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Patent Terms and Early Publication: Comparison of H.R. 811, Title II of H.R. 400, and the 1994 URAA Patent Term Provisions

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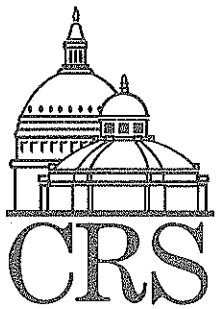

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PATENT TERMS AND EARLY PUBLICATION: COMPARISON OF H.R. 811, TITLE II OF H.R. 400, AND THE 1994 URAA PATENT TERM PROVISIONS

SUMMARY

This report compares the provisions of H.R. 811, Title II of H.R. 400, and the Uruguay Round Agreements Act of 1994 ("URAA") with respect to the patent term and early publication of patent applications before patent issuance and briefly describes the major arguments supporters and opponents have made with respect to various provisions.

Before enactment of the URAA, the term for United States utility patents was 17 years, computed from grant of the patent by the Patent and Trademark Office. Other developed countries generally compute the term from the filing of the patent application. In the URAA, the United States adopted a term of 20 years from filing for patents issued on applications filed on or after June 8, 1995.

H.R. 811 changes computation of the patent term from the existing 20 years from filing, to the greater of 20 years from filing or 17 years from patent issuance. The bill also seeks to curtail the practice of "submarine patenting" (deliberate delays by patent applicants in prosecuting the claimed invention) by generally requiring publication of the patent application 5 years and a few months after filing (unless the applicant can establish that certain conditions for publication have not been satisfied) and by requiring publication of a continuing application filed more than 6 months after the initial filing (unless the applicant can demonstrate to the Patent Commissioner that there are filing reasons other than to achieve a delay in publication). The bill also permits publication of the data in a U.S. application after disclosure of the same data by publication of a foreign application.

One of the major purposes of Title II of H.R. 400 is to end the confidential status of pending patent claims (pursuant to 35 U.S.C. §122) and require early publication of patent applications -- generally within 18 months after filing. It appears that this bill would effectively end the practice of "submarine patenting." H.R. 400 also deals with the patent term. It leaves essentially intact the 1994 URAA amendments adopted to implement the 1994 GATT, but substantially increases the possible extensions of the patent term in cases of delays in patent prosecution. To the existing three justifications for extension of the 20-year term, H.R. 400 adds the criterion of "unusual administrative delay" and caps the extension for certain delays at 10 years rather than the 5 years of existing law. There is no cap for term extensions under the bill, moreover, for delays caused by interferences or government secrecy orders.

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PATENT TERMS AND EARLY PUBLICATION: COMPARISON OF H.R. 811, TITLE II OF H.R. 400, AND THE 1994 URAA PATENT TERM PROVISIONS

MOST RECENT DEVELOPMENTS

On January 9, 1997, Chairman Howard Coble of the House Subcommittee on Courts and Intellectual Property introduced H.R. 400, an omnibus patent bill entitled the "21st Century Patent System Improvement Reform Act."[1] This omnibus reform bill is nearly identical to H.R. 3460 of the 104th Congress -- the "Moorhead-Schroeder Patent Reform Act" -- which was reported favorably by the House Judiciary Committee on June 11, 1996 but was not enacted.

A hearing was held on H.R. 400 on February 26, 1997.[2] The House Subcommittee on Courts and Intellectual Property marked up and approved a slightly revised version of H.R. 400 on March 5, 1997. H.R. 811, the "Patent Term Restoration Act of 1997," was tabled by the Subcommittee at the markup session. The Subcommittee changes to H.R. 400 include an amendment to Title II's statutory criteria for defining administrative delay which would generally extend the term for delays if the patent issues more than 3 years from filing.[3]

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[1] The bill consists of six titles: Title I -- Patent and Trademark Office Modernization Act; Title II -- Examining Procedure Improvements Act; Title III -- Protection for Prior Domestic Commercial and Research Users Act [short title as amended at mark-up on March 5, 1997]; Title IV -- Enhanced Protection of Inventors' Rights Act; Title V -- Improved Reexamination Procedures Act; Title VI -- Miscellaneous Improvements. This Report concerns only Title II and compares it with H.R. 811. For an overview of the entire bill, *see* Schrader, *Omnibus Patent Reform: An Overview of H.R. 400,* CRS Rep. No. 96-545 A (March 6, 1997).

[2] Hearings were held in the 104th Congress on H.R. 1733, a predecessor to H.R. 3460, before the House Subcommittee on Courts and Intellectual Property on June 8, 1995 and again on November 1, 1995. The latter hearing also covered H.R. 359. Hearings on these issues were also held on April 25, 1996 before the House Small Business Committee and on May 2, 1996 before the House Subcommittee on Energy and Environment.

[3] Subcommittee changes to other titles include an amendment to Title I relating to the Patent Surcharge Fund, amendments to Title III to make it applicable to prior domestic research users as well as commercial users, and a new requirement in Title V for a report by the Director of PTO to the Congress within four years after the effective date of the Act concerning the new patent reexamination provisions.

The House Judiciary Committee reported H.R. 400 favorably on March 12, 1997 with further slight amendments.[4]

Title II of H.R. 400 -- "the Examining Procedure Improvements Act" -- addresses primarily early publication of patents and extension of the patent term for unusual administrative delays in the processing of patent applications by the Patent and Trademark Office. One of the primary purposes of Title II of H.R. 400 is to end the confidential status of pending patent claims (pursuant to 35 U.S.C. §122) and require early publication -- generally within 18 months after filing. Inventors who forego foreign patenting can request, at the time of filing a patent application, a delay in publication until 3 months after the Patent office makes a notification under 35 U.S.C. §132 of a rejection, an objection, or a required amendment of the claim.

H.R. 811, introduced February 25, 1997 by Representative Dana Rohrabacher, would change computation of the patent term from the existing 20 years from filing, to the greater of 20 years from filing or 17 years from patent issuance. The bill also continues provisions permitting or requiring pre-issuance publication of applications under certain circumstances.

This report compares the provisions of H.R. 811, Title II of H.R. 400, and the Uruguay Round Agreements Act of 1994 ("URAA")[5] with respect to the patent term and early publication of patent applications before patent issuance.

BACKGROUND

Before enactment of the URAA, the term for U.S. patents was 17 years from the date of issuance (except for design patents, which enjoy a maximum 14 year term). Since 1984, the patent term could be extended up to 5 years for human drug products, medical devices, or food or color additives subject to premarketing approval by the Food and Drug Administration (FDA).[6] The

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[4] The House Judiciary Committee made two amendments to Title II. One change increased from 2 to 3 months the period for response to the Patent and Trademark Office ("PTO") to meet the new statutory standard for "reasonable efforts" by the applicant in prosecuting the patent application. The second change amends 35 U.S.C. §135(b) to ensure that a claim in the same or substantially the same subject matter as a claim contained in a published application may be made only within 1 year after said publication and must be based on a prima facie showing of prior invention.

[5] Pub. L. No. 103-465, 108 Stat. 4809, Act of December 8, 1994, implementing the changes in United States law, including intellectual property laws, mandated by United States acceptance of the Uruguay Round Agreements of the 1994 General Agreement on Tariffs and Trade ("GATT").

[6] Drug Price Competition and Patent Term Restoration Act of 1984, codified at 35 U.S.C. §156. The Act also facilitates FDA approval of generic drugs, which may be marketed only after expiration of the extended term for pharmaceutical product patents.

(continued...)

purpose of the extension was to encourage increased investment in research and development of such products by restoring time lost on the patent life pending FDA marketing approval.[7]

Article 33 of the Trade-Related Intellectual Property Standards of the 1994 General Agreement on Tariffs and Trade ("GATT") requires GATT members to apply a utility patent term of 20 years from earliest filing of the patent application. In agreeing to become bound by the GATT 1994, the United States arguably accepted the obligation of harmonizing its patent term with that of other developed countries by adopting a 20 year from filing term.

This seemingly simple requirement of a 20-year term from filing actually implicates some complex changes in the operation of the U.S. patent system. Some of the procedures and practices impacted by this change are: the incentives for patent applicants to push for early issuance; the efficiency and capability of the Patent and Trademark Office (PTO) to process all patent applications within 18-24 months instead of more than 3 years for at least a significant number of applications; the ability of patent applicants to rely upon trade secrecy; the benefits and feasibility of "submarine patenting"; and the desirability of early publication of patent claims.

Before adoption by the United States of 20 years from filing, patent applicants may have had generalized concerns about delays in patent issuance. These concerns were substantially muted, however, for these reasons: the applicants' ability to safeguard against potential infringers by patent pending notices; their ability to assert proprietary rights under trade secrecy law; the statutorily required confidential status of their claims pending issuance; and their right to obtain the full 17 years of patent protection from issuance. Provided the patent ultimately issued, the delays essentially had the effect of prolonging the patentee's exclusive rights.

Under the 20-years-from-filing provision, delays in patent issuance potentially shorten the period during which inventions can be marketed under the protection of the patent law. As discussed below, however, the law allows term extension under certain conditions.

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[6](...continued)
A district court in Virginia has recently ruled that the extended term for such patents must be added to the new patent expiration date legislated by the URAA. *Merck & Co., Inc. v. Kessler,* 903 F. Supp. 964 (E.D. Va. 1995). By this decision, the district court invalidated decisions of the PTO and FDA.

[7] H.R. REP. No. 98-857, 98th Cong., 2d Sess. (1984), reprinted in U.S. CODE CONG. & ADM. NEWS 2647, 2648 (1984).

Existing United States Patent Term

The United States adopted a 20-years-from-filing patent term by enacting the Uruguay Round Agreements Act of 1994. The 20-year term applies to all patents issuing on applications filed on or after June 8, 1995 (i.e., 6 months after enactment of the URAA). This term may be extended up to 5 years to compensate for delays in patent issuance caused by an interference proceeding, a government secrecy order, or a successful appeal to the Board of Patent Appeals and Interferences or the Court of Appeals for the Federal Circuit.[8]

The URAA sets a special term for patents in force and patents issued on the basis of applications pending before June 8, 1995. For these patents, the greater of 20 years from filing or 17 years from issuance applies.

Early Publication of Patent Applications

Under 35 U.S.C. §122, a patent application must remain confidential until the patent issues. Other countries make patent applications public after a fixed period of time.

As part of the effort to harmonize national patent laws with international standards, the Patent and Trademark Office's Advisory Commission on Patent Reform in March 1992 recommended that United States law be amended to require early publication of patent applications. In August 1994, the United States and Japan signed an agreement under which the Japanese Patent Office agreed to end its practice of allowing third-party, pre-issuance oppositions; process United States origin patent applications to issuance or final rejection within 36 months from filing (upon request); and end its practice of granting dependent patent compulsory licenses. In return, the United States agreed to introduce legislation to require publication of patent applications 18 months after filing.[9]

Hearings in the 104th Congress

Hearings were held in the 104th Congress on H.R. 1733, the predecessor to Title II of H.R. 3460 [now H.R. 400 in the 105th Congress] before the House

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[8] The patent extension is allowed under these conditions provided the delay covers more than three years after filing. The extension is reduced by any period during which the patent applicant fails to act with due diligence in prosecuting the application.

[9] Note that the commitment under the agreement with the Japanese Patent Office is to *introduce* legislation. Neither the GATT nor any formal agreement binds the United States to adopt early publication. The Government of Japan might rethink its commitments regarding pre-issuance oppositions, patent processing within 36 months, and dependent patent compulsory licensing, however, if the early publication legislation is not enacted.

Subcommittee on Courts and Intellectual Property on June 8, 1995, and again on November 1, 1995. The latter hearing also covered H.R. 359. Two related agreements between Japan and the United States on patent protection[10] were the subject of a hearing on October 25, 1995, before the House Subcommittee on International Economic Policy. Hearings were also held on April 25, 1996 before the House Small Business Committee and on May 2, 1996 before the House Subcommittee on Energy and Environment. The House Subcommittee on Courts and Intellectual Property marked up several patent bills on May 15, 1996 and combined them in a new omnibus bill, H.R. 3460.[11] The full House Judiciary Committee reported H.R. 3460 favorably on June 11, 1996. No further action occurred on H.R. 3460 in the 104th Congress.

COMPARISON OF H.R. 811 AND TITLE II OF H.R. 400

Summary of H.R. 811

This bill would amend the 1994 GATT legislation to apply to all patents the greater term of 17 years from patent issuance or 20 years from filing.

H.R. 811 also provides for publication of patent applications in three circumstances. First, if the applicant files or intends to file for a foreign patent, the Patent Commissioner may publish in the United States the data that is made public in the foreign country. Second, an application pending more than 5 years from filing shall be published 90 days after receipt of a notice of imminent publication from the Commissioner, unless the applicant petitions to delay publication and can demonstrate that the statutory conditions for publication have not been satisfied.[12] Third, if after the date of enactment, a continuing application is filed more than 6 months after the initial filing, the application will be published after notification from the Commissioner, unless the applicant can demonstrate a reason for the continuing application other than to achieve a delay in patent prosecution.

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[10] In addition to the August 1994 agreement noted earlier, Japan and the United States agreed in January 1994 as follows: Japan would permit the filing of patent applications in English by July 1, 1995, and allow for the correction of translation errors during examination and after grant of the patent; the United States promised to introduce legislation by June 1, 1994, to provide a 20-year-from-filing patent term. Both countries have carried out this agreement.

[11] With certain amendments, the following bills then pending in the 104th Congress were incorporated in the omnibus reform bill: H.R. 1659 became Title I; H.R. 1733 became Title II; H.R. 2235 became Title III; H.R. 2419 became Title IV; and H.R. 1732 became Title V.

[12] The application must have been filed after enactment of H.R. 811 and the application must not have been published previously by the PTO, not be under appellate review by the Board of Patent Appeals and Interferences, not be undergoing an interference proceeding, not be under any government secrecy order, is not being diligently pursued by the applicant, and is not in abandonment.

The purpose of the foreign data patent disclosure provision would be to give the American public easy access to technological information that is published by foreign patent offices. The purpose of the remaining two disclosure provisions would be to curtail or eliminate the practice of "submarine patenting," which some patent applicants have employed under the 17 year from issuance term.

"Submarine patenting" refers to a practice of deliberate delays by the applicant in prosecuting the patent application until the claimed technology is independently developed by competitors. When the patent issues, the competitor, who had expended research and development effort, must now license the technology from the patentee. While independent invention is never a defense to patent infringement, the practice of deliberate delays by the patent applicant distorts the purpose of the patent system, since the applicant withholds the disclosure of the claimed technology from the public and prolongs the effective period of exclusivity.[13]

Summary of Title II of H.R. 400

Early publication of patents. One of the primary purposes of Title II of H.R. 400 is to amend 35 U.S.C. §122 to require public disclosure of patent applications 18 months after the earliest filing date for which a benefit is sought. Upon request by the applicant[14] at the time of first filing, however, the application will not be published until 3 months after the first Patent and Trademark Office action pursuant to 35 U.S.C. §132, even if that occurs later than 18 months after filing. To qualify for this delay, the applicant must also certify that no foreign patent filing has been or will be made.

Patent term extension. With respect to extensions of the 20-year term, H.R. 400 would add the justification of an "unusual administrative delay" by the PTO in issuing the patent, to the three justifications already legislated by the URAA. Moreover, extensions up to 10 years (instead of the 5 years of existing law) would be available in the case of appeals and unusual administrative delay. In the case of delays related to interferences or government secrecy orders, the patent could be extended for the period of delay without a cap. The extension period is reduced, however, if the applicant fails to make "reasonable efforts to

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[13] Judicial relief against submarine patenting may now be available. A district court in Nevada recently adopted a magistrate judge's ruling that eleven "famous" submarine patents held by Jerome Lemelson (for bar code technology and "machine vision" technologies) are unenforceable under the doctrine of "continuing application laches." *Ford Motor Co. v. Lemelson,* 1995 WL 628330 (magistrate's opinion of June 16, 1995), confirmed and adopted by district court April 11, 1996 (D. Nev. 1996) (unreported).

[14] H.R. 3460 in the 104th Congress had restricted the right to request delay to independent inventors, small entities, and universities.

conclude processing or examination."[15] The Director of the PTO prescribes by regulation the circumstances under which a patent extension period is reduced by failure of an applicant to make such "reasonable efforts." The PTO must establish procedures for contesting its determinations concerning patent term extensions.

H.R. 400 creates statutory standards for determining what constitutes "unusual administrative delay." Basically, if the Patent Office takes more than 14 months from filing to reject or allow a patent application, the patent is extended for the delay beyond 14 months. In the case of replies and administrative appeals, if the Patent Office takes more than 4 months to respond or act on an application, the patent is extended for the delay beyond 4 months. Also, if issuance takes more than 4 months after payment of the issue fee, the patent is extended for the period of the delay. Finally, as amended by the House Subcommittee on Courts and Intellectual Property and the House Judiciary Committee, if the patent issues more than 3 years after filing, the patent term is extended for the delay beyond 3 years, provided the applicant responds to PTO requests within 3 months and has not requested further examination, benefitted from an extension of the patent term for reasons other than administrative delay, has not sought appellate review, or otherwise requested a delay.

Provisional rights. The patent grant under H.R. 400 includes the right to obtain a reasonable royalty, during the period between publication of the application and patent issuance,[16] from any person who makes, uses, offers for sale, or sells in the United States, or imports into the U.S., the invention or the patented process. The royalty right applies after publication of a domestic or international patent application, provided the user had actual knowledge of an English language version of the published application.

No new pre-issuance oppositions. Title II of H.R. 400 does not operate to create any new opportunity for pre-issuance opposition, and the Director of the PTO may issue regulations to ensure this outcome.

Limited reexamination. The Director of the PTO is to prescribe regulations to provide for limited reexamination of a patent and is authorized to reduce the fee by 50% for qualifying small entities.

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[15] Existing law requires the applicant to act with "due diligence" to avoid attribution of the delays to him or her, with the consequent loss of extensions beyond 20 years from filing.

[16] The royalty right attaches only upon patent issuance, but is made retroactive to the publication of the application. To obtain the royalty, the invention claimed in the patent must be substantially identical to the invention claimed in the published application. The royalty is available only in an action brought not later than six years after issuance.

Report on early publication. The Director of the PTO must report to Congress on April 1, 2001 and annually thereafter regarding the impact of early publication on independent inventors.

PROS AND CONS OF H.R. 811 AND TITLE II OF H.R. 400

Basic patent term issues

H.R. 811 proposes to compute the patent term for all patents from the greater of 17 years from issuance or 20 years from filing.

Opposition to an earlier version of the bill (H.R. 359 in the 104th Congress) had focused on objections to "submarine" patenting, which is made more feasible by a patent term based on issuance. As will be discussed later in a section on "submarine patenting," the changes included in H.R. 811 arguably address the problem by substantially restricting the opportunities for delays in patent prosecution.

The second objection to H.R. 811 relates to international harmonization of the patent term. It can be argued that Article 33 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (known as "TRIPS") implicitly obligates the United States to adopt a patent term based on the filing date in the interest of patent harmonization.[17] Article 33 reads as follows:

> "The term of protection available shall not end before the expiration of a period of twenty years counted from the filing date."

Arguably, this commitment does not allow the United States permanently to apply the 17-year period from issuance, even if the period of putative protection (17 years of the patent term plus the period of PTO pendency) is greater than twenty years from filing. Other developed countries apply a term computed from the filing date.

The contrary interpretation is that the United States can satisfy Article 33 by a term computed from patent issuance if the period of protection is greater

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[17] "Patent harmonization" refers to the effort to adopt by consensus a body of common principles of patent law, including duration, scope of rights, patent examination standards, and enforcement of rights. The existing international patent treaty -- the Paris Industrial Property Convention -- does not create a common body of patent principles. In the case of patent term, developed countries apply a minimum 20-year term from filing. It has been argued that one effect of H.R. 811 would be that patents would survive in the United States after expiration in other developed countries. It is then argued that U.S. consumers would pay patent costs and higher prices for products based on inventions that have expired in other countries. The counter-argument is that a strong patent system plays a major role in the creation of wealth and the maintenance of a strong United States economy. A guaranteed patent term, it is argued, is necessary to the continuation of a strong patent system.

than 20 years from filing. Support for this interpretation can be found in the Administration position on the URAA patent term provision. While the Administration favors the 20 year from filing term, then United States Trade Representative Mickey Kantor assured Senator Robert Dole during the consideration of the 1994 GATT and the URAA that, if the Congress revisits the patent term issue and concludes that the term should be the greater of 17 years from issuance or 20 years from filing, the Administration would not oppose this legislation.[18] The clear premise underlying the Administration's position is that the 1994 GATT does not obligate the United States to apply a patent term computed from filing.

Early publication issues

One of the primary purposes of Title II of H.R. 400 is to require publication of patent applications 18 months after the earliest filing on which a benefit is claimed. The United States does not have a formal GATT obligation to adopt early publication, but early publication is generally viewed as a natural complement to a term computed from filing. In order to mitigate the impact that the 20-year filing provision may have on some inventors,[19] H.R. 400 would give applicants the right to delay publication until 3 months after the first PTO action, provided the applicant requests the delay at the time of filing and certifies that no foreign filing was or will be made for the patent.

Supporters of Title II of H.R. 400 argue that the bill will end the practice of submarine patenting (which deprives the public of the intended benefits of the patent system); disclose the technology in foreign origin U.S. patents so that U.S. companies will have prompt access to a comprehensive technological database similar to what foreign companies obtain from their patent offices; enable researchers to avoid wasteful, duplicative research already completed by others; permit companies to avoid investing in the commercialization of inventions to which another has a superior claim; benefit consumers by ending United States patent terms generally upon expiration of the patent abroad;

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[18] Letter of Michael Kantor to Senator Robert Dole, dated November 23, 1994, as reprinted in 140 CONG. REC. S15342 (daily ed. December 1, 1994).

[19] Computation of the patent term from filing of the application probably impacts independent inventors more than corporations. Under this system, both the PTO and patent applicants are under pressure to accelerate processing and prosecution of the application. Corporations have greater legal and financial resources to meet the challenge of accelerated processing than most independent inventors. Also, large corporations are able to acquire any needed venture capital more easily and market the product earlier than independent inventors and small businesses. While the existing law allows for extension of the 20 year period under three circumstances and H.R. 400 would add a fourth justification (thereby providing applicants opportunities to mitigate any burdens that may flow from a term based on filing), patent applicants must proceed with "due diligence" (existing law) or "reasonable efforts" (proposed by H.R. 400) to avoid responsibility for the delay, which would then have the effect of reducing the period of real time protection.

extend patent terms to account for delays (which are not the fault of the applicant); and give inventors who forego foreign patenting a grace period before publication of their applications.[20]

Opponents argue that the bill's inclusion of a possible delay in "early" publication does not satisfy the concerns of independent inventors. They argue that the bill forces independent inventors to make an early decision (at the time of first application) to forego all foreign patenting in order to delay publication; under existing law inventors can use the international patent procedure of the Patent Cooperation Treaty to wait 30 months before proceeding with a foreign patent. (The international application is, however, ordinarily subject to publication at 18 months.)[21] Even if individual inventors opt to delay publication by foregoing foreign patents, opponents argue, the period of delay is much too short. The real delays in patent processing occur after the first PTO action, so postponement of publication to 3 months after the first office action does not result in a sufficient delay, it is argued. Opponents also argue that individual inventors will be highly vulnerable to costly interferences, which, they say, will be increased by H.R. 400. According to opponents of early publication, this vulnerability to interferences is particularly burdensome because of another URAA amendment. Under 35 U.S.C. §104 as amended in

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[20] *See*, for example, Statement of Michael Kirk, Executive Director of the American Intellectual Property Law Association, at the May 2, 1996 hearing before the House Subcommittee on Energy and Environment, reported at 52 *BNA Patent, Trademark, & Copyright Journal* 42 (May 9, 1996); Statement of Donald Dunner, Intellectual Property Law Section of the American Bar Association, at the April 25, 1996 hearing before the House Small Business Committee, reported at 52 *BNA Patent, Trademark & Copyright Journal* 9 (May 2, 1996); Statements of James Ferguson and William Budinger at the November 1, 1995 hearing on H.R. 359 and H.R. 1733 before the House Subcommittee on Courts and Intellectual Property, reported at 51 *BNA Patent, Trademark & Copyright Journal* 51-52 (November 9, 1995). These statements were made about provisions in H.R. 1733 that have been re-introduced in H.R. 400.

[21] The PCT international application is subject to publication by the World Intellectual Property Organization after 18 months from the priority date, "unless all countries which were designated in the international application have declared that, as far as they are concerned, international publication is not necessary." H.R. REP. NO. 94-592, 94th Cong., 1st Sess. (1975), reprinted in U.S. CODE CONG. & ADM. NEWS 1220, 1222 (1975). The United States is one country that has declared that publication of the international application is not needed. PCT publication therefore depends upon the particular countries designated in the international application. Publication occurs at 18 months unless every country designated in the application declares publication is not needed.

1994, knowledge or use of an invention in a NAFTA[22] or WTO[23] country may be cited as prior inventive activity in PTO proceedings.[24]

Patent term extensions

Title II of H.R. 400 adopts a patent term extension proposal favored by supporters of early publication. The patent term would be extended to compensate for delays by the Patent and Trademark Office in taking its first action more than 14 months from filing, or in taking more than 4 months to act on replies, appeals, or patent issuance after payment of the issue fee. The term is also extended for the period of the delay if the patent is not issued within 3 years of filing, provided the applicant responds to PTO requests within 3 months and has not requested further examination, benefitted from an extension of the patent term for reasons other than administrative delay, has not sought appellate review, or otherwise requested a delay. The PTO is not obliged to accelerate processing of patent applications by H.R. 400, but the term extension provisions should spur more expedited processing. The provisions apply to all patents.[25]

The patent term extension provisions of H.R. 400 are generally welcomed by supporters and opponents of the bill. However, opponents argue that a guaranteed patent term is preferable to possible term extensions. They are

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[22] North American Free Trade Agreement, now in effect between the United States, Canada, and Mexico.

[23] World Trade Organization, the new name for the 120-odd members of the GATT.

[24] Alliance for American Innovation, Talking Points on H.R. 359, H.R. 1732, and H.R. 1733 (unpublished position paper). *See also,* Statements of Raymond Damadian, Robert Rines, and David Hill at the November 1, 1995 hearing on H.R. 359 and H.R. 1733 Before the House Subcommittee on Courts and Intellectual Property, reported at 51 *BNA Patent, Trademark & Copyright Journal* 52 (November 9, 1995); Statement of Donald Banner, Banner & Allegretti Ltd., hearing before the House Small Business Committee on April 25, 1996, reported at 52 *BNA Patent, Trademark, & Copyright Journal* 8 (May 2, 1996); Statements of Professor James Chandler of the National Intellectual Property Law Institute and Terry Bibbens, Office of Advocacy of the Small Business Administration, at the May 2, 1996 hearing before the House Subcommittee on Energy and the Environment, reported at 52 *BNA Patent, Trademark & Copyright Journal* 42 (May 9, 1996). These statements were made about provisions in the predecessor bills, H.R. 1733 and H.R. 3460, that have been re-introduced in H.R. 400.

[25] The PTO reports that the average patent pendency period is now 19.5 months. Some members of the patent community argue, however, that significant, breakthrough patents generally take years of prosecution before issuance. Also, when applications are amended, the PTO often assigns a new "filing date" for purposes of computing the pendency period, which, it is argued, distorts the true pendency period. Paul Crilly, "Does the Patent Application Process Take 19 Months?," prepared for Alliance for American Innovation (unpublished position paper).

concerned that the Director's authority to define "reasonable efforts" in prosecuting a patent could be used unfairly to limit the patent term extensions. As a check on the Director's authority to define delays by patent applicants, however, H.R. 400 requires the PTO to establish procedures for contesting its determinations concerning patent term extensions.

"Submarine" patents

Both H.R. 811 and Title II of H.R. 400 provide for publication of patent applications before patent issuance. The pre-issuance disclosure provisions of H.R. 400 should effectively end submarine patenting: except for applications by inventors who forego foreign patenting and request delay, patent applications would be published 18 months after filing. The confidentiality of pending applications would generally end at 18 months from filing, irrespective of when the patent issues.

Under H.R. 811, the confidentiality of pending applications would be maintained generally for 5 years (plus a few months), unless the patent issues earlier than 5 years after filing. However, if the applicant files or intends to file for a foreign patent, the U.S. Patent Commissioner may publish the same data that is made public by publication of the foreign application. Also, the U.S. application is subject to publication, after notice by the Commissioner and an opportunity to respond, unless the applicant can demonstrate that the amended statute does not require publication of an application pending more than 5 years or of a continuing application filed more than 6 months after the initial filing. The patent disclosure provisions of H.R. 811 should substantially curtail the practice of submarine patenting and may effectively end the practice.

Supporters of H.R. 359 (predecessor to H.R. 811) in the 104th Congress had contended that the submarine patenting issue has been exaggerated. One witness at the House Subcommittee hearing on H.R. 1733 (the predecessor to Title II of H.R. 400) stated that submarine patents account for 0.028% of patent applications. Also, this witness stated that 50 percent of submarine patents are United States government patents.[26]

These statements are consistent with an August 1995 report of the PTO, at least in the case of patents issued after a 20-year delay. This report discloses that of 627 submarine patents issued after a 20-year delay, 68% were subject to a government secrecy order.

Some opponents of H.R. 359 in the 104th Congress counter-argued that even a relatively small number of submarine patents can be harmful to the patent system, and that patents intentionally delayed by applicants for less than 20 years (e.g., 10 to 20 years) can disrupt businesses which have

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[26] Statement of Kenneth Addison of the Oklahoma Inventors Congress, *Hearings on H.R. 1732 and H.R. 1733 Before the House Subcommittee on* Courts *and Intellectual Property*, 104th Congress, 1st Sess. (June 8, 1995).

commercialized the particular technology under the belief that it is in the public domain.

The pre-issuance patent disclosure provisions of H.R. 811 have strengthened the barriers to submarine patenting compared to the disclosure provisions of H.R. 359 in the 104th Congress.

CONCLUSIONS

H.R. 811 and Title II of H.R. 400 address closely related issues with respect to early publication of patent applications and patent term.

H.R. 811 would change the computation of the patent term. All patents would enjoy the greater of a 20-year period from filing or a 17-year period from patent issuance. Title II of H.R. 400 leaves essentially intact the patent term amendments adopted to implement the GATT 1994 but increases the opportunities for, and the length of, patent term extensions. H.R. 400 adds the criterion of "unusual administrative delay" to the existing three justifications for extension of the 20-year term, caps the extension at 10 years in the case of appeals and administrative delays, and allows unlimited extensions for delays caused by interferences and government secrecy orders.

One of the primary objectives of Title II of H.R. 400 as stated by its supporters is to end the confidential status of pending patent applications and require early publication generally within 18 months after filing. This provision is consistent with the patent laws of other developed countries and complements the 20-year-from-filing term. H.R. 811 deals with early publication in the context of disclosure of data in foreign patent applications and restrictions to curtail or eliminate abuses of "submarine patenting." It would permit publication of the data in a foreign application after disclosure by a foreign patent office. H.R. 811 also provides for pre-issuance publication of applications pending more than 5 years from filing or of a continuing application filed more than 6 months after a first filing, unless the applicant can demonstrate that certain statutory conditions for publication have not been satisfied. Both bills seek to curtail submarine patenting and would likely end the practice.

H.R. 400 contains several provisions intended to ameliorate the effect of an early publication requirement on inventors. These provisions include the right of inventors who forego foreign patenting to delay publication until 3 months after the first PTO action; the right to obtain reasonable royalties (once the patent is granted) from publication until issuance; the liberal extensions of the patent term for appeals and administrative delays; and unlimited extensions for delays caused by interferences and government secrecy orders.

Unless the PTO reduces the extended term for lack of reasonable efforts by the patent applicant, the term extension provisions should result in patent terms in excess of 20 years from filing for breakthrough patents (or any other patent subjected to delays in patent processing). The term extension provisions

would seem to provide approximately the same patent term as would be available under a 17-years-from-issuance term. Opponents of Title II of H.R. 400 argue, however, that administratively-determined term extensions are no substitute for a guaranteed statutory patent term.