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VIA E-MAIL MABEL.ECHOLS@OMB.EOP.GOV

Mabel Echols
Office of Information and Regulatory Affairs
Records Management Center
Office of Management and Budget
Room 10102, NEOB
725 17th Street, NW.
Washington, DC 20503

Re: Request for Executive Order 12866 meeting

Dear Ms. Echols :

The University of California (UC) respectfully brings to the Office of Management and Budget's (OMB) attention the likely adverse effects on U.S. small businesses, universities, and university inventors of the very narrow interpretation of the American grace period under the U.S. Patent and Trademark Office's (PTO) first-inventor-to-file proposed rules and guidelines (referred to below as "PTO's proposed rules"), published as *Changes to Implement the First Inventor to File Provisions of the Leahy-Smith America Invents Act*, 77 Fed. Reg. 43742-43759 (July 26, 2012), available at http://www.uspto.gov/aia_implementation/first-inventor-to-file_proposed_rules.pdf; and *Examination Guidelines for Implementing the First Inventor to File Provisions of the Leahy-Smith America Invents Act*, 77 Fed. Reg. 43759-43773 (July 26, 2012), available at http://www.uspto.gov/aia_implementation/first-inventor-to-file_proposed_examination_guidelines.pdf.

U.S. universities remain the bedrock for innovation in the U.S., and small businesses play an important role in moving technologies from the research laboratory to the marketplace. The current grace period under patent law has served U.S. universities and their commercial partners well. The PTO's proposed rules will likely have adverse effects on U.S. small businesses, universities, and university inventors. For example, the normal activity of a small business—need to raise successive rounds of private funding and seek collaboration partners such as at

trade shows—would likely be impaired, because the disclosure of inventions to the public (such as at trade shows) is more likely, under the PTO's very narrow interpretation of the American grace period, to destroy the patent rights a small business depends on to attract commercialization partners. Small businesses are essential to university technology transfer processes as they are often the only prospective licensees willing to take a university's early-stage inventions to the commercial market, and the publish-or-perish environment of universities means university inventions are usually disclosed to the public as well; thus, such university inventions would be similarly impaired by the PTO's very narrow interpretation of the American grace period. Further, small businesses, universities, and university inventors typically have limited resources to pursue patent rights and cannot afford a blanket patent filing policy; as such, they will be impacted more heavily by the PTO's proposed rules than others with greater resources. Accordingly, a narrowing of available patent rights (due to less protection under the American grace period) in such situations would result in decreased commercialization of the innovations of U.S. small businesses, universities, and university inventors, and consequently less U.S. job creation and greater advantage to foreign competition.

Specifically, the PTO's proposed rules do not adequately protect an inventor who has publicly disclosed his or her invention, from the acts of a third-party gamesman who makes "mere insubstantial changes, or only trivial or obvious variations," absent proof that the gamesman derived from the inventor. Such proof of derivation may be hard for an inventor to achieve as a practical matter, especially against a gamesman with resources, anywhere in the world, who is trying to destroy the inventor's rights. In particular, the PTO's proposed rules specifically state that an inventor's rights are destroyed by a gamesman providing "mere insubstantial changes, or only trivial or obvious variations" making the American grace period "not apply." (See 77 Federal Register, page 43767 at column 2; and page 43769 at column 3 (July 26, 2012), available at http://www.uspto.gov/aia_implementation/first-inventor-to-file_proposed_examination_guidelines.pdf.)

UC submitted the attached October 4, 2012 comments to the PTO (available at http://www.uspto.gov/aia_implementation/pur-2011nov07-university_of_ca.pdf) that includes a suggested solution (in Appendix A) that would make the PTO proposed rules more effective in implementing Congress' intent. As explained in the UC comments, UC's suggested solution protects an inventor who discloses to the public and then within one year file a patent application to protect his or her invention, which is the way the American grace period worked for many years under current law. Many members of the university community supported UC's suggested solution; see the attached comments from the Association for American Universities (AAU), American Council on Education (ACE), Association of American Medical Colleges (AAMC), Association of Public and Land-grant Universities (APLU), Association of University Technology Managers (AUTM), and Council on Governmental Relations (COGR), dated October 5, 2012 (available at http://www.uspto.gov/patents/law/comments/hea_20121005.pdf); Wisconsin Alumni Research Foundation (WARF), dated October 5, 2012 (available at http://www.uspto.gov/patents/law/comments/warf_20121005.pdf); and the Massachusetts Institute of Technology (MIT), dated November 5, 2012 (available at http://www.uspto.gov/patents/law/comments/mit_20121105.pdf).

UC respectfully requests that OMB consider a more protective grace period implementation than in the PTO's proposed rules. Those rules favor gamesmen, not U.S. innovators, and destroy significant grace period protections. Moreover, those rules do not carry out Congress' intent to preserve the American grace period, as expressed in the quoted passages in the October 4, 2012 UC comments at page 6 (from House Report 110-314, available at <http://thomas.loc.gov/cgi-bin/cpquery/T?&report=hr314&dbname=110&>); and at pages 7 to 8 (from an October 15, 2007 AAU statement quoting legislative sponsors Smith and Leahy). A broader grace period protection (such as UC's suggested solution, in Appendix A of UC's comments), supports U.S. inventor patent rights, commercialization of the innovations of U.S. small businesses, universities, and university inventors, and consequently U.S. job creation.

UC would thus urge OMB to consider supporting a more effective implementation of the American grace period than in the PTO proposed rules, such as consideration of UC's suggested solution. UC looks forward to participating in the meeting next Wednesday along with other interested parties.

If you have questions, please do not hesitate to contact me at Marty.Simpson@ucop.edu.

Sincerely,



P. Martin Simpson, Jr.
Managing Counsel

cc: Nicholas.Fraser@omb.eop.gov