

106TH CONGRESS }
1st Session } HOUSE OF REPRESENTATIVES { REPT. 106-287
Part 1

AMERICAN INVENTORS PROTECTION ACT OF 1999

AUGUST 3, 1999.—Committed to the Committee of the Whole House on the State
of the Union and ordered to be printed

Mr. COBLE, from the Committee on the Judiciary,
submitted the following

R E P O R T

[To accompany H.R. 1907]

[Including cost estimate of the Congressional Budget Office]

The Committee on the Judiciary, to whom was referred the bill (H.R. 1907) to amend title 35, United States Code, to provide enhanced protection for inventors and innovators, protect patent terms, reduce patent litigation, and for other purposes, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass. Table of Contents for Reports:

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The amendment is as follows:

machinery to a third party unless the entire commercial establishment is transferred as well.

Subsection (b)(7) limits the sites for which the defense may be asserted when the defense has been transferred along with the enterprise or line of business to which the defense relates, as permitted by subsection (b)(6). Specifically, when the enterprise or line of business to which the defense relates has been transferred, the defense may be asserted only for uses at those sites where the subject matter was used before the later of the patent filing date or the date of transfer of the enterprise or line of business. A site is a factory site or other major facility in which an enterprise or line of business has made a significant capital investment, and does not include, for example, offsite locations for development of software components or manufacture of parts or ingredients.

Subsection (b)(8) states that a person who fails to demonstrate a reasonable basis for asserting the defense may be held liable for attorneys fees under §285 of the Patent Act.

Subsection (b)(9) specifies that the successful assertion of the defense does not mean that the affected patent is invalid. Paragraph (9) eliminates a point of uncertainty under current law concerning the validity of patents, and strikes a balance between the rights of a later inventor who obtains a patent and an earlier inventor who continues to use its method or process in the conduct of its business. Under current law, although the matter has seldom been litigated, a party who commercially used an invention in secrecy before the patent filing date and invented the subject matter before the patent owner's invention may argue that the patent is invalid under §102 (g) of the Patent Act. Arguably, commercial use of an invention in secrecy is not suppression or concealment of the invention within the meaning of §102(g), and therefore the party's earlier invention will invalidate the patent.² The bill provides that a party who uses a process or business method commercially in secrecy before the patent filing date and establishes a §273 defense is not an earlier inventor for purposes of invalidating the patent.

Sec. 203. Effective date and applicability. The effective date for Title II is the date of enactment, except that the title does not apply to any infringement action pending on the date of enactment or to any subject matter for which an adjudication of infringement, including a consent judgment, has been made before the date of enactment.

TITLE III—PATENT TERM GUARANTEE

Generally. Title III amends the provisions in the Patent Act that compensate patent applicants for certain reductions in patent term that are not the fault of the applicant. The provisions that were initially included only provided adjustments for up to 10 years for secrecy orders, interferences, and successful appeals. Not only are these adjustments too short in some cases, but no adjustments were provided for administrative delays caused by the PTO that were beyond the control of the applicant. Accordingly, Title III removes the 10-year caps from the existing provisions, adds a new provision to compensate applicants fully for PTO-caused adminis-

² See *Dunlop Holdings v. _____*, _____ F.2d _____ (7th Cir. 19____).

trative delays, and, for good measure, includes a new provision guaranteeing diligent applicants at least a 17-year term by extending the term of any patent not granted within three years of filing. Thus, no patent applicant diligently seeking to obtain a patent will receive a term of less than the 17 years as provided under the pre-GATT³ standard; in fact, most will receive considerably more. Only those who purposely manipulate the system to delay the issuance of their patents will be penalized under Title III, a result that the Committee believes entirely appropriate.

Sec. 301. Short title. Title III may be cited as the “Patent Term Guarantee Act.”

Sec. 302. Patent term guarantee authority. Section 302 amends §154(b) of the Patent Act covering term. First, new subsection (b)(1)(A)(i)–(iv) guarantees day-for-day restoration of term lost as a result of delay created by the PTO when the agency fails to

- (1) make a notification of the rejection of any claim for a patent or any objection or argument under §132, or give or mail a written notice of allowance under §151, within 14 months after the date on which a non-provisional application was actually filed in the PTO;
- (2) respond to a reply under §132, or to an appeal taken under §134, within four months after the date on which the reply was filed or the appeal was taken;
- (3) act on an application within four months after the date of a decision by the Board of Patent Appeals and Interferences under §134 or §135 or a decision by a Federal court under §§141, 145, or 146 in a case in which allowable claims remain in the application; or
- (4) issue a patent within four months after the date on which the issue fee was paid under §151 and all outstanding requirements were satisfied.

Further, subject to certain limitations, *infra*, §154(b)(1)(B) guarantees a total application pendency of no more than three years. Specifically, day-for-day restoration of term is granted if the PTO has not issued a patent within three years after “the actual date of the application in the United States.” This language was intentionally selected to exclude the filing date of an application under the Patent Cooperation Treaty (PCT).⁴ Otherwise, an applicant could obtain up to a 30-month extension of a U.S. patent merely by filing under PCT, rather than directly in the PTO, gaining an unfair advantage in contrast to strictly domestic applicants. Any periods of time

- (1) consumed in the continued examination of the application under §132(b) of the Patent Act as added by Sec. 303 of this Act;

³General Agreement on Tariffs and Trade, Pub. L. No. 103–465. The framework for international trade since its inception in 1948, GATT is now administered under the auspices of the World Trade Organization (WTO) (*see note 19, infra*).

⁴*See* HERBERT F. SCHWARTZ, PATENT LAW & PRACTICE (2d ed., Federal Judicial Center, 1995), note 72 at 22. The PCT is a multilateral treaty among more than 50 nations that is designed to simplify the patenting process when an applicant seeks a patent on the same invention in more than one nation. *See also* 35 U.S.C.A. chs. 35–37 and PCT Applicant’s Guide (1992, rev. 1994).

(3)(D) requires the Director to grant the patent after completion of determining any patent term extension irrespective of whether the applicant appeals.

New §154(b)(4) regulates appeals of term adjustment determinations made by the Director. Paragraph (4)(A) requires a dissatisfied applicant to seek remedy in the District Court for the District of Columbia under the Administrative Procedures Act⁷ within 180 days after the grant of the patent. The Director shall alter the term of the patent to reflect any final judgment. Paragraph (4)(B) precludes a third party from challenging the determination of a patent term prior to patent grant.

Section 302(b) makes certain conforming amendments to §282 of the Patent Act and the appellate jurisdiction of the U.S. Court of Appeals for the Federal Circuit.⁸

Sec. 303. Continued examination of patent applications. Section 303 amends §132 of the Patent Act to permit an applicant to request that an examiner continue the examination (reexamine) an application following a notice of rejection by the examiner. New §132(b) authorizes the Director to prescribe regulations for the continued examination of an application notwithstanding a “final” rejection, at the request of the applicant. The Director may also establish appropriate fees for continued examination proceedings, and shall provide a 50% fee reduction for small entities which qualify for preferential treatment under §41(h)(1) of the Patent Act.

Section 304. Technical clarification. Section 304 of the bill coordinates technical term adjustment provisions set forth in §154(b) with those in §156(a) of the Patent Act.

Section 305. Effective date. The effective date for the amendments in §§302 and 304 is the date of enactment and, with the exception of design applications (the terms of which are not measured from filing), applies to any application filed on or after that date. The amendments made by §303 take effect six months after date of enactment to allow the PTO to prepare implementing regulations.

TITLE IV—UNITED STATES PUBLICATION OF PATENT APPLICATIONS FILED ABROAD

Generally. Title IV provides for the publication of pending patent applications which have a corresponding foreign counterpart. Any pending U.S. application filed only in the United States (e.g., one that does not have a foreign counterpart) will not be published if the applicant so requests. Thus, an applicant wishing to maintain her application in confidence may do so merely by filing only in the United States and requesting that the PTO not publish the application. For those applicants who do file abroad or who voluntarily publish their applications, provisional rights will be available for assertion against any third party who uses the claimed invention between publication and grant provided that substantially similar claims are contained in both the published application and granted patent. This change will ensure that American inventors will be

⁷ 5 U.S.C. §§551–559, 701–706, 1305, 3105, 3344, 5372, 7521.

⁸ 28 U.S.C. §1295.