Order Code RS20407
Updated February 28, 2000

CRS Report for Congress
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American Inventors Protection Act of 1999

Michael V. Seitzinger
Legislative Attorney
American Law Division

Summary

After several years of consideration, on Friday, November 19, 1999, Congress gave final approval to a bill which makes major changes to the patent laws. On this day the Senate passed the American Inventors Protection Act of 1999 as part of the Intellectual Property and Communications Omnibus Reform Act of 1999, attached by reference to the Consolidated Appropriations Act for Fiscal Year 2000. Major provisions of the bill include provisions to protect inventors from unscrupulous invention marketing services, reducing certain patent fees, allow an infringement defense for one who first develops and commercially uses the subject matter, extend patent terms in cases of administrative delay by the Patent and Trademark Office, provide for publication of the patent after a certain period of time, provide for optional inter partes reexamination procedures, and transform the Patent and Trademark Office into an independent agency under the policy direction of the Secretary of Commerce.

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[1] Patent reform provisions in the 106th Congress passed the House on August 4, 1999 (H.R. 1907) and the Senate Judiciary Committee on November 2, 1999 (S. 1798). The House-Senate Conference Committee incorporated patent reform in Title IV of H.R. 1554 (See H.Rept. 106-464). Congress approved the Intellectual Property and Communications Omnibus Reform Act of 1999 (S. 1948) on November 19, 1999. The Act is attached to the Consolidated Appropriations Act for fiscal year 2000 (H.R. 3194; H.Rept. 106-479).

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Subtitle A: Inventors' Rights Act of 1999

This subtitle requires an invention promoter to disclose certain information to a customer in writing before entering into a contract for invention promotion services. This information includes the total number of inventions evaluated by the invention promoter for commercial potential in the past five years and how many of these received positive and negative evaluations, the total number of customers who have contracted with the invention promoter in the past five years, the total number of customers known by the invention promoter to have received a net financial profit as a result of his services, the total number of customers known by the invention promoter to have received license agreements as a result of his services, and the names and addresses of all previous invention promotion companies with which the invention promoter has been affiliated in the past ten years.

A customer of an invention promoter injured by any material false or fraudulent statement, omission, or disclosure of required information may recover in a civil action, in addition to reasonable costs and attorneys' fees, actual damages or damages not exceeding $5000. In certain circumstances treble damages may be awarded.

Complaints made against invention promoters are to be made available to the public.

Subtitle B: Patent and Trademark Fee Fairness

This subtitle reduces certain specified patent fees. Additional authority allows adjustments in trademark fees with respect to fluctuations in the Consumer Price Index. A study on alternative fees is authorized. Trademark fees are required to be spent on trademark-related operations.

Subtitle C: First Inventor Defense

This subtitle allows 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.

The sale of a useful end product produced by a patented method shall exhaust the patent owner's rights to the extent that the rights would have been exhausted if the sale had been made by the patent owner.

The defense to infringement is subject to a number of limitations and qualifications. For example, a person may not assert the defense unless the invention is for a business method. A person asserting the defense has the burden of establishing the defense by clear and convincing evidence.

The earlier inventor defense is apparently important to many small and large businesses, especially in light of the 1998 opinion by the U.S. Court of Appeals for the

Federal Circuit in *State Street Bank and Trust Co.* v. *Signature Financial Group,*[2] which held that methods of doing business are patentable.

Subtitle D: Patent Term Guarantee

This subtitle would extend patent terms in instances in which there have been administrative delays by the Patent and Trademark Office (PTO). In most instances the patent shall be extended one day for each day of delay after the end of a specified period.

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 shall 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.

Subtitle E: Domestic Publication of Patent Applications Published Abroad

Applications for patents filed only in the United States shall be kept confidential by PTO.

An application for a patent shall in most cases be published promptly after the expiration of eighteen months from the earliest filing date for which a benefit is sought.

An application shall not be published if it is for a design patent.

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

Subtitle F: Optional Inter Partes Reexamination Procedure

A new chapter 31, entitled "Optional Inter Partes Reexamination Procedures," is added to title 35 of the United States Code. 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 is required to determine whether a substantial new question of

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[2] 149 F.3d 1368 (Fed. Cir. 1998).

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 is 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 patentability. 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, 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 art unavailable to the third party requester and PTO at the time of the inter partes reexamination proceedings.

Third parties can appeal a PTO determination that a reexamined patent is valid to the PTO Board of Appeals and Interferences but not to the Court of Appeals for the Federal Circuit.

Subtitle G: Patent and Trademark Office

This subtitle 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.

This subtitle 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 cases 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.

Subtitle H: Miscellaneous Patent Provisions

Miscellaneous provisions include the treating of the abandonment of provisional patent applications, international applications, electronic filing, a study and report on biological deposits in support of biotechnology, and prior art exclusion for certain commonly assigned patents.