2015 Statement

Introducing a grace period in Europe?

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In 2011, the President of the European Patent Office created the Economic and Scientific Advisory Board (ESAB) to address important economic and social issues relating to the patent system and to support the EPO with evidence-based policymaking. At its second annual meeting on 1 February 2013, the Board decided to address the topic of the economic impact of introducing a grace period in Europe. To that end, the Board commissioned a study and held a workshop on 26 November 2014 with over 60 international IP experts and practitioners, which has led to a detailed workshop report on the topic. Based on this report, the members of the ESAB come up with their recommendation regarding a possible introduction of a grace period in Europe.

Members of the ESAB

- Béatrix de Russé, Board member, Technicolor
- Bronwyn Hall, Professor, UNU-MERIT and University of California
- Robin Jacob, Professor, University College London
- Mu Rongping, Director-General, Institute of Policy and Management, Chinese Academy of Sciences
- Sadao Nagaoka, Professor, Hitotsubashi University
- N. Ayşe Odman Boztosun, Head of Private Law Division, Akdeniz University, Antalya
- Ruud Peters, Advisor, Koninklijke Philips N.V.
- Mariagrazia Squicciarini, Senior Economist, Head of Unit at OECD
- Geertrui Van Overwalle, Professor, Centre for Intellectual Property Rights, University of Leuven (Belgium); Visiting Professor, University of Tilburg (the Netherlands)
- **Chairman**: Dietmar Harhoff, Director, Max Planck Institute for Innovation and Competition
- **Secretary-General**: Theon van Dijk, Chief Economist, EPO

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Introducing a grace period in Europe?

The Economic and Scientific Advisory Board (ESAB) of the European Patent Office (EPO) chose the topic “The economic effects of introducing a grace period in Europe” as part of its 2014 programme. To gather background information and collect views from experts and stakeholders in this area, ESAB commissioned a study carried out by Europe Economics and organised a workshop on 26 November 2014 in Munich. Both the study and the workshop report are available as separate documents on the EPO’s website. This statement presents the recommendation of ESAB to the EPO regarding the possible introduction of a grace period in Europe.

Political context

ESAB recognises that the political context of the discussions on possibly introducing a grace period in Europe is important. The grace period is probably an essential element in ongoing efforts to achieve international substantive patent law harmonisation.

There is pressure on Europe to adopt a grace period, particularly from the partners of the EPO in the Trilateral Cooperation: the US and Japan. The members of ESAB understand that it is likely that a provision on a grace period will form part of the requests which the US and Japan will make of the European Union within the IP Chapters of the Transatlantic Trade and Investment Partnership (TTIP) and the EU-Japan Free Trade Agreement, respectively.

The study that was commissioned by ESAB as well as the ESAB workshop have identified a number of potential benefits and costs of introducing a grace period in Europe from a European perspective. These potential benefits and costs can vary according to the stakeholder (large companies, SMEs or universities) as well as industry and technology, and were qualitatively assessed through a survey included in the study.

Potential benefits of a grace period in Europe

The general benefit of introducing a grace period is to maintain the option of patenting for a short period, even if information has been disclosed that would in the current system exclude that option. Specific benefits include the following:

- **Reduced risk of accidental novelty-destroying disclosure.** The risk of an unintentional novelty destroying disclosure may have a negative economic impact because, to a certain extent, it reduces the role of the patent system in promoting innovation.

- **Earlier research dissemination.** There may be knowledge spill-overs associated with an earlier dissemination of innovative ideas to the public.

- **Enhanced possibility to select the most promising inventions for patent protection.** For those inventions which cannot be tested in secret, a grace period may allow such inventions to be improved or their effectiveness to be more accurately assessed prior to filing a patent application.

- **Harmonisation of international patent law with respect to grace periods.** The introduction of a grace period in Europe, if matched by alignment on an agreed norm by other countries around the world, could contribute to further harmonise patent systems and could thus benefit stakeholders who engage in international activities.

Potential costs of a grace period in Europe

- **Increase in legal uncertainty.** Legal uncertainty might be greater after introduction of a grace period because, after the disclosure of an invention, it would take longer before third parties could know whether an application has been filed for the subject matter or whether the invention is and shall remain in the public domain. Moreover, there would also be legal uncertainty post-grant, related to difficulties of determining the status of items of potential prior art for the assessment of the validity of granted patents.

- **Complication of the patent system.** There could be a systemic negative impact on the functioning of the patent system because introducing a grace period may complicate the process of identifying the applicable prior art. Single items of potential prior art would require investigation as to the origin and circumstances before they could be identified as such. Pre-grant, this may result in a lengthening of the granting procedure, a loss of operational efficiency and an increase in patenting costs due to the potential need for additional communications between the examiner and the applicant.
However, such costs could be reduced if a mandatory declaration were required to be filed with the application.

– **Increase in the costs of obtaining freedom to operate opinions and in litigation costs.** Post-grant, the assessment of the prior art and thus of the validity of granted patents would be more difficult than in the absence of a grace period. This may lead to an increase in the costs of litigation and in the costs of obtaining freedom to operate opinions. Moreover, the fact that an invention is put into the public domain prior to filing may cause an increase in disputes over entitlement, contributing to litigation costs.

– **Postponement of the moment at which the invention will fall into the public domain.** Important patents which are maintained for the full patent term are likely to fall in the public domain later for graced patents than would be the case if no grace period were available.

– **Increased risk of unintentional infringement by competitors.** There might be a higher risk of unintentional infringements by third parties using a disclosed invention unaware of the fact that the invention might eventually be patented. These parties then would become infringers. However, this could be addressed by appropriately framed prior user rights.

**Recommendation**

An overall assessment of the costs and benefits of introducing a grace period in Europe depends amongst others on the weight that is given to each cost and each benefit. This weighting can be determined by political considerations or by preferences.

Moreover, an assessment also depends on the perspective that is taken: the costs and benefits for a large company are different compared to the costs and benefits from the point of view of a research organisation. The costs of introducing a grace period in Europe are seemingly larger and the benefits smaller for large companies than for universities.

A complete assessment of the economic effects of a grace period on economic outcomes is not feasible at this point. Moreover, there was no consensus amongst ESAB members regarding the desirability for Europe to introduce a grace period on principle. Some members emphasised the negative effect of an increase in legal uncertainty. Other members stressed the positive effect of reducing the friction between patenting and academic publishing.

However, ESAB members emphasised that the international context of trade negotiations and substantive patent law harmonisation efforts should be taken into account. There was unanimity amongst ESAB members that within this context, Europe should consider introducing a grace period only if two vital conditions are met:

First, the grace period must be a “safety-net” grace period, which would reduce the consequences of accidental disclosure, allow early academic publication and simultaneously limit legal uncertainty. A safety-net grace period would be defined by the following features:

– **Duration:** at most six months, calculated from the priority date.

– **Mandatory declaration requirement:** mandatory list of disclosures specifying when, how and which information about the invention was made available to the public.

– **Prior user rights:** a third party acting in good faith should have the right to continue using an invention, provided such use or serious and effective preparations to use the invention began before the filing or priority date of the patent application.

– **Protection from disclosure of independent inventions:** the grace period would only apply to disclosures of the applicant’s invention, and not to independent disclosures made by third parties.

Second, the grace period must be internationally harmonised in the key global patent systems including, besides Europe, at least the US, Japan, Korea and China, and possibly India and Brazil. This is in the interest of any entities contemplating patenting in multiple jurisdictions.