in the grace period:

One megablock features the west coast electronics and software folks who have been consistently battered by a patent system where the industry essentially makes no money from patenting but instead pays huge legal fees and damage awards. The book *Patent Failure* tome provides detailed empirical evidence that shows that the net value of patents to this group is highly *negative*, that the net *losses* to this group are measured in *billions* of dollars. James Bessen & Michael Meurer, *Patent Failure: How Judges, Bureaucrats, and Lawyers Put Innovators at Risk* (Princeton University Press 2008). Consistent with *Patent Failure*, a multiyear *Berkeley Patent Study* of industry leaders manifests the belief of virtually every member of this group who was surveyed that patents play either no or an at best minimal role as an incentive to innovation: See Stuart J.H. Graham, Robert P. Merges, Pam Samuelson & Ted Sichelman, *High Technology Entrepreneurs and the Patent System: Results of the 2008 Berkeley Patent Survey*, 24 *Berkeley Technology Law Journal* 1255 (2010). The lead author is also the Chief Economist for the Patent Office who worked directly under Arti K. Rai.

(To be sure, a *Commerce Department White Paper* was published in 2010 with much fanfare that argues that the patent system is essential for innovation in new technologies and thus to create American jobs. Arti K. Rai, Stuart Graham & Mark Doms, *Patent Reform: Unleashing Innovation, Promoting Economic Growth, and Product High-Paying Jobs (A White Paper from the U.S. Department*

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of Commerce), April 13, 2010 (U.S. Dept. of Commerce). The conclusions in the *Commerce Department White Paper* are largely antithetical to the conclusions of the *Berkeley Patent Study*, which is surprising in view of the fact that there is overlapping authorship of these two contemporaneous papers, and that the *Commerce Department White Paper* is *not* a study with any data of its own but only a summary based upon a review of the studies of others including the *Berkeley Patent Study* by a coauthors of the *Commerce Department White Paper*.)

Since killing the grace period will add weapons to patent infringement defendants to provide tools to *destroy* patents it is understandable that if an anti-patentee block *does* take a position on the grace period it is either neutral, at best, but in reality from its own self-interest will be *against* the grace period.

But, what about the pharmaceutical and biotech areas where patents obviously *do* play an important role as a cornerstone for the success of these fields? Even the authors of *Patent Failure* acknowledge that while they see patents as a net negative to all industries as a whole, the exception is in the area of pharmaceuticals, biotechnology and chemicals. The answer is not so simple. One must first divide the field into the areas of pioneer “upstream” research that involve the breakthrough discoveries from the universities and startups who create broad classes of new products and obtain generic protection through patents; Yet, they are not involved with the nitty gritty of the *thousands* of Ph.D. researchers employed by the “downstream” companies, the major drug houses who synthesize *tens of thousands* of small molecules or polymers to discover *which* of the products within the broad class represent the Lipitor or other billion dollar life-saving medication.

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The downstream pharmaceutical and biotechnology companies may well be better served *without* a grace period. The downstream development of a *specific* molecule is basis for a *specific* patent that will be defensible based upon the unexpectedly superior properties of that *specific* compound. There is virtually never any need for a grace period for this *specific* compound because it is developed behind locked laboratory gates with strictest secrecy until a patent application is filed: If there were any public disclosure of the invention even one day before the first filing, this would destroy the possibility of a parallel patent for most countries of Asia and Europe and thereby destroy the patent value for essentially the entire world outside the United States. Unlike their counterparts in the electronics and software fields where patents are unimportant, the extreme importance of the patent system to the downstream pharmaceutical and biotechnology companies translates into an ever present, huge K Street lobbying force.

VII. RESTORATION OF THE 2005 LAMAR SMITH VERSION

To the extent that there is a consensus that the grace period *should* be maintained, it should be a simple matter to fix the statutory wording by resort to the original wording introduced by Chairman Lamar Smith six years ago in the original comprehensive patent reform legislation.

If the Executive and the Congress wish to optimize the value of the *America Invent's Act* for the benefit of the innovative community, this change would also soften the impact of going to first-to-file.

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If the *America Invents Act* is enacted into law in its present form, a conservative best practices approach will be to operate under the assumption that there is no grace period and, furthermore, because the one year grace period for pre-filing commercialization under *Metallizing Engineering* is eliminated, it must be assumed that any commercialization even one day before filing will create a statutory bar. Since it may take five years – or longer – for the Federal Circuit to reach a test case under the new law, this business uncertainty will remain in place for at least that period of time.