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Why International Inventors Might Want to Consider Filing Their First Patent Application at the United States Patent Office & the Convergence of Patent Harmonization and E-Commerce

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**WHY INTERNATIONAL INVENTORS MIGHT WANT TO
CONSIDER FILING THEIR FIRST PATENT APPLICATION
AT THE UNITED STATES PATENT OFFICE & THE
CONVERGENCE OF PATENT HARMONIZATION AND
ECOMMERCE**

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& Kimberly Cameron^{†††}

Abstract

On March 16, 2013, the United States implemented the Leahy-Smith America Invents Act (AIA). Enactment of the AIA substantially enhances the value of U.S. provisional and non-provisional patent applications (PPAs and NPAs) to foreign applicants. Here, the

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authors endeavor to outline the procedural and strategic considerations facing foreign applicants for PPAs by offering a brief survey of protective foreign patent application law, followed by an analysis of the modern benefits of PPA filing in the post-AIA world. The analysis here suggests that the traditional benefits to foreign filers of PPAs encompassing term extension, cost-efficiency and secrecy have been amplified by the establishment of a first-to-file priority system in the United States.

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INTRODUCTION

The U.S. provisional patent provided for in 35 U.S.C Section 111(b) was created in 1995 as component of the Uruguay Round implementation for the General Agreement on Tariffs and Trade (GATT).¹ Nearly two decades later, with the growth of eCommerce technologies² and the convergence of several international treaties,³ these lower-cost filings have taken hold. Since 1995, over 1.7 million provisional applications have been filed,⁴ with 160,000 provisional patent applications (PPAs) filed in 2012 alone.⁵ According to United States Patent and Trademark Office (USPTO) annual reports, the provisional application filing-rate expanded from 27% of the non-provisional rate in 2002 to over 30% in 2007.⁶ This growing rate is due, in part, to an increase in foreign applications, which accounted for 49% of total worldwide utility patents granted in 2007 (51% of U.S. origin).⁷ By 2012, the percentage of total foreign utility patents granted grew to 52%.⁸

One important driver of this growth in U.S. patent filings is technology. In particular, modern web-based filing tools decrease the time and costs required to file patents internationally. Because

1. Uruguay Round Agreements Act, Pub. L. No. 103-465, 108 Stat. 4809 (1994) (codified as amended at 19 U.S.C. § 3501 (2012)).

2. *File Your Provisional Patent*, CISLO & THOMAS LLP (July 25, 2013), cisloandthomas.com/file-your-provisional-patent/ (discussing web-based filing tools like patentfiler.com). Alternate web-based filing services include patentexpress.com & EFS-Web, among others. While the primary authors here are biased, we find that patentfiler.com represents perhaps the most efficient tool available to search, consult and file patent applications from a single, integrated system.

3. Carolita L. Oliveros, *International Distribution Issues: Contract Materials*, in *PRODUCT DISTRIBUTION AND MARKETING* 779, 787 (2004) (discussing trade irritants resolved by NAFTA and the Trilateral Conference of the Japan Patent Office (JPO), USPTO, and EPO; also discussing, in September 1999, action by the Standing Committee on the Law of Patents (SCP) which harmonizes the Patent Law Treaty (PLT) with the Patent Cooperation Treaty (PCT) by standardizing several various patent filing formalities).

4. See *USPTO Annual Reports 1995-2012*, USPTO.GOV, <http://www.uspto.gov/about/stratplan/ar/> (last visited Apr. 14, 2014).

5. See *Performance and Accountability Report: fiscal year 2012*, USPTO.GOV, <http://www.uspto.gov/about/stratplan/ar/USPTOFY2012PAR.pdf> (last visited Apr. 14, 2014).

6. *Performance and Accountability Report Fiscal Year 2002*, USPTO.GOV, <http://www.uspto.gov/about/stratplan/ar/USPTOFY2002PAR.pdf> (last visited Apr. 14, 2014); *Performance and Accountability Report Fiscal Year 2007*, USPTO.GOV, <http://www.uspto.gov/about/stratplan/ar/USPTOFY2007PAR.pdf> (last visited Apr. 14, 2014).

7. USPTO, U.S. PATENT STATISTICS REPORT (2012), available at <http://www.uspto.gov/web/offices/ac/ido/oeip/taf/reports.htm>.

8. *Performance and Accountability Report: fiscal year 2012*, USPTO.GOV, <http://www.uspto.gov/about/stratplan/ar/USPTOFY2012PAR.pdf> (last visited Apr. 14, 2014).

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satisfaction of disclosure and written description criteria⁹ most often require the guidance of a patent attorney, several proprietary providers such as patentfiler.com,¹⁰ nolo.com,¹¹ and patentexpress.com,¹² have appeared, each offering interactive sites where applicants can search for prior art, consult with an attorney, and file electronic applications using a single resource.

Notwithstanding these technological advantages, the PPA has sustained popularity around the world due to its limited formal requirements.¹³ To establish an effective filing date for a PPA, an applicant need only provide a brief description of the invention and drawings (if necessary for an understanding of the invention).¹⁴ While the provisional application itself does not lead to the grant of a patent, it does give rise to a priority date for a subsequent, non-provisional application.¹⁵ The non-provisional application must be filed within twelve months of the date of the PPA filing and must include a reference to the provisional application.¹⁶

With inexpensive filing fees, flexible language requirements, and the maintenance of secrecy for twelve months, the PPA allows early stage inventors to easily secure a priority date without publicly disclosing their invention.¹⁷ The utility of these features has only been amplified by implementation of the Leahy-Smith America Invents Act (AIA)¹⁸ on March 16, 2013. The two principal features of the AIA provisions impacting foreign filing practice are 1) the shift under the U.S. system from a “first-to-invent” priority principle to a “first-to-file” system, and 2) the extension of Section 102 protections to residents of foreign countries by removal of geographic limitations.¹⁹

9. 35 U.S.C. § 112 (2006).

10. Cislo & Thomas LLP, *Quick & Easy Patent Protection*, PATENTFILER.COM, <http://patentfiler.com/> (last visited Apr. 14, 2014).

11. *NOLO Law for All*, NOLO.COM, <http://www.nolo.com/> (last visited Apr. 14, 2014).

12. *Patent Attorney Guided Do-It-Yourself Service*, PATENT EXPRESS, <http://www.patentexpress.com/> (last visited Apr. 14, 2014).

13. 35 U.S.C § 111(b) (2006) (discussing the formal requirements for filing a U.S. provisional patent application).

14. *Id.*

15. 35 U.S.C § 119(e)(1) (Supp. 2012).

16. *Id.* § 119(e).

17. *Id.*

18. Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284-341 (2011) (codified in scattered sections of title 35).

19. 35 U.S.C § 102 (Supp. 2012) (contrasting changes between pre- and post-AIA provisions).

By awarding priority rights to applicants who win “the race to the Patent Office”, the AIA greatly accentuates the existing procedural and cost benefits of PPAs.²⁰ With these new advantages under the AIA, the U.S. Provisional Patent Application has emerged as an invaluable tool for foreign & domestic patent applicants who wish to commercialize their products in the United States. While filing in the U.S. first is generally advisable for foreign applicants, there are some important issues to consider when deciding whether to initiate a PPA application in the United States.

I. PRELIMINARY CONSIDERATIONS

Among the many considerations facing foreign patent applicants, it is particularly important to examine national patent laws. For example, some foreign laws limit the filing of patent applications abroad before a national patent application filing or authorization occurs.²¹ What happens when a foreign entity or inventor first files a patent application in the U.S. and then subsequently files in her native country? The answer can vary by country and often depends on the nationality of the applicant and the jurisdiction in which the invention was made. This article makes no attempt to examine all international jurisdictions, although many of the applicable treaties would apply universally.²²

The majority of industrialized countries that have enacted security provisions focus restrictions on the export of technology posing a potential threat to national security. Although these provisions vary substantially between jurisdictions and in some cases are ill-enforced, countries with protective patent laws generally fall into three categories: 1) countries with no security provisions, 2) countries with security provisions which only relate to defense related

20. Wilson Sonsini Goodrich & Rosati, *The Race to the Patent Office Begins March 16, 2013: Are you Ready?* (Jan. 25, 2013), <http://www.wsgr.com/WSGR/Display.aspx?SectionName=publications/PDFSearch/wsgalert-race-to-the-patent-office.htm>.

21. See, e.g., Patent Law of the People’s Republic of China (promulgated by Standing Comm. Sixth Nat’l People’s Cong., Mar. 12, 1984, effective Apr. 1, 1985) art. 8 (P.R.C. Laws), available at <http://www.chinatrade-markoffice.com/about/laws2.html>; Loi 77-683 du 30 juin 1977 Code de law Propriété Intellectuelle [Law 614 of June 30, 1977 Intellectual Property Code Intellectual Property Code], art. 614 (Fr.), available at http://www.wipo.int/wipolex/en/text.jsp?file_id=180336.

22. Neil Kenneth Ireland et al., *Export Restrictions Requiring First Filing With Inventors from Multiple Jurisdictions*, INTELLECTUAL PROPERTY OWNERS ASS’N (Dec. 2010), http://www.ipo.org/wp-content/uploads/2013/03/IPO_Committee_Newsletter-December2010.pdf.

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technology, and 3) countries with security provisions which apply irrespective of invention subject matter.²³

A. *Countries with Defense Technology Requirements*

Generally, the European Patent Convention (EPC) allows for a single application to be filed and prosecuted with the European Patent Office (EPO), and later to obtain a national patent in individual member countries.²⁴ However, the EPC does permit member countries the discretion to require prior application or authorization in order to safeguard inventions relevant to military purposes.²⁵ The United Kingdom²⁶ and Germany²⁷ represent two chief EU member states requiring prior authorization for defense technology (Table 1.1). Similarly, South Korea requires security clearance for inventions that are related to defense technology.²⁸

B. *Countries that Require a License for All Inventions*

In some countries, like China, nearly all inventions require a foreign filing license.²⁹ Recent changes to Chinese patent laws, including changes to Rules 8 and 9, require entities and individuals wishing to file a patent application based on an invention or utility model “completed” in China to first seek approval from the State Intellectual Property Office (SIPO) via a “secrecy” examination

23. *See id.*

24. European Patent Organization, Convention on the Grant of European Patents (European Patent Convention) art. 2(1), Oct. 5, 1973, 1065 U.N.T.S. 199.

25. *Id.* art. 75(1)(a).

26. Patents Act, 1977, § 23 (U.K.). (requiring acquisition of security clearance for inventions that are related to defense technology).

27. Section 52 of Germany’s Patent Law states:

(1) A patent application containing a state secret (Section 93 of the Criminal Code) may only be filed, outside the territory to which this Act applies, with the written consent of the competent highest federal authority. Consent may be given subject to condition.

(2) Any person who

1. files a patent application in violation of the first sentence of subsection (1) or

2. acts in violation of a condition under the second sentence of subsection (1) shall be liable to imprisonment not exceeding five years or to a fine.

Patentgesetz [PatG] [Patent Law], May 5, 1936, as amended by the Act on Improvement of Enforcement of Intellectual Property Rights of July 31, 2009, § 52 (Ger.), available at http://www.wipo.int/wipolex/en/text.jsp?file_id=238776.

28. [Patent Act], Act No. 950, Nov. 28, 1949, as amended by Act No. 9985 of Jan. 27, 2010, art. 41 (S. Kor.).

29. Ireland et al., *supra* note 22.

procedure.³⁰ Rule 9 establishes a four-month waiting period before an applicant can proceed with a foreign patent application filing.³¹ Other notable countries with similar licensing requirements include India,³² Malaysia,³³ Singapore,³⁴ and New Zealand³⁵ (Table 1.1).

C. Countries with National-First Filing Requirements

There are also a number of countries with security provisions that require all patent applications to be filed nationally first. These countries do not typically grant foreign filing licenses.³⁶ For example, Portugal requires applicants with corporate offices or residence in Portugal to first file with the national office unless priority is claimed to a prior national application.³⁷ The Portuguese Patent Office then sends all filed patents falling within the code section to the Department of Defense Ministry for evaluation of the need to maintain the invention as a secret for national defense purposes.³⁸ Failure to comply with this requirement forfeits national patent protection.³⁹ Countries with similar provisions include France⁴⁰ and the Russian Federation,⁴¹ although these provisions are often ill

30. Dr. Xuqiong Wu, *Impact of Recent Chinese Patent Law Amendments*, ROPES & GRAY LLP (Jan. 2010), http://www.ropesgray.com/files/Publication/cec6a587-475f-4906-8d66-4f0ec25fe06d/Preview/PublicationAttachment/6c2a5c84-dbeb-40fd-8748-51ea365d2fe5/ARTICLE_Wu_Law360.pdf.

31. *Id.*

32. The Patents Act (Act No. 39/1970), § 39 (as amended by the Patents (Amendment) Act (Act No. 15/2005)). A resident of India must either (1) first file in India and await a 6 week period for a security clearance from the Indian patent office; or (2) seek written permission for a foreign filing license. *Id.*

33. The Patents Act (Act No. 291/1983), § 23A (Malay.).

34. The Patents Act (Act No. 21/1994), § 34A (Sing.).

35. Patents Act 1953, § 25(5) (N.Z.).

36. Ireland et al., *supra* note 22.

37. *Patent First Filing Rule Interpreted by Lisbon Court of Commerce*, IP VIEWS&NEWS (Feb. 14, 2014), <http://sgcr.wordpress.com/2011/12/28/first-filing-rule-in-portuguese-patent-law/> [hereinafter *Patent First Filing Rule*].

38. *Id.*; Decree Law (No. 42201/1959) art. 76 (Port.).

39. See *Patent First Filing Rule*, *supra* note 37.

40. Loi 77-683 du 30 juin 1977 Code de law Propriété Intellectuelle [Law 614 of June 30, 1977 Intellectual Property Code Intellectual Property Code], arts. 614-18, 614-20 (Fr.). Article 614-18 states: "International applications for the protection of an invention submitted by natural or legal persons having their place of residence or business in France must be filed with the National Institute of Industrial Property where no claim is made to priority under an earlier filing in France . . ." *Id.*

41. Patentnii Zakon Rossiiskoi Federatsii [Patent Law of the Russian Federation], Vedomosti, S'ezda Narodnykh Deputatov Rossiiskoi Federatsii I Verkhovnogo Soveta Rossiiskoi Federatsii [Gazette of the Congress of Peoples Deputies of the Russian Federation and the Supreme Soviet fo the Russian Federation], Issue #42, Item No. 2319, at 2973-89, art. 35 (22

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enforced.

Application of some “national-first” filing laws are complicated by divergent judicial interpretation.⁴² The relevant laws of the U.S., for example, apply only to inventions “made in this country.”⁴³ Similar language appears in the patent laws of Russia and China.⁴⁴ In determining the locus of invention, each of these countries generally consider the site of facilities and labor, the place of invention conception, and the location of scientists with background knowledge indispensable to the invention.⁴⁵

The relevant U.K. law, by contrast, applies to any “person resident” in the country and applies broadly to any invention made by a U.K. resident anywhere in the world.⁴⁶ The “person resident” language also appears in the patent laws of India, Malaysia, Singapore, South Korea, New Zealand and France.⁴⁷

D. Countries with No Security Provisions

Although protective provisions are triggered in some countries when inventions are made by nationals of that country, in other countries there appear to be no such restrictions. For example, Australia, Japan, Canada, and Mexico require no security clearance before filing in another jurisdiction.⁴⁸ Smaller developing countries generally fall into this category. Indeed, neither Indonesia, Czech Republic, Cyprus, Slovak Republic, Switzerland nor Taiwan imposes export controls on inventions originating within their borders.

Oct. 1992). Where an invention is developed in Russia, the patent application should be first filed in Russia. *Id.*

42. Ireland et al., *supra* note 22.

43. *Id.*

44. See Patent Law of the People's Republic of China (promulgated by Standing Comm. Sixth Nat'l People's Cong., Mar. 12, 1984, effective Apr. 1, 1985) art. 8 (P.R.C. Laws), available at <http://www.chinatraddemarkoffice.com/about/laws2.html>; Patentnii Zakon Rossiiskoi Federatsii [Patent Law of the Russian Federation], Vedomosti, S'ezda Narodnykh Deputatov Rossiiskoi Federatsii I Verkhovnogo Soveta Rossiskoi Federatsii [Gazette of the Congress of Peoples Deputies of the Russian Federation and the Supreme Soviet of the Russian Federation], Issue #42, Item No. 2319, at 2973-89, art. 35 (22 Oct. 1992).

45. *Id.*

46. Patents Act, 1977, § 23 (U.K.).

47. Ireland, *supra* note 22.

48. Marc Sockol & Aaron Wininger, *Awareness of Foreign Filing Requirements For Inventions Originating Outside the United States Can Prevent Adverse Consequences*, PLEEDU, http://www.pli.edu/emktg/toolbox/Foreign_Filing04.pdf.

1. First-Filing Requirement Summary

The table below provides a survey of countries incorporating protective patent law provisions, with a focus on the largest economies and most active patent offices. Measuring by number of patent applications filed, the five largest patent offices in 2011 included the Chinese Patent Office (SIPO), the U.S. Patent and Trademark Office (USPTO), the Japanese Patent Office (JPO), the Korean Patent Office (KIPO), and the European Patent Office (EPO).⁴⁹ If one expands this group to include the patent filings India, Russia, Canada, Australia, Brazil, Mexico, and Singapore, the total group would account for about 95% of patent applications filed worldwide and about 85% of worldwide gross domestic product (GDP).⁵⁰ Accordingly, the table below is arranged in descending order of 2013 worldwide gross domestic product, summarizing the majority of protective provisions imposed by the major industrialized countries of the world.⁵¹

49. *Patent Filing and Litigation Information by Country*, WITKOWSKI LAW, http://www.witkowskilaw.com/patent_filing_by_country.php (last visited Apr. 15, 2014).

50. *Id.*

51. IMF, *World Economic Outlook*, INT'L MONETARY FUND (Oct. 2013), <http://www.imf.org/external/pubs/ft/weo/2013/02/>.

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Table 1. First Filing Requirement⁵²

Country	Triggering Circumstances	Regulation	Length of Delay	Penalty for Violation
<i>USA</i>	Application Subject to Secrecy Order (includes modifications, amendments, and supplements) Willful publication or disclosure of invention despite knowledge of secrecy order	Foreign filing license must be obtained within six months of the U.S. filing date; foreign filing can only occur after the lifting of the Secrecy Order and the issuance of a foreign filing license Chapter 17 of Title 35 of the United States Code, 35 U.S.C. §§ 181 to 188, 35 U.S.C. § 186	A U.S. patent application describing a domestic invention must be filed <i>six months before the foreign filing</i> or a foreign filing license from the USPTO is required	Violation will <i>prevent issuance</i> . If already issued, violation will <i>invalidate</i> a patent Penalty of <i>imprisonment</i> up to 2 years, <i>fine</i> of up to \$10,000, or both (35 U.S.C. § 186) If invention does not compromise national security and foreign application is filed without deceptive intent, the USPTO may grant a retroactive foreign filing license (35 U.S.C. §§ 184-185)
<i>Peoples Republic of China</i>	Invention or utility model " <i>completed</i> " in <i>China</i> (the substantive or material portion has been completed in <i>China</i>)	Art. 8, 9, and 20 of Chinese patent law Prior SIPO Approval Required	4 months or less	If the subject matter relates to national security, violation is subject to criminal penalties
<i>Japan</i>	No required security clearance to file in a foreign jurisdiction			

52. Karen Canaan, *Patent Application Foreign Filing Licenses; Countries with foreign filing license requirements*, CANAANLAW, P.C., http://www.canaanlaw.com/downloads/PSM_Aug2008.pdf; Wu, *supra* note 30; Loi 92-597 du 1 er juillet 1992 relative au code de la propriété intellectuelle [Law No 92-597 of July 1, 1992 relative to the Intellectual Property Code], Journal Officiel de la République Française [J.O.] [Official Gazette of France], July 3, 1992, p. 8801.

Country	Triggering Circumstances	Regulation	Length of Delay	Penalty for Violation
<i>Germany</i>	Application describes <i>state secret</i>	§ 52 of the German Patent Act Can only be filed abroad with a foreign filing license from the Federal Ministry of Defense. National filing is not required once the foreign filing license is obtained		Fine or imprisonment of up to five years
<i>France</i>	International protection of an invention submitted by “natural or legal persons having their <i>place of residence or business in France</i> ” (where no claim is made to priority under an earlier filing in France) (emphasis added) Art. L. 614-18	Art. L. 614-18 & 614-20 of the French Patent Law		Violation is subject to penal sanctions, including imprisonment
<i>United Kingdom</i>	Residents of the U.K. (not citizens) who are filing a foreign patent application relating to <i>military technology</i> , or technology that may compromise national security		A U.K. patent application must be filed six weeks before foreign filing or a foreign filing license from the U.K. Patent Office is required	Violation is subject to fine and imprisonment of up to two years
<i>Russian Federation</i>	All resident patent applications	Russian application must be filed prior to foreign filing or a foreign filing license is required		
<i>India</i>	Requires license to file nearly all inventions in a foreign country	Requires filing license in all foreign countries		

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Country	Triggering Circumstances	Regulation	Length of Delay	Penalty for Violation
<i>Canada</i>	Government employee patent applications	Must obtain prior permission from the Minister of patent office		
<i>Australia</i>	No required security clearance to file in a foreign jurisdiction			
<i>Mexico</i>	No required security clearance to file in a foreign jurisdiction			
<i>South Korea</i>	A foreign filing license from the Korean Intellectual Property Office is required for a South Korean patent application describing <i>defense-related inventions</i>	Article 41 of the Korean Patent Act, No. 950 Foreign Filing License Required		Loss of right for the Korean patent
<i>Indonesia</i>	No required security clearance to file in a foreign jurisdiction			
<i>New Zealand</i>	All patent applications to be filed in a foreign country	§ 25(5) of the New Zealand Patent Act A New Zealand patent application must be filed before the foreign filing (6 weeks before) <i>or</i> a foreign filing license from the New Zealand Intellectual Property Office is required	Six weeks before foreign filing	Penalty includes fine of up to NZ\$1000.00 or imprisonment of up to two years
<i>Portugal</i>	Any patent application to be filed in a foreign country	Mandatory national first filing with Subsequent evaluation by the Department of Defense Ministry	5 days	

Country	Triggering Circumstances	Regulation	Length of Delay	Penalty for Violation
<i>Singapore</i>	All patent applications to be filed in a foreign country	Foreign filing license required for all inventions		

Note: The list of countries contained in the Table above is not comprehensive. All non-U.S. residents should first consult with their country's patent office before filing a patent application in the United States.

II. TRADITIONAL BENEFITS OF U.S. PROVISIONAL PATENTS EXTEND FROM DOMESTIC TO FOREIGN FILERS

Regardless of their place of residence, every client should initiate their patent filing in the jurisdiction of the most commercial potential for their product. If a new invention is related to oil production, for example, one might consider filing a patent application in Venezuela, which contains the largest proven oil reserve in the World.⁵³ Similarly, if a new invention devised in Germany has significant U.S. market potential and does not trigger any national security protections, filing a U.S. provisional patent application (PPA) rather than a national stage application in Germany may serve a client's best interests. Foreign applicants increasingly rely on low-cost instruments like PPAs to establish priority, reduce inventive ideas to practice, and secure the earliest possible 102(e) date in the United States.

A. *Mitigating the Risk of "Thin" Provisional Filings*

With the exception of enablement and written description requirements, provisional applications are subject to very few formal requirements. In a 2012 study, Prof. Dennis Crouch found that, "around 35% [of domestic provisional applications surveyed] do not include even a single claim, and about 15% are essentially a stack of presentation materials."⁵⁴ While there is no formal requirement that a

53. Rupert Roling, *Venezuela Passes Saudis to Hold World's Biggest Oil Reserves*, Bloomberg News (June 14, 2012), <http://www.bloomberg.com/news/2012-06-13/venezuela-overtakes-saudis-for-largest-oil-reserves-bp-says-1-.html>.

54. Dennis Crouch, *Provisional Patent Applications as a Flash in the Pan: Many are Filed and Many are Abandoned*, PATENTLYO (Nov. 26, 2012), <http://patentlyo.com/patent/2012/11/provisional-patent-applications-as-a-flash-in-the-pan-many-are-filed-and-many-are-abandoned.html>.

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provisional application include claims, applications lacking claims must ensure enablement, written description, and to a lesser extent, the best mode requirements are satisfied.⁵⁵ As discussed below, the best mode requirement has been abrogated under the new AIA patent system.⁵⁶

If a provisional application lacks claims, one must also take care to use inclusive rather than limiting language. For example, the phrase “in a preferred embodiment” establishes a broader scope of protection than the phrase “the invention is.” At a minimum, one should incorporate a statement in the description confirming that the description refers only to “a preferred embodiment.”

B. “Thin” U.S. Provisional Applications Will Secure Priority

The fact that many domestic PPAs are filed without claims raises the question of whether foreign applicants can also reliably establish priority by filing a U.S. provisional application that lacks claims. Here, our analysis will focus on EU states, although our findings are in most cases generalizable.

In all countries party to the Paris Convention, EPC Article 87 dictates priority rights, and maintains, in relevant part, that applicants shall enjoy “a right of priority during a period of twelve months from the date of filing of the first application.”⁵⁷ Further, Article 87 states that, “Every filing that is equivalent to a regular national filing under the national law of the State where it was made . . . shall be recognized as giving rise to a right of priority.”⁵⁸ A “regular” national filing “shall mean any filing that is sufficient to establish the date on which the application was filed, whatever the outcome of the application may be.”⁵⁹ While a U.S. non-provisional application must have at least one claim to receive a filing date, 35 U.S.C Section 111 exempts provisional applications from the “one claim” requirement.⁶⁰ Because provisional applications in the United States that lack claims are considered a filing “equivalent to a regular national filing,” they should reasonably give rise to a right of priority pursuant to EPC

55. 35 U.S.C. § 112 (2006).

56. Leahy-Smith America Invents Act (AIA) of 2011, Pub. L. No. 112-29, § 15, 125 Stat. 284-341 (2011).

57. See European Patent Organization, Convention on the Grant of European Patents (European Patent Convention) art. 87(1)(b), Oct. 5, 1973, 1065 U.N.T.S 199, 13 I.L.M. 268.

58. See *id.* art. 87(2).

59. *Id.*

60. 35 U.S.C. § 111(b) (2006).

Article 87.⁶¹

This interpretation of Article 87 was reinforced by a Notice from the President of the European Patent Office dated January 26, 1996 concerning the priority conferring effect of the “U.S. provisional application for patent.”⁶² The notice states, in relevant part:

Since the provisional application meets in substantive terms the requirements the EPC places on a duly filed national application in order to establish priority and because the subsequent fate of this filing is immaterial, the EPO, while acknowledging the independent decision making competence of the EPO boards of appeal and the courts of the contracting states, recognises the provisional application for patent as giving rise to a right of priority within the meaning of Article 87(1) EPC.⁶³

Thus, foreign applicants can be assured that PPAs lacking claims will establish an international right to priority. This feature of PPAs can become very important to practitioners and clients facing time constraints during the early stages of invention development.

*C. Establishing Right to Priority via Provisional Patent May
Extends Exclusivity Term from 20 to 21 Years*

Although provisional and non-provisional filings can expect comparable pendency periods (time from application to issuance), use of a PPA may provide an extra year of patent eligibility. Specifically, an eventually filed non-provisional application will enjoy a term of up to twenty-one years from the filing date of the PPA.⁶⁴ This feature of provisional filing mirrors the common European practice of filing a regular application under the Paris Convention with a claim to priority based on a home country application.⁶⁵ That a PPA enables a potential extra year of patent eligibility at the end of the term is of particular importance to products with lengthy development pipelines. For this reason, new drug inventions often have the highest rate of association with provisional applications, while patents on electrical and electronic applications tend to have the lowest rate of provisional

61. See European Patent Organization, *supra* note 57, art. 87(2).

62. European Patent Office, Notice from the President of the European Patent Office dated January 26, 1996 concerning the priority conferring effect of the “U.S. provisional application for patent,” O.J. EPO 1996, 81.

63. *Id.* at 82.

64. 35 U.S.C § 119(e) (Supp. 2012).

65. See European Patent Organization, *supra* note 57.

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filing.⁶⁶

D. Foreign Applicants Obtain Earlier 102(e) Prior Art Dates for their U.S. Patents if they are Based on Provisional Applications

Once granted, a U.S. patent becomes prior art against later filed U.S. patent applications.⁶⁷ If a foreign entity is granted a patent based on a provisional patent application, the patent will assume the 102(e) priority date established by the provisional application.⁶⁸ Conversely, if a foreign applicant for U.S. non-provisional patent rights makes a priority claim based solely on a national country patent application, the 102(e) date for U.S. examination purposes will be the filing date of the regular U.S. patent application. Thus, foreign applicants can obtain earlier 102(e) prior art dates for their U.S. Patents if they base them on provisional applications instead of basing them solely upon home country applications.

E. Favorable Costs

The multi-layered patent systems of many modern industrialized nations are costly and inefficient, usually imposing compulsory translation costs, validation fees, and yearly renewal fees. Together, the result is a total cost averaging five to twenty times the expense of a U.S. filing.⁶⁹ An applicant who, for example, chooses to initiate filings in Europe can expect to pay at least double the cost of a U.S. provisional application, whether filing directly in each country or via a Chapter I Patent Cooperation Treaty (PCT) application.⁷⁰ In the former case, each country requires its own examination process, annuity payments, translations (compulsory in some countries), and associated attorney's fees. While filing a Chapter I PCT application can delay the expense of direct filing in each country separately, PCT applications are still much more costly than their U.S. counterparts. In addition, those applicants who file a PPA are not restricted from filing a national stage application in their home country. In fact,

66. Dennis Crouch, *A First Look at Who Files Provisional Patent Applications*, PATENTLYO (June 03, 2008), <http://patentlyo.com/patent/2008/06/a-first-look-at.html>.

67. 35 U.S.C. § 102(e) (2006).

68. *Id.*

69. Bruno van Pottelsberghe de la Potterie & Malwina Mejer, *The London Agreement and the cost of patenting in Europe*, 29 EUR. J. LAW ECON. 211 (2010).

70. *PCT Fees in US Dollars*, USPTO.GOV (Feb. 24, 2014, 1:20:32 PM), http://www.uspto.gov/patents/init_events/pct/sample/fees.jsp.

national stage entry of an eventual non-provisional U.S. application having a “Positive Report” from a U.S. Examiner serving as the International Preliminary Examiner costs only \$100.⁷¹

Even with these cost considerations in mind, if an applicant wishes to establish patent protection exclusively in EU countries, the most cost-effective approach may still be to file a PCT application. This route involves a two-layer patent system in which patent rights are granted through the European Patent Office (EPO), and later ratified at the national level. Though inexpensive relative to filing in each national patent office individually, yearly renewal fees must still be paid to each national patent office (NPO).

1. Initial Filing Fees in the U.S.

In addition to the advantages of limited formal requirements, applicants benefit from the very low filing fees. Currently, the provisional application filing fee is \$260.00, with other possible charges for late fee submissions (\$60.00) and applications exceeding one hundred sheets (\$400.00 for each additional fifty sheets).⁷²

The new USPTO fee schedule includes a 50% reduction for small entities and a 75% reduction for micro entities. These fee reductions apply to filing, search, examination, appeal, and maintenance of patent applications.⁷³ Applicants qualifying for a small entity discount of 50% must satisfy 35 U.S.C. Section 41(h)(1), while applicants qualifying for a micro entity discount of 75% must satisfy the definition outlined in the America Invents Act Section 11(g).⁷⁴ Many patent scholars in Europe have called for a discount on EPO fees for young companies as provided in the U.S. and Japan, but the EPO’s board has continued to opt for a fee structure unfavorable to small businesses.⁷⁵

2. Renewal Fees in U.S. vs. EU

In addition to base fees, most countries outside the United States require yearly renewal fees. In contrast, renewal fees in the U.S. are levied every 3.5, 7.5, and 11.5 years after grant of a patent.⁷⁶ Whether

71. John H. Hornickel, *The Third (and Best) Way to Use the PCT*, 5 L.J. NEWSL. PAT. STRATEGY & MGMT., July 2004, at 2.

72. 37 C.F.R. § 1.16(d) (fee code 1005 describing the fees for provisional patent filings).

73. *Id.*

74. *Id.*

75. Bruno van Pottelsberghe de la Potterie, 467 NATURE 395 (2010).

76. *United States Patent and Trademark Office Fee Schedule*, USPTO.GOV (Mar. 13,

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an applicant filing in Europe decides to pay a single maintenance fee at the EPO every year or pay such fees to national patent offices individually, the fees are required in advance and result in abandonment if not filed in a timely fashion.⁷⁷ Furthermore, determining the most risk-averse method of payment in Europe can be very complicated, depending on the developmental stage of the invention and the number of countries in which the patent proprietor wants to maintain European patent protection. Early stage companies may be tempted to opt for national renewal filing, but may overlook the long-term expense when patent protection is later expanded to all of the EU countries. For example, whereas the renewal fee is €1420 for the tenth to twentieth year at the EPO (as of April 2010),⁷⁸ the sum of national renewal fees exceeds €7000 and €20,000 for the tenth and twentieth year, respectively.

With the exception of the United Kingdom and China, maintenance fees in other industrialized countries are due while an application is pending.⁷⁹ In the United States, no application fees are due while an application is pending,⁸⁰ maintenance fees are not required in advance,⁸¹ and design and plant patents are not subject to maintenance fees at all.⁸²

3. Contingency System

Notwithstanding the favorable fee structure in the United States, foreign applicants can often spare themselves the immediate expense of legal costs by engaging in contingency relationships with U.S. attorneys.⁸³ The United Kingdom is the only other country in the world that permits this practice, which entails the payment of a fee for legal services only in the event of a favorable legal outcome.⁸⁴ These contractual relationships serve to simultaneously discourage

2014, 17:41 PM), <http://www.uspto.gov/web/offices/ac/qs/ope/fee031913.htm>.

77. See European Patent Organization, Implementing Regulations to the Convention on the Grant of European Patents, (European Patent Convention) Rule 51 (Jan. 4, 2009).

78. *Official Journal*, EUROPEAN PATENT OFFICE (2010), http://archive.epo.org/epo/pubs/oj010/03_10/03_sup0.pdf.

79. Patents Rules, 1995, S.I. 1995/2093, Rule 39 (U.K.) (as amended).

80. *United States Patent and Trademark Office Fee Schedule*, USPTO.GOV (Mar. 13, 2014), <http://www.uspto.gov/web/offices/ac/qs/ope/fee010114.htm#maintain>.

81. 35 U.S.C. § 41(f) (2006).

82. U.S. PATENT & TRADEMARK OFFICE, *MANUAL OF PATENT EXAMINING PROCEDURE* § 2504 (8th ed., rev. 2008).

83. William R. Town, *U.S. Contingency Fees: A Level Playing Field?*, WIPO MAGAZINE (Feb. 2010), http://www.wipo.int/wipo_magazine/en/2010/01/article_0002.html.

84. *Id.*

infringement and encourage innovation by enabling entities of limited means to take on deep-pocketed infringers in court. Thus, litigation attorneys in the U.S. can help monetize and defend their patent portfolio immediately upon grant of a provisional patent. This is often a key strategic point motivating patent filing for inventors, educational institutions and companies around the world in which such relationships are illegal. In fact, the lack of a contingency system in Europe may be one of the primary reasons that European universities generally only apply for patent protection in the United States.

F. Language Allowances

The USPTO allows for provisional filing “in a language other than English,”⁸⁵ while most foreign patent offices impose compulsory translation requirements. The EPO, for example, requires that a translation be submitted in conjunction with any application that is not drafted in one of three official languages (English, French or German) before any Formality checks⁸⁶ or Search Reports⁸⁷ are conducted.

G. Multiple Provisional Filings Enable Iterative Improvements to Inventions

A formal application (utility or PCT) can claim priority to numerous provisional applications.⁸⁸ Often, an inventor will file a sequence of several provisional applications covering each major improvement in a technology. As discussed, by filing a PCT application within one year of the earliest provisional in such a sequence, a foreign applicant will enjoy protection for all of the inventive improvements covered by the provisional applications. In fact, an applicant may mark his or her product and its various iterations “patent pending” immediately upon filing an application, although in some international jurisdictions, such as the United Kingdom, a warning notice should indicate the number of pending applications.⁸⁹

85. 37 C.F.R. § 1.52(d) (2012).

86. See European Patent Organization, *supra* note 57, art. 90-91.

87. See *id.* art. 92.

88. See Article 4 C(4) of the Paris Convention.

89. *Display your rights*, UK INTELLECTUAL PROPERTY OFFICE (August 5, 2009), <http://www.ipo.gov.uk/types/patent/p-manage/p-useenforce/p-displayrights.htm>.

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H. U.S. Provisional Patents are Time-Efficient

Provisional patents can be filed rapidly and establish broad protection. Small ventures under time pressure increasingly utilize PPAs to secure priority in as little as twenty-four hours. In fact, considering the time difference between Europe and the east coast of the United States, European applicants benefit from an additional six hours to prepare and file such priority filings. This is so because the date of filing at the U.S. Patent Office is recorded as the official filing date.

Even foreign entities who do not face these extreme time constraints have grown weary of the time delays brought on by the requirements of coexisting EPC and national level offices. A newly initiated EU-wide “unitary system,” designed to simplify heterogeneous patent policy in Europe,⁹⁰ in fact adds a third layer of complexity to the existing two-layered system of patent grant and ratification, further motivating use of PPAs to establish priority.

III. THE AMERICA INVENTS ACT BROADENS PATENT PROTECTIONS FOR FOREIGN APPLICANTS SEEKING PROVISIONAL PATENT PROTECTION

On March 16, 2013, the United States implemented the shift from a first-to-invent to a first-to-file system.⁹¹ After ensuring compliance with “national-first” filing laws, foreign inventors contemplating entry into U.S. commercial markets should consider the impact of these recent changes on their international filing strategy.

A. First-to-file Transition Accentuates Streamlined Features PPAs

While the features of PPAs (i.e., no required claims, search, etc.) were originally crafted to facilitate proof of inventorship through early filing, these efficiencies now represent an enormous substantive advantage over other prosecution routes.

The transition to a first-to-file system represents a tremendous opportunity for inventors and small entities to level the playing field

90. Gail Edmondson, *Europe's unitary patent to launch in 2015 – but will companies embrace it?*, SCIENCEBUSINESS.NET (Oct. 16, 2013, 6:22 PM), <http://www.sciencebusiness.net/news/76292/Europe's-unitary-patent-to-launch-in-2015—but-will-companies-embrace-it>.

91. Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284-341 (2011) (codified in scattered sections of title 35).

with deep-pocketed competitors. The ease of gaining “patent pending” status under the new patent system contrasts with the pre-AIA system, where small entities facing priority contests with larger competitors would be forced to engage in expensive “interference proceedings” to determine the date of first invention. The streamlined features of provisional applications were originally devised to facilitate the establishment of priority in anticipation of such proceedings, and in the absence of evidence demonstrating inventorship at an earlier date. Now, however, with the elimination of inventorship requirements, this simplified filing method offers an unparalleled means of winning the race to the patent office.

1. Expanding Web Resources Expedite Assignment of Priority Date

The speed and simplicity of this process is only enhanced by the AIA’s embrace of web-based resources. Online filing with web-resources like EFS-Web and patentfiler.com is quickly becoming the norm. Web resources like patentfiler.com offer the speed of online filing with the option of attorney oversight, a feature most applicants should consider in order to ensure compliance with the enablement, written description, and best mode requirements.⁹² Notably, while best mode is still technically a requirement, AIA has eliminated the best mode defense as a means of invalidating claims.⁹³

With a growing abundance of web-based resources, inventors can assure themselves of both thorough protection and significant cost savings through online filing. In fact, the cost of paper applications have increased, as the USPTO now assesses a fee of \$400 (\$200 for small entities) against applicants who choose not file applications electronically.⁹⁴ This fee is termed the “Luddite Penalty.”⁹⁵

92. 35 U.S.C. § 112 (2006).

93. Leahy-Smith America Invents Act (AIA) of 2011, Pub. L. No. 112-29, § 15, 125 Stat. 284-341 (2011).

94. *Id.* § 10(b).

95. ROBERT CHAMBERS, BOOK OF DAYS: A MISCELLANY OF POPULAR ANTIQUITIES IN CONNECTION WITH THE CALENDAR, PART I 357 (2004) (“‘Luddite’ is a reference to a group of 18th-century English textile artisans who revolted against advances in power loom technology.”).

B. Elimination of Section 102 Geographical Limitations & "Grace Period" Provisions Embrace the Global Economy

1. Geographical Limitations Eliminated

The AIA effectively expands the scope of available prior art under Section 102 to include a wider range of activities in foreign countries. Pre-AIA Sections 102(a) and 102(b) required that non-documentary events ("known," "used," "in public use," "on sale," prior invention) occur "in this country."⁹⁶ However, in an increasingly globalized world, courts have encountered difficulty determining where these types of anticipating events actually transpired. The AIA has eliminated the geographical limitation "in this country" in an effort to alleviate these practical concerns, and perhaps more importantly, to equalize protections between domestic and foreign inventors.

This change allows international applicants to rely on their activities in non-U.S. territories to establish priority rights, either by publicly disclosing the invention or simply filing a provisional patent. As discussed, an important Federal Circuit decision⁹⁷ determined that 102(e) protections extend back to the filing date of qualifying provisional applications. Thus, a provisional application is often the most logical option for foreign applicants who wish to begin the process of protecting an invention in the U.S. without triggering local novelty bars by publicly disclosing an invention.

2. AIA Institutes a Unique "Grace Period" Provision

The Section 102 grace period is unique to the American system.⁹⁸ In contrast to the U.S. system, the EPC maintains a "true first-to-file" standard, wherein anyone may file and secure patent rights covering a technology the instant its details are publicly disclosed. Because PPAs are not published, a foreign PPA applicant of modest financial means can develop and monetize his invention in the United States for twelve months without fear of derivative applications from competitors.

Thus, recent Federal Circuit decisions and changes in Section 102 serve to encourage both the product development and provisional

96. 35 U.S.C. § 102(a)-(b) (2006).

97. *Ex parte Yamaguchi*, No. 2007-4412 (B.P.A.I. Aug. 29, 2008).

98. 35 U.S.C. § 102(a) (2006).

application process, while expanding the scope of available prior art during prosecution of subsequent non-provisional applications.

C. Alternate Considerations for Foreign Provisional Filers in Post-AIA World

1. Maintenance of Record Keeping and Notebooks for Derivation Proceedings

Under the pre-AIA system, detailed records and notebooks had to be maintained in order to provide evidence of inventorship in the event of a priority contest with competing applicants. As discussed above, the AIA alleviated the enormous discovery costs of these interference proceedings by eliminating them altogether. While inventor's notebooks are, therefore, no longer relevant to determination of priority rights, such documentation may prove very useful in the new derivation proceedings instituted under AIA. Derivation proceedings require a petition that "sets forth with particularity the basis for finding that an inventor named in an earlier application derived the claimed invention from an inventor named in the petitioner's application."⁹⁹ Thus, although AIA Section 102 renders inventorship irrelevant to the determination of priority rights, record keeping remains an important defensive consideration relevant to derivation proceedings.

2. AIA and the "Mixed Bag"

Whether claims of a patent application will be examined under the first-to-file or the first-to-invent rules will depend on the priority date accorded to the claims. In the event that all claims in a patent application are entitled to a priority date earlier than March 16, 2013, the claims will be examined under the pre-AIA rules. Likewise, if all claims are entitled to a priority date of March 16, 2013, or later, the claims will be examined under the AIA rules.

One must take care to ensure that a non-provisional application filed subsequent to a provisional application does not claim new matter beyond the scope of the PPA disclosure. If this occurs, the claims may contain a "mixed bag" of priority dates both preceding and following the effective AIA date of March 16, 2013.¹⁰⁰ If even

99. U.S. Patent & Trademark Office, *Derivation Proceedings*, USPTO.GOV (May 13, 2013, 5:28 PM), http://www.uspto.gov/aia_implementation/faqs_derivation_proceedings.jsp.

100. Timothy Holbrook, *Substantive Versus Process-based Formalism in Claim Construction*, 9 LEWIS & CLARK L. REV. 123, 133 (2005).

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one claim in a “mixed bag” is denied priority to the PPA, all the claims will be examined under the pre-AIA rules.¹⁰¹ In this scenario, all of the claims will be subject to interference proceedings.¹⁰² However, applicants who find themselves in a mixed bag scenario may use continuing applications to segregate claims with different priority dates.

CONCLUSION

The growth of eCommerce technologies now allows international inventors to easily file their first patent application at the United States Patent Office. The USPTO allows inventors to file applications through EFS-Web¹⁰³ although there are now third-party providers offering simplified interface and billing systems, in addition to web-based tools with more front-end artificial intelligence. The authors have constructed one such web-based filing tool (patentfiler.com), but there are others currently available. With these resources, an international micro entity inventor may, for example, file a patent application for \$298, compared with several thousand Euros or U.S. dollars necessary in other countries of the world. International treaties and the emergence of legal eCommerce have opened up this incredible opportunity to acquire international patent rights for relatively little cost.

Although determining the applicability of foreign “national-first” patent filing laws requires careful scrutiny, provisional patent applications often represent the most valuable initial-filing instrument available to foreign applicants seeking commercialization in the United States. While the simplified features of PPAs were originally crafted to facilitate identification of “first inventors,” these procedural efficiencies now arm domestic and foreign applicants with substantive advantages over other prosecution tracks. In particular, the traditional benefits of PPA filing including term extension, speed, and low costs are greatly strengthened by the shift of the United States to a first-to-file system.

101. *See id.*

102. *See id.*

103. U.S. Patent & Trademark Office, *About EFS-Web*, USPTO.GOV (May 28, 2013, 11:40:15 AM), <http://www.uspto.gov/patents/process/file/efs/>.