PATENT TERMS AND EARLY PUBLICATION: COMPARISON OF H.R. 359, H.R. 1733, AND THE 1994 URAA PATENT TERM PROVISIONS

SUMMARY

This report compares the provisions of H.R. 359, H.R. 1733, and the Uruguay Round Agreements Act of 1994 ("URAA") with respect to the patent term and early publication of patent claims (i.e., disclosure of the claimed invention before patent issuance). The bills address disparate issues primarily, but they overlap slightly with respect to early publication of patent claims.

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. 359 fundamentally 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 requiring publication of the patent application within 5 years after filing.

H.R. 1733's primary purpose 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. This bill should effectively end the practice of "submarine patenting." H.R. 1733 also deals slightly with the patent term. It leaves essentially intact the amendments adopted to implement the 1994 GATT. To the existing three justifications for extension of the 20-year term, H.R. 1733 adds the criterion of "unusual administrative delay" and caps the extension at 10 years rather than the 5 years of existing law.

In general, H.R. 359 is supported by independent inventors who opposed the 1994 GATT and who do not usually file for foreign patents. Universities and the biotech industry also support this bill. H.R. 1733 is supported by corporations -- especially those who file for foreign patents -- and by the organized patent bar, and associations of patent owners. These same groups generally supported the 1994 GATT.

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This report compares the provisions of H.R. 359, H.R. 1733, and the Uruguay Round Agreements Act of 1994 ("URAA")[1] with respect to the patent term and early publication of patent claims (i.e., disclosure of the claimed invention before patent issuance). The bills address disparate issues primarily, but they overlap slightly with respect to early publication of patent claims. H.R. 359 fundamentally 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. H.R. 1733's primary purpose 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.

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).[2] The 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.

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

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[1]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").

[2]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. 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,* Nos. 95-1005-A, 95-1052-A, 95-1103-A, and 95-1236-A, E.D. Va., October 16, 1995. By this decision, the district court invalidated decisions of the PTO and FDA.

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 deceptively 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.[3]

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.

Existing United States Patent Term

The United States adopted a 20-year-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., six months after enactment of the URAA). This term may be extended up to five 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.[4]

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[3]Under the 17 year from patent issuance term, delays were harmful essentially only for products which, although already the subject of valid patents, required federal regulatory approval before they could be marketed.
The delays associated with pharmaceutical patents, as noted above, were addressed by the 1984 Patent Restoration Act.

[4]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.

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 will end its practice of allowing third-party, pre-issuance oppositions, and the United States will introduce legislation to require publication of patent applications 18 months after filing.[5]

COMPARISON OF H.R. 359 AND H.R. 1733

Pending bills (H.R. 359; H.R. 1733) address the issues of patent term and early publication of patent applications. H.R. 359 primarily addresses patent term, but also requires disclosure of the patent application after five years. H.R. 1733 primarily addresses early publication of patent applications, but also adjusts the conditions under which the 20 year period can be extended.

Hearings were held on H.R. 1733 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. Two related agreements between Japan and the United States on patent protection[6] were the subject of a hearing on October 25, 1995, before the House Subcommittee on International Economic Policy.

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[5]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 commitment regarding pre-issuance oppositions, however, if the early publication legislation is not enacted.

[6]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.

Summary of H.R. 359

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

H.R. 359 also provides for publication of patent applications where the applicant files continuing applications that claim the benefit of an original filing date more than five years earlier. The purpose of this patent disclosure provision would be to guard against 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.

Summary of H.R. 1733

The primary purpose of H.R. 1733 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 independent inventors, however, the application will not be published until three months after the first Patent and Trademark Office action on the claim, even if that occurs later than 18 months after filing.

With respect to extensions of the 20-year term, H.R. 1733 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 5 years) would be available. The extension would not be available, of course, if the patent issues within three years after filing. Also, the extension period is reduced if the applicant fails to make "reasonable efforts to conclude processing or examination."

Analysis of H.R. 359 and H.R. 1733

H.R. 359 proposes to compute the patent term for all patents from the greater of 17 years from issuance or 20 years from filing. Opposition to the bill has focused on objections to "submarine" patenting, which is made more feasible by a patent term based on issuance. Also, 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. 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 than 20 years from filing. Strong 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, United States Trade Representative Mickey Kantor assured Senator Dole during the consideration of the 1994 GATT and the URAA that, if the Congress revisits the patent term issue and concludes that the Dole-Rohrabacher term proposal[7] should be adopted, the Administration would not oppose this legislation.[8] The clear premise underlying this position is that the 1994 GATT does not obligate the United States to apply a patent term computed from filing.

H.R. 359 is supported by independent inventors who opposed the GATT 1994 and opposed adoption of the twenty-year from filing term. It is also supported by universities and the biotech industry. Opposition to H.R. 359 generally comes from those who supported the GATT 1994, especially corporations who engage in international trade and who seek foreign patents for their inventions.

The primary purpose of H.R. 1733 is to require publication of patent applications 18 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 necessary complement to a term computed from filing. In order to mitigate the impact of the 20-year filing provision on independent inventors,[9] H.R. 1733 would give such

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[7]This proposal is that the patent term should be the greater of 20 years from filing or 17 years from issuance, as proposed in S. 284 and H.R. 359.

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

[9]Computation of the patent term from filing of the application probably does burden 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. While the existing law allows for extension of the 20 year period under three circumstances and H.R. 1733 would add a fourth justification, patent applicants must proceed with "due diligence" (existing law) or "reasonable efforts" (proposed by H.R. 1733) to avoid responsibility for

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inventors the right to delay publication until three months after the first PTO action.

Organizations representing patent owners and practitioners, including the Intellectual Property Owners, the Intellectual Property Section of the American Bar Association, and the American Intellectual Property Law Association, support early publication. Many independent inventors, universities, and the biotech industry oppose early publication.

In general, those who file for foreign patents support H.R. 1733 because their applications are already subject to early disclosure under foreign laws. Those who never or rarely file for foreign patents, oppose early publication.

H.R. 1733's inclusion of delayed "early" publication for independent inventors does not seem to satisfy the concerns of the independent inventors it is intended to benefit.

Those who support early publication favor an alternative to the "three-month after first PTO action" requirement. They favor requiring the PTO to make an initial determination of patentability before publication, by requiring action within 14 months of filing, for example. The latter requirement of accelerated processing should apply to all patents, in the opinion of the supporters of H.R. 1733.

The PTO apparently reports that the average patent pendency is now 19.5 months. Some members of the patent community are skeptical about this statistic, or, at least believe that it is misleading, as averages sometimes are.

Some opponents of H.R. 359 contend that the bill continues the practice of submarine patenting, and do not find the bill's proposal for required publication after 5 years of pendency adequate to control the practice. By comparison, H.R. 1733's requirement of publication within 18 months of filing would presumably end submarine patenting.

Supporters of H.R. 359 contend that the submarine patenting issue has been exaggerated. One witness at the House Subcommittee hearing on H.R. 1733 stated that submarine patents account for 0.028 percent of patent applications. Also, this witness stated that 50 percent of submarine patents are United States government patents.[10]

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[9](...continued)
the delay, which would then have the effect of reducing the period of real time protection.

[10]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).

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 percent were subject to a government secrecy order.

CONCLUSIONS

H.R. 359 and H.R. 1733 address disparate issues, but they overlap slightly with respect to early publication of patent applications.

H.R. 359 fundamentally changes 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. H.R. 1733 only slightly deals with patent term. It leaves essentially intact the amendments adopted to implement the GATT 1994. H.R. 1733 adds the criterion of "unusual administrative delay" to the existing three justifications for extension of the 20-year term, and caps the extension at 10 years rather than the 5 years of existing law.

H.R. 1733's primary objective 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. 359 deals slightly with the early publication issue. It provides for publication within 5 years of filing rather than the 18 months proposed by H.R. 1733. Both bills seek to curtail submarine patenting, but H.R. 1733 would effectively end the practice.

In general, H.R. 359 is supported by independent inventors who opposed the GATT 1994 and who do not usually file for foreign patents. Many universities and the biotech industry also support H.R. 359. H.R. 1733 is supported by corporations, the organized bar, and associations of patent owners. These same groups generally supported the GATT 1994.