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December 23, 1999

Dear Colleague,

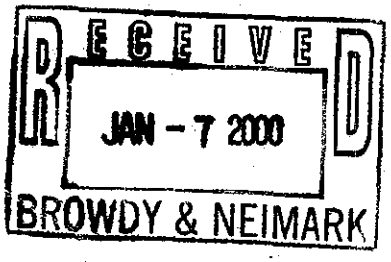
Late last month, Congress passed and the President signed the American Inventors Protection Act of 1999. The Act contains some rather significant reforms to our patent law, so Charlie Van Horn, Mike McGurk, and Rebecca McNeill of our firm dissected the statute and wrote an overview analyzing its various features.

We thought you might appreciate having the article, and we enclose a copy for your review. Please feel free to copy it and distribute it to others in your office.

We would also like to take this opportunity to wish you and your family a peaceful and prosperous new year.

Cordially,

The Attorneys at Finnegan, Henderson, Farabow, Garrett & Dunner, L.L.P.



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Report: American Inventors Protection Act of 1999

By Charles E. Van Horn, Michael R. McGurk, and Rebecca McNeill

Introduction

On November 29, 1999, President Clinton signed into law the "Intellectual Property and Communications Omnibus Reform Act of 1999." Officially cited as Pub. L. No. 106-113, the new law contains, among other provisions, Title IV, the "American Inventors Protection Act of 1999." Many intellectual property (IP) practitioners and IP organizations consider passage a major victory for proponents of patent reform because Congress has considered and rejected various patent reform bills since 1996.

Like most new laws, some of the new patent law is good, some bad, and some simply does not make a lot of sense. It is clear, however, that the new patent laws will have a significant impact for most IP practitioners and their clients. This article describes the salient features of the new law as viewed and reviewed by the authors. Every IP patent practitioner should therefore carefully review the new law for themselves, and not rely solely on the authors' views and opinions expressed below.

The American Inventors Protection Act of 1999 will be enacted in stages, depending on the specific provision, and addresses a variety of topics. The new law includes seven major subsections, namely the "Inventors' Right Act of 1999" (protection against invention promotion services); the "Patent and Trademark Fee Fairness Act of 1999"; the "First Inventor Defense Act of 1999" (affirmative defense to infringement); the "Patent Term Guarantees Act of 1999"; the "Domestic Publication of Foreign Filed Patent Applications Act of 1999" (eighteen-month publication); the "Optional Inter Partes Reexamination Procedure Act of 1999"; the "Patent and Trademark Office Efficiency Act" (PTO reorganization); and several important, miscellaneous provisions relating to provisional applications, prior invention, and prior art.[1] The major provisions of the new law are discussed below in the order they appear in the new legislation.

I. Inventors' Rights

The Inventors' Rights Act of 1999 becomes effective within sixty days of enactment. This portion of the new law provides a policing mechanism for regulating the sometimes-unscrupulous invention promotion services industry. This section is sure to spawn a new breed of litigation concerning invention promoters and the services they offer. Depending on the complexity of the technology and issues involved, such litigation could well require the assistance of a patent attorney familiar with the nuances of patent law and all it encompasses. Such litigation will likely bring into question whether someone is an invention promoter or whether a company provides invention promotion services.

An "invention promoter" is defined to include any entity that performs invention promotion services and holds itself out through advertising in any mass media as providing such services. The term does not include government agencies, nonprofit organizations, entities evaluating issued utility patents or previously filed nonprovisional patent applications, entities participating in the sale of stock or business assets, or parties that directly engage in the retail sales of products.

The new law tries to fill the void in regulations governing such businesses, regulations that were virtually nonexistent. Now all invention promoters

must enter into a written contract with an inventor. In addition, before contracting, an invention promoter must provide to the inventor written information about the company, including the total number of evaluations the promoter has provided in the past five years, broken down by positive and negative evaluations. The writing must provide information on the number of inventors who contracted with the invention promoter or his company, the number who received profits from their inventions in excess of the fees paid, and the number who entered into license agreements as a result of the services. The new law also requires that the writing list the names of each invention promotion organization the officers and directors have been affiliated with in the last ten years.

If the inventor is injured by any materially false or fraudulent statement or representation, by any omission of material fact, or by failure of the invention promoter to comply with the new law, the law provides for a civil action against the invention promoter or his company. An inventor may seek actual damages or statutory damages of no more than $5000. Treble damages are available for intentional or willful behavior by the invention promoter or his company. Finally, the U.S. Patent & Trademark Office is required by the new law to keep records on invention promoters and their companies and make all complaints filed against them available to the public after providing the promoter or the company with a reasonable opportunity to reply to negative comments. The PTO may also obtain copies of complaints about an invention promoter or the company from any other government agency and provide those records to the public.

Although any meaningful statistics on disreputable invention promoters are nonexistent, the public and private interest groups representing small entities and inventors with limited resources no doubt believed that these groups were being unfairly targeted by invention promoters. The new law clearly provides some measure of protection for the unwary.

II. Patent and Trademark Fee Fairness

The Patent and Trademark Fee Fairness Act of 1999, as it pertains to patent fees, becomes effective thirty days after enactment. The new law lowers filing fees for original patent applications, reissue applications, fees for entering the U.S. national stage in an international application, and the first patent maintenance fee. The reductions range from about 9-11%. The new law also requires the newly created Under Secretary of Commerce for Intellectual Property and Director of the PTO to adjust trademark fees. Although the section of the new law that creates the new position of Under Secretary of Commerce is not effective until March 29, 2000, the PTO has already published an increase in several trademark fees that will become effective January 10, 2000. 64 Fed. Reg. 67,774 (Dec. 3, 1999). Lastly, the new law mandates a study of alternate fee structures in an effort to encourage maximum participation by the inventor community.

III. First Inventor Defense

The First Inventor Defense Act of 1999 becomes effective immediately but does not apply to any action for infringement pending when the law became effective on November 29, 1999, or to any adjudication of infringement made before that date. Absent clear and convincing evidence under 35 U.S.C. § 102(f) or (g), U.S. patent law, before enactment of this provision, did not provide a prior inventor defense to a charge of patent infringement. The new law creates an affirmative defense for prior users but only for methods of doing or conducting business that otherwise would infringe a method claim.

Upon enactment, the law protects an accused infringer who in *good faith* reduces to practice a "method" falling within the statute at least one year before the effective filing date of the patent *and* commercially uses the invention before the effective filing date. The "effective filing date" is defined as the earliest filing date the patentee can assert under the U.S. patent laws and includes reliance upon earlier-filed foreign applications under 35 U.S.C. § 119. "Commercially used" is defined as the use of a method in the United States so long as the use is an internal commercial use or an actual arm's-length sale of a useful end result.

Premarketing regulatory review is also considered, for purposes of the new law, to constitute commercial use. Thus, a defendant could argue under the new statute that the "commercial use" requirement is satisfied by a premarketing regulatory review period. Some may find it difficult to imagine what type of premarketing regulatory review is required for methods of doing or conducting business, arguing that this language is surplusage left over from prior versions of the bill that provided broader prior user rights. Others will likely argue that this language breathes life and meaning into a method of doing business. What is absolutely

certain is that the courts will ultimately have to tell us what the statute means.

Additional, limited protections are available for nonprofit research laboratories and entities, such as universities, research centers, and hospitals. Finally, the affirmative defense also protects one who purchases a useful end product from the entity asserting the defense, just as if the sale to a third party would exhaust the patentee's rights if the patentee had sold the item.

The first inventor defense has several important limitations. First, and perhaps most significantly, this defense applies only to asserted method claims and specifically methods of doing or conducting business. Thus, the first inventor defense will not help a third party defend against a charge of infringement for using a secret commercial chemical or mechanical process—that does not otherwise qualify as a "method" under the new statute—that the third party had used long before the patent owner ever filed its patent application. In effect, Congress apparently intended to favor some class of persons while denying others in a similar position.[2]

This defense does not protect an accused infringer if the infringer derived the invention from the patentee or persons in privity with the patentee. Further, the defense is limited to the specific subject matter of the patent that qualifies under this chapter (only the method previously practiced by the accused infringer); it does not provide an automatic license to practice the subject matter of all claims of the patent. Although the defense is not a general license to practice all the claims of the patent—only those claims against which a person can assert the defense—it does extend to variations in the quantity or volume of use *and* to improvements that do not infringe additional claims. The defense does not protect an accused infringer who must rely on commercial use that occurred before an abandonment of the invention.

In addition to the above limitations, the first inventor defense is a personal one and generally may not be conveyed. But if the defense is acquired in good faith as part of the assignment or transfer of an entire enterprise or line of business, then it may be asserted only for uses of the method at sites where that method was in use before the effective filing date of the patent or the transfer of the business, whichever is later. In other words, the original owner of the right to assert the defense, if successful, may continue to add sites to its business and expand indefinitely, but a later assignee of the business cannot expand the number of sites once an original patent application has been filed. But how is "site" going to be defined? The courts will likely have to answer this question as well.

The accused infringer must establish the first inventor defense by clear and convincing evidence. If the accused infringer unsuccessfully asserts this defense *and* the court determines that the accused infringer has failed to demonstrate a "reasonable basis" for asserting the defense, the court must find the case exceptional for purposes of awarding attorney fees. Finally, the defense does not affect the validity of the patent under 35 U.S.C. §§ 102 or 103.

IV. Patent-Term Guarantee

That portion of the Patent Term Guarantee Act of 1999 relating to extension of patent terms takes effect six months after enactment and applies to any patent issued on an application (except design applications) filed on or after that date. That portion of the Act relating to continued examination practice takes effect six months after enactment and applies to all nonprovisional applications (except design applications) and international applications complying with 35 U.S.C. § 371 and filed on or after June 8, 1995.

The new patent-term guarantees have raised, to say the least, a few eyebrows. It is entirely possible under the provisions discussed in detail below that a patent will be enforceable for far more than twenty years from its filing date, the term provided by present law. For example, those applications that do not result in a patent within three years from filing generally will entitle the patentee one day of additional patent term for each day of delay. Moreover, the new law requires the PTO to keep track of many delays at significant points in the examination process and to inform the applicant of the extension of term upon issuance of the notice of allowance. In this task, the legislation requires the PTO to do the impossible—predict a delay in granting a patent before it occurs. It is a legitimate concern of many that the PTO will not be able to effectively administer these additional duties, resulting in the burden falling squarely on the shoulders of the public to calculate the correct patent term. Indeed, in many cases, the public will no longer be able to rely on the information on the face of a patent to determine its term but will have to estimate the term based on information that can be gleaned only from a consideration of the

patent file history and the delays in the examination process. Even then, the term may be uncertain until a court finally resolves whether the patentee has made reasonable efforts to conclude prosecution.

Under the old law, the twenty-years-from-filing patent term could be extended for up to five years for delays caused by PTO procedures, including delay from an interference, secrecy order, and successful appellate review of patentability. The new law substantially expands these opportunities for term extensions by removing the five-year limit and creating a new category of PTO delays that may give rise to a term extension.

In the first section of this Act, the law adds an extension of patent term for certain delayed PTO responses. For example, the new law guarantees that the PTO will make a rejection, objection, or requirement under § 132 (rejection of applications), or issue a written notice of allowance under § 151 (patent issuance), within fourteen months of the filing date of the application. It also states that the PTO must respond within four months to a reply under § 132 or to an appeal under § 134 (Board of Patent Appeals and Interferences) (the Board). Similarly, the PTO has only four months to act on an application with allowable claims after a § 134 or § 135 (interference) decision by the Board, or a federal court decision under §§ 141, 145, or 146 (Court of Appeals for the Federal Circuit (CAFC) and district court). Lastly, this Act provides for issuance of a patent within four months after the payment of the issue fee. Each of these guarantees potentially increases the patent term by one day for each day of delay.

In the second section, the Act prescribes a general limit for patent prosecution of three years from the actual filing date until issuance, except for continued examinations under § 132(b) (continued examination), time consumed by an interference, time consumed by an order under § 181 (secrecy of inventions), or by successful appellate review by the Board or by a federal court, and any delay in processing the application requested by the applicant. For example, this may cover situations where the application mysteriously disappears or is lost for several weeks, months, or, worst of all, years! One day of patent term is added for each day after the end of the three-year period until the patent issues.

In the third section of the Act, the new law requires that the term of a patent issued on an application in interference, under a secrecy order, or subject to appellate review where a reversal of an adverse determination of patentability is made must be extended one day for each day of pendency of the proceeding, order, or review.

But the new law limits any overlap in extensions to the actual number of days that patent issuance is delayed. Further, no patent having a disclaimed term may be extended beyond the specified term. Finally, an award of an extension must be reduced by the number of days the applicant failed to engage in "reasonable efforts" to conclude prosecution, which failure is presumed to include the cumulative total of any periods of time in excess of three months to respond to PTO actions.

Applicants will be notified by the PTO in the notice of allowance of the appropriate patent-term extensions (with the obvious exception of delay after payment of the issue fee), and will have one opportunity to request reconsideration of an unsatisfactory determination. Applicants dissatisfied with the PTO's decision may seek remedy by civil action in the District Court for the District of Columbia within 180 days *after the grant of the patent*. It is possible under the new statute, however, to appeal before the patent is granted and even though the PTO may grant the patent notwithstanding the appeal. A third party dissatisfied with the term extension given by the PTO may not challenge the decision until after the patent is granted.

V. Domestic Publication of Patent Applications Published Abroad

The Domestic Publication of Foreign Filed Patent Applications Act of 1999 becomes effective one year from enactment and applies to all applications filed under 35 U.S.C. § 111 (utility applications) on or after such date. In addition, certain rights and effects of prior art apply to any application that is pending one year from enactment and which is voluntarily published.

Before enactment, U.S. patent applications were not published until they issued as patents. In contrast, most foreign applications are published eighteen months after the earliest filing date for which benefit is sought. The new law requires publication of all U.S. utility applications that are also foreign filed (originally or subsequently) and are published abroad. Publication will occur eighteen months from the earliest filing date for which benefit is sought. Utility applications not filed abroad will not be published if a timely request is made, nor will design or provisional

applications. Applications that are no longer pending or subject to a secrecy order also are not subject to publication. Further, the public is entitled to information concerning a published application only as determined by the Director of the PTO. The Director will have to decide such issues as whether the application as filed or as amended will be available, whether the whole content of the application file will be available, whether amendments subsequent to the date of publication will be available, and in what form and how to make the information available.

To avoid publication, an applicant must certify in writing upon filing its U.S. application that it has not and does not intend to file an application in another country, or under a multilateral international agreement, where publication would occur at eighteen months. If an applicant makes a request not to publish, and then later files in another country, or under a multilateral international agreement, the applicant must notify the PTO not later than forty-five days after the filing of the application. Failure to timely notify will result in the abandonment of the U.S. application, unless the applicant can show that the delay was unintentional. After notification of the applicant's decision to publish, the PTO will publish the application in the United States. Publication costs are to be covered by a separate publication fee to be collected after the claims are allowed.

In some situations, however, portions of the U.S. application may not be published. If an applicant's foreign application contains less disclosure than the corresponding U.S. application (for example, the U.S. case contains new matter), the applicant can submit a redacted application for publication in the United States. The PTO must publish only the redacted application unless it does not receive it within sixteen months of the earliest filing date.

For example, an inventor who makes an improvement upon his or her invention between the filing of a first application abroad and the later counterpart U.S. application, and includes the improvement in the later U.S. application, may redact the "improvement" portion before publication. Applicants who file redacted versions in the United States, however, must be careful to ensure that the U.S. specification is enabling for the published U.S. claims or risk losing the provisional rights described below.

Provisional benefits are provided for those applicants who choose to publish their U.S. applications. The benefits—a patentee may obtain a reasonable royalty—accrue for the period of time after publication to the time the patent is granted and are assessed against a third party who makes, uses, sells, or imports the invention (or products made by a covered process) in the United States. Arguably, provisional rights accrue by virtue of acts of direct infringement only. The alleged infringer must have actual notice of the published application and, for an international application designating the United States, a translation of the application if it is published in a non-English language. The provisional benefits do not vest until a patent is granted.

However, and this is a big "however," the right to claim a reasonable royalty requires that the granted patent claim an invention that is substantially identical to that claimed in the published application. What is "substantially identical"? And how will it be defined? One possible indicator is in the context of intervening rights when a reissue patent is granted or reexamination certificate issued, wherein the relevant analysis looks at the substantial identity of claims rather than identical claims in the original patent as compared to the reissued or reexamined patent. There is no clear guidance in the new statute, which likely means it will be an issue for the courts to wrestle with.

To collect the reasonable royalty, the patentee must bring an action no later than six years after the patent issues. Finally, if the patentee relies on an international application designating the United States, the right to collect a royalty (the accrual period) begins when the PTO receives a copy of the international publication or, if in a non-English language, the date on which an English translation is received.

The new law may affect the time for claiming benefit to an earlier-filed nonprovisional or provisional application or an application filed abroad. Since publication is measured from the earliest filing date, the PTO needs to know the earliest date claimed by an applicant to properly schedule publication. The PTO will determine an appropriate time for claiming priority, and failure to do so within the allowed time may result in waiver of the priority date, unless the delay was unintentional.

Publication of applications will also affect interference practice. According to the new law, an interfering claim for the same or substantially the same subject matter as a claim in a published application may be made only if the claim is made (e.g., copied) prior to one year after the date on

which the application is published. Assuming that the issued and published claims are for the same or substantially the same invention, failure to copy a claim may bar another applicant from provoking an interference with the issued patent. If, on the other hand, the granted claims are drawn to a substantially different invention, the one-year bar date should not start to run until the patent issues. *See* 35 U.S.C. § 135(b)(l). One question that comes to mind for the interference practitioner is whether this substantial identity requirement of the new law will be tied to the requirement that inventions be for the "same patentable invention" before an interference will be declared. *See* 37 C.F.R. § 1.601(n).

The new law would also add published applications to the body of prior art available against later-filed inventions under 35 U.S.C. § 102(e) as of the filing date of the published application. An international application designating the United States may qualify as prior art under § 102(e) as of the international filing date, but only if the international application was published in English.

Finally, publication in the Unites States, unlike publication in some foreign countries, will not trigger opportunities for protest or preissuance opposition, unless an applicant consents in writing. Opposition, however, is likely to come in the form of an application claiming the same invention.

Despite some of the early concerns about early publication, the new law appears to deal evenhandedly with these concerns. For example, although small inventors are economically disadvantaged by the absence of provisional rights, their concerns that early publications would put them at a disadvantage against large multinational corporations are assuaged by the new law—they are able to opt out of publication by not filing abroad either directly or by an international application. Because most domestic and international corporations that file applications (representing the vast majority of new filings) file internationally, their non-U.S. applications are published anyway. Thus, early publication is not an issue for most of them, but now applications filed in the U.S. will be published in the English language. Moreover, early publication under the new law provides some significant provisional benefits to the patentee.[3]

VI. Optional Inter Partes Reexamination Procedure

The Optional Inter Partes Reexamination Procedure Act of 1999 becomes effective immediately and applies to any U.S. patent that issues from an original application filed on or after such date. Certain fees dictated by the new law making the unintentional-delay standard applicable to reexamination proceedings take effect one year after enactment.

Probably no portion of the patent reform bill is more disappointing than this one. Congress had a unique opportunity to give third parties with limited resources (and even those with substantial resources for that matter) a more cost- and time-effective means to challenge the validity of a patent. Instead, the new, optional inter partes reexamination law does nothing more than pay lip service to the notion that third parties should have a full, fair, and unrestricted right to participate in a reexamination proceeding of another's patent.

It is highly unlikely that anyone will want to use the current inter partes proceeding because it denies, among other things, the third party a right to appeal an adverse decision beyond the Board. Moreover, it is questionable whether a third party has a right to participate in an appeal by the patent owner beyond the Board. The new law also estops the third party from pursuing a civil action or another reexamination on the same prior art/issues raised, or which could have been raised, before the PTO on the first try. Finally, there are no provisions in the new law for the third party to participate in any personal interviews with the examiner that the patent owner may seek during reexamination, interviews that can result in allowance without a thorough discussion on the record of what was said or done by the patent owner during the interview. Notwithstanding these fatal shortcomings, a brief outline of the new reexamination law appears below.

The new law does not get rid of the existing, ex parte reexamination system; it merely supplements it with an optional inter partes reexamination proceeding available to third parties who wish to participate in the reexamination. Under the old law, a third-party requester can only request reexamination of the patent but can not participate—with one limited exception—in the reexamination process itself. Additionally, copies of office actions and responses are sent to the third party but that party has no rights to respond. These procedural impediments, however, can be overcome by filing

multiple, sequential requests for reexamination.

The new law attempts to address these major deficiencies of existing reexamination practice by providing a third party with an opportunity to submit one written response to each response filed by the patentee. The third party's comments are due within thirty days of service of the patentee's response and can address the office action and any response by the patentee. But no opportunity is expressly provided for the third party to attend or participate in any personal or telephonic interviews scheduled by the patentee or patent examiner.

More surprising is the new law's lack of a provision for permitting the third party to appeal an adverse decision of the Board to a district court and/or the CAFC. Further, although the third party may participate in an appeal by the patentee to the Board, there is no right given to the third party to participate in an appeal by the patentee to the CAFC. (Note: The new law limits the patent owner's appeal options to an appeal to the CAFC, whether an ex parte or inter partes reexamination.) In addition to the severe limits imposed upon a third-party reexamination requester's ability to appeal, the new law creates substantial estoppels based on inter partes reexamination.

Once a reexamination is declared (regardless of whether the third party participates or a final decision is rendered), the third party is estopped from asserting at a later time in any civil action the invalidity of any claim finally determined to be valid and patentable on any ground the third party raised or could have raised during the reexamination proceedings. Similarly, once a final decision has been entered against a party in a civil action that it has not proved the invalidity of any patent claim or in reexamination has not proved that any original or proposed claim is not patentable, then that party (and its privies) are prohibited from raising any issues in a subsequent reexamination that that party or its privies raised or could have raised in such civil action or prior reexamination. Finally, any party who requests an inter partes reexamination is estopped from challenging in a later civil action any fact determined during the process, except for a fact later proven to be erroneous based on information unavailable at the time of the reexamination decision. Only newly discovered prior art, which was unavailable to the third party and PTO during the prior litigation or reexamination, can be asserted against the patent in a later litigation or reexamination.

Congress does not specify what constitutes newly discovered prior art that was unavailable—an interesting question because "prior art" is something that is, by definition, publicly available. Does the third-party requester have to make reasonable efforts to uncover prior art or simply allege that it did not personally know of its existence? Or does this refer to 35 U.S.C. § 102(e)-type prior art that is not available until it is published or patented, but then is effective as of an earlier date? Once again, the new law provides no clear guidance.

In view of the above limited opportunities for appeal and participation, and significant estoppel effects created by the new law, it is easy to see why most people—at least those well-informed—are not likely to opt for inter partes reexamination. The new law adds salt to the wound by requiring the real party in interest to be identified.[4]

VII. Patent and Trademark Office

The Patent and Trademark Efficiency Act will take effect four months after enactment. Under this Act, the PTO is defined as an agency within the Department of Commerce and under the "policy direction" of the Secretary of Commerce. Significantly, the Act gives the PTO authority to "retain and use all of its revenues and receipts." It will be interesting to see if Congress and the Administration, as in years past, use any of these revenues and receipts for purposes other than PTO operation.

The Act provides for the appointment of an Under Secretary of Commerce for Intellectual Property and Director of the PTO (Director), appointed by the President and confirmed by the Senate, to provide policy direction and management supervision for the PTO. In addition to the Director, a Deputy Director, and a Commissioner of Patents and a Commissioner of Trademarks will be appointed by the Secretary of Commerce. The Commissioners will have five-year terms and serve as the chief operating officers for the operations of the PTO, responsible for all aspects of the activities of the PTO affecting the administration of patent and trademark operations. Finally, the new law establishes Public Advisory Committees for Patents and Trademarks, each with nine members appointed by the Secretary of Commerce for three-year periods, to review and report on the policies, goals, performance, budget, and user fees of the PTO. Each committee is required to have 25% of its members from small-entity organizations and

must include individuals with substantial background and achievement in finance, management, labor relations, science, technology, and office automation. Each committee will also have a nonvoting representative from the unions recognized by the PTO.

VIII. Miscellaneous Patent Provisions

Although lumped into the back of the new legislation as "Miscellaneous Patent Provisions," these provisions provide some rather interesting changes and therefore should be carefully reviewed as well.

A. Provisional Applications

To address largely academic concerns that "provisional" applications were not really applications at all, the new law now directs that these applications can be treated as "nonprovisional" applications. The new law also eliminates the requirement for copendency between the provisional and nonprovisional applications in order to obtain the benefit of the filing date of the provisional application. For example, the new law allows for the filing of a nonprovisional application on the next business day after any weekend or federal holiday within the District of Columbia, if the twelve-month anniversary of the filing of the provisional application falls on that day, i.e., a day that the PTO is closed. This latter change conforms the rules governing provisional applications with other rules governing the timely filing of papers at the PTO, thus removing the confusing copendency requirements.

The elimination of the copendency requirement creates several unique opportunities for patent application filing strategies for the savvy applicant.

This amendment to the law is effective upon enactment and applies to any provisional application filed on or after June 8, 1995, except for patents involved in litigation commenced before enactment.

B. International Applications

Among other things, this amendment grants applications for plant breeder's rights filed in a World Trade Organization (WTO) member country (or in a foreign UPOV Contracting Party) the same effect for purposes of the right to priority as applications for patents. The new law amends 35 U.S.C. § 119 to expressly include WTO member countries as those entitled to § 119 benefit.

C. Certain Limitations on Damages for Patent Infringement Not Applicable

The limitation on remedies and damages prescribed by 35 U.S.C. § 287(c)(1) (for surgical procedures), did not apply to patents issued before enactment of this section. *See* § 287(c)(4). The new law amended this provision to exclude patents issued "based on an application the earliest effective filing date of which is prior to September 30, 1996." In effect, the change expands the exclusion to cover patents that were issued on applications filed before September 30, 1996. The amendment thus changes the focus from the issue date (old) to the filing date (new).

D. Electronic Filing

The new law modifies the existing requirements that papers filed in the PTO be printed or typewritten. The new law allows the PTO to require that certain papers be filed on an electronic medium or maintained in electronic form. But the new law does not define these terms.

E. Study and Report on Biological Deposits in Support of Biotechnology Patents

The new law requires the Comptroller General to conduct a study on the potential risks of export and transfer to third parties of biological deposits made in support of biotechnology patents, including those posed by the eighteen-month publication provisions. The drafters of the legislation and Congress appear concerned about access to biological deposits and direct the PTO to consider recommendations from this study in drafting regulations affecting such deposits.

F. Prior Invention

Section 102(g) of title 35 is amended to include "during the course of an interference . . . another inventor involved therein establishes, to the extent permitted in section 104, that before such person's invention thereof the invention was made by such other inventor and not abandoned, suppressed, or concealed." This change is interesting for interference practitioners because the remaining, original portion of § 102(g) was not amended to permit defendants to rely on § 104

acts (i.e., foreign acts of invention) to establish an affirmative § 102(g) defense to a charge of patent infringement. Only § 104 foreign acts established during the course of an interference proceeding before the Board or in court can be used under § 102(g) to show prior invention. In addition, the amendment also provides that if this prior invention of another outside the U.S. is to be effective to defeat patentability, it must not have been abandoned, suppressed, or concealed.

G. Prior Art Exclusion for Commonly Assigned Patents

Section 103(c) of title 35 is amended to include prior art under § 102(e) as prior art that will not preclude patentability so long as it was commonly owned with the claimed subject matter at the time the invention was made. This amendment applies to any application for patent filed on or after enactment. All patent practitioners should consider the possibility, when faced with an obviousness rejection involving only § 102(e) prior art, of refiling the application to remove the § 102-type document as prior art when the prior art and application were commonly owned at the time the claimed subject matter was invented.

X. Conclusion

Whether the reforms introduced by the American Inventors Protection Act of 1999 are ultimately good, bad, or both, remains to be seen. This article, we hope, serves as an introductory road map for IP practitioners and their clients to navigate the new laws.

Endnotes:

1. Pub. L. No. 106-113 also addresses topics that are not, strictly speaking, patent related, and therefore will not be addressed in this article, including satellite home viewer improvement, rural local television signals, trademark cyberpiracy prevention, superfund recycling equity, and other miscellaneous nonpatent provisions.

2. It is not entirely clear why Congress limited this defense to prior commercial methods of doing or conducting business. The most likely reason is the Federal Circuit's decision in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368, 47 U.S.P.Q.2d 1596, *cert. denied*, 1999 U.S. LEXIS 493, where it held that previously unpatentable methods of doing or conducting business were patentable. It may have been unfair to all those who practiced such business methods and never applied for a patent—and could not by law apply for a patent, even after the law changed—to be subject to a patent infringement action by a later-in-time inventor who sought and obtained patent protection. It remains to be seen how the courts will ultimately define this imperfect attempt to balance the interests of trade secret and patent owners.

3. The Comptroller General is required to conduct a study of applicants who file only in the United States; determine how many domestic-only filers request not to be published and how many later rescind their requests; correlate the relationship between the status of an entity filing an application and publication; and examine abandonment/issuance ratios and application pendency before abandonment or issuance for published versus unpublished applications.

4. Congress has also requested a report from the PTO within five years to evaluate whether inter partes reexamination is inequitable to any of the parties in interest, and to provide recommendations. There is no need to wait five years: such a report could be filed in view of the above comments.

We provide this report for informational purposes only. It should not be construed as, or treated as a substitute for, legal advice. We gathered the information in this report from various sources over which Finnegan, Henderson, Farabow, Garrett & Dunner, L.L.P. has no control. The accuracy of the information depends upon the accuracy of those sources. Before relying or acting on any information contained in this report, you should seek the advice of counsel.

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