Order Code RS20249
Updated October 19, 1999

CRS Report for Congress
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H.R. 1907, 106th Congress: American Inventors Protection Act of 1999

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Summary

On May 26, 1999, the House Judiciary Committee approved H.R. 1907, which, if enacted, would make significant changes in the patent laws. H.R. 1907 has a number of similarities to H.R. 400, 105th Congress, which was passed by the House but not acted on by the Senate. Major provisions of the bill include provisions to protect inventors from unscrupulous invention marketing services, allow an infringement defense for one who first develops a technology but fails to patent it, extend patent terms in cases of administrative delay by the Patent and Trademark Office, expand participation in patent reexamination procedures by third-party requesters, and transform the Patent and Trademark Office into an independent agency under the policy direction of the Secretary of Commerce. On August 4, 1999, the House passed H.R. 1907 in a somewhat different version from the Committee-approved bill. Major differences in the House-passed version from the Committee-approved version include eliminating process patents from the first inventor defense of Title II and changes to Title V concerning the optional inter partes reexamination procedure. On October 8, 1999, H.R. 1907 as passed by the House was referred to the Senate Committee on the Judiciary.

On May 26, 1999, the House Judiciary Committee approved a bill, H.R. 1907, which, if enacted, would make significant changes to the patent laws. The bill has a number of similarities to H.R. 400, 105th Congress, which the House passed in the last Congress but which was not acted on by the Senate. On August 4, 1999, the House passed H.R. 1907 in a somewhat different version from the Committee-approved bill. This report summarizes major provisions of the titles of the Committee-approved version and the House-passed version.[1]

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[1] For additional information on patent reform attempts in the 105th Congress, *see* Schrader, Patent Reform: Overview and Comparison of S. 507 and H.R. 400, CRS Report 97-591 A(April 16, 1998) and Moe, Reorganizing the Administration of Patents and Trademarks: The Government Corporation Option, CRS Report 97-447 (July 7, 1997).

Title I: Inventors' Rights

Title I concerns inventors' rights. The Committee-approved version and the House-passed version are very similar. This title would regulate the activities of invention promotion services. It would require every contract for invention promotion services to be in writing.

The contract would be voidable at the option of the customer if it does not comply with required provisions or if it is entered into in reliance upon any material false, fraudulent, or misleading information, representation, notice, or advertisement of the invention promoter. A waiver of any stated requirement would be void and unenforceable.

An injured customer could in a civil action recover against the invention promoter, in addition to reasonable costs and attorneys' fees, the greater of $5000 or the amount of actual damages which he has sustained. The court could increase damages up to three times the amount awarded.

If a person providing invention promotion services used any false or misleading statement, representation, or omission of material fact or failed to make all of the required disclosures, he could be fined up to $10,000 for each offense.

Title II: First Inventor Defense

Title II would allow an infringement defense for one who actually reduced the subject matter to practice at least one year before the effective filing date of the patent and commercially used the subject matter before the effective filing date of the patent.

In the Committee-approved version a person would not be able to assert this defense unless the invention were for a process or method, the exclusive purpose of which would be to produce a useful end product or service. In the House-approved version the defense could be used only if the invention were for a method.

A person who had abandoned commercial use of the subject matter could not rely upon activities performed before the date of the abandonment in establishing a defense concerning actions taken after the date of the abandonment.

Title III: Patent Term Guarantee

Title III would extend patent terms in instances in which there have been administrative delays by the Patent and Trademark Office (PTO).

If the original patent were delayed because of the failure of PTO to notify concerning the rejection of or objection to a patent claim within fourteen months after the application had been filed, responded to a reply or appealed within four months, acted on an application within four months after the date of a decision by the Board of Patent Appeals and Interferences or a decision by a federal court, or issued a patent within four months after payment of the issue fee and all outstanding requirements were satisfied, the term of the patent would have to be extended one day for each day after the end of the period specified.

If the issue of an original patent were delayed because of the failure of PTO to issue a patent within three years of the actual filing date of the application in the United States, the term of the patent would have to be extended one day for each day after the end of that three-year period until the patent had been issued.

The period of adjustment of the term of a patent would have to be reduced by a period equal to the period of time during which the applicant failed to engage in reasonable efforts to conclude prosecution of the application. An applicant would be deemed to have failed to engage in reasonable efforts to conclude processing or examination of an application if he had not responded within three months to PTO requests.

Patent term adjustment requests would be appealable to the United States District Court for the District of Columbia.

Title IV: United States Publication of Patent Applications Published Abroad

Applications for patents filed only in the United States would be kept confidential by PTO. If a patent application were also filed abroad, it would be published after the expiration of eighteen months after the earliest filing date for which a benefit is sought.

Requirements for the content of the patent application published in the United States would not be required to be more extensive than those required by the foreign patent system.

A patent would include the right to obtain a reasonable royalty from any person who during the publication period had used the invention.

Title V: Patent Litigation Reduction Act/Optional Inter Partes Reexamination Procedure

Committee-Approved Version

Under the Committee-approved version a third party requester was defined as a person not the patent owner who is requesting reexamination of a patent.

Any person could cite to PTO prior art consisting of patents or printed publications which that person believed to have a bearing on the patentability of a particular patent.

Any person could file a request for reexamination by PTO of a patent on the basis of any cited prior art. Not later than three months after the filing of a request for reexamination, the Director of PTO would be required to determine whether a substantial new question of patentability had been raised by the request. A determination by the Director would be final and nonappealable.

The patent owner involved in a reexamination proceeding could appeal concerning any decision adverse to the patentability of any original, proposed amended, or new claim of the patent and could be a party to any appeal taken by a third-party requester.

A third-party requester could appeal concerning any final decision favorable to the patentability of any original, proposed amended, or new claim of the patent or be a party to any appeal taken by the patent owner.

Once an order for reexamination of a patent had been issued, neither the patent owner nor the third-party requester could file a subsequent request for reexamination of the patent until a reexamination certificate had been issued and published.

Once a final decision had been entered against a party on the basis that the party had not sustained its burden of proving the invalidity of any patent claim or if a final decision in a reexamination proceeding instituted by a third-party requester were favorable to the patentability of any original, proposed amended, or new claim of the patent, that party could not request reexamination based on issues which could have been raised.

A patent owner or third-party requester could appeal to the Board of Patent Appeals and Interferences and from there only to the United States Court of Appeals for the Federal Circuit.

House-Passed Version

The House-passed version defines third party requester as a person requesting ex parte reexamination or inter partes reexamination and who is not the patent owner.

A new chapter 31, entitled "Optional Inter Partes Reexamination Procedures," would be added to title 35. Under this new chapter any person at any time could file a request for inter partes reexamination of a patent on the basis of cited prior art.

Not later than three months after the filing of a request for inter partes reexamination, the Director of PTO would be required to determine whether a substantial new question of patentability affecting any claim of the patent is raised by the request. The Director may at any time determine whether a substantial new question of patentability is raised. A determination by the Director would be final and nonappealable.

If the Director finds that a substantial new question of patentability has been raised, the determination must include an order for inter partes reexamination of the patent for resolution of the question. The order may be accompanied by the initial action of PTO on the merits of the inter partes reexamination.

Reexamination must be conducted according to procedures established for initial examination, subject to certain exceptions. The patent owner is permitted to propose any amendment to the patent, except that no proposed amended or new claim enlarging the scope of the claims of the patent is permitted.

The patent owner involved in an inter partes reexamination may appeal concerning any decision adverse to the patentability of any original or proposed amended or new claim of the patent and may be a party to an appeal taken by a third party requester. A third party requester may appeal concerning any final decision favorable to the patentability of any original or proposed amended or new claim of the patent or be a party to any appeal taken by the patent owner.

When the time for appeal has expired or any appeal proceeding has terminated, the Director shall publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent any proposed amended or new claim determined to be patentable.

Once an order for inter partes reexamination has been issued, neither the patent owner nor the third party requester may file a subsequent request for inter partes reexamination until an inter partes reexamination certificate is issued and published, unless authorized by the Director.

Once a final decision has been entered against a party in a civil action that the party has not sustained its burden of proving the invalidity of any patent claim or if a final decision in an inter partes reexamination proceeding instituted by a third party requester is favorable, then that party may not later request inter partes reexamination of any patent claim on the basis of issues which that party raised or could have raised. This does not prevent the assertion of invalidity based on newly discovered prior art unavailable to the third party requester and PTO at the time of the inter partes reexamination proceedings.

Appeals to the Board of Patent Appeals and Interferences and to the Court of Appeals for the Federal Circuit may be permitted.

Title VI: Patent and Trademark Office

The Committee-approved version and the House-passed version are very similar. The following provisions appear in both versions.

Title VI would establish the Patent and Trademark Office as an independent agency within the Department of Commerce. It would be subject to the policy direction of the Secretary of Commerce but would retain responsibility for decisions concerning the management and administration of its operations.

Title VI would also establish a Patent Public Advisory Committee and a Trademark Public Advisory Committee. Each committee would have nine voting members appointed by the Secretary of Commerce for a term of three years. Members of each committee would be required to be citizens of the United States, would include members representing small and large entity applicants in proportion to the number of applications filed by these members but in no case would small entity members constitute less than 25 percent of the members, and would include persons with achievement in finance, management, labor relations, science, technology, and office automation. Each committee would include a nonvoting representative of each labor organization recognized by PTO. The duties of each committee would include reviewing the policies, goals, performance, budget, and user fees of PTO and advise the Director on these matters.

All fees authorized or established could be used by PTO in carrying out its duties.

A Board of Patent Appeals and Interferences would be created within the Patent and Trademark Office. This board, on written appeal of an applicant, would review adverse decisions of patent examiners and would determine the priority and patentability of inventions in certain circumstances.

Title VII: Miscellaneous Patent Provisions

Miscellaneous provisions include the treating of the abandonment of provisional patent applications, international applications, and electronic filing and requiring a study and report on biological deposits in support of biotechnology patents.