OISS Form 53 (Rev. 11-82)

CONGRESSIONAL RECORD
PROCEEDINGS AND DEBATES OF THE 98TH CONGRESS

EXTENSION OF REMARKS

BILL	DATE	PAGE(S)
H.R. 4528, H.R. 4527, H.R. 4526 & H.R. 4525	Nov. 18, 1983 Part III	E5777-79

REMARKS:
Introduced by Mr. Kastenmeier

PATENT REFORM BILLS INTRODUCED

HON. ROBERT W. KASTENMEIER
OF WISCONSIN
IN THE HOUSE OF REPRESENTATIVES

Friday, November 18, 1983

● Mr. KASTENMEIER. Mr. Speaker, today I am introducing a series of bills aimed at reforming our Nation's patent laws. I wish to take this opportunity to briefly review the nature of the bills and express my intentions about how these legislative proposals will be evaluated.

The Subcommittee on Courts, Civil Liberties and the Administration of Justice of the Committee on the Judiciary, which I chair, has long had direct legislative and oversight responsibilities for the American patent system. Part of the subcommittee's job is to secure for the owners of intellectual property, including patent holders, a workable, efficient and vigorous set of laws to protect their creations. It is only through implementation of the constitutional mandate of encouraging the sciences and the useful arts that we will be able to spur the inventive spirit that has made our country a world leader. Indeed, our ability to foster innovation is a central element to our national security for without technological and scientific developments we could not maintain our current standard of living or hope for the diminution of unemployment caused by foreign competition.

The bills I have introduced are likely to be seen by most observers as mundane or technical in nature. Each of the bills addresses a specific, narrow concern in the patent law. However, without enactment of these bills and other housekeeping oriented measures (such as H.R. 2610, relating to alternative forms of patent protection) the patent system will not be responsive to the challenges of a changing world.

Before describing in greater detail each of the measures discussed above, I wish to make clear that these bills should not be seen as representing a final legislative work product. Rather,

these bills were originally suggested by an ad hoc committee of patent law experts. These individuals (Rudolph J. Anderson, Robert B. Benson, Donald W. Banner, Homer O. Blair, Harry F. Manbeck, John E. Maurer, Pauline Newman, Donald J. Quigg, Richard C. Witte, Arthur R. Whale) worked long and hard to refine these proposals. The subcommittee is indebted to these individuals for their work in the public interest. Within the patent community there has been only a minimal amount of controversy about most of these measures. I fully expect, however, that some of these ideas will generate further interest as a result of the hearing process. Thus, in addition to describing the bills, I will endeavor to point out potential concerns which may arise during our consideration of these matters. Persons or organizations who wish to comment on these bills should contact the Subcommittee on Courts, Civil Liberties, and the Administration of Justice, 2137-B Rayburn House Office Building, Washington, D.C. 20515 (phone 225-3926).

The first bill, H.R. 4524, slightly modifies the rules applicable to foreign patent filings. Under current law cumbersome procedures require that each and every "illustration, exemplification, comparison or explanation" filed in a foreign country must be licensed, even though the original foreign filing was also licensed. This bill eliminates that dual licensing requirement. In addition, the bill eliminates the overly severe criminal sanctions for inadvertent filing of a foreign patent application without the requisite U.S. license. Thus, the only instances in which there would be a criminal penalty for nonfiling would be where the patent application had been the subject of a patent secrecy order, or if the failure to obtain a license was due to a deliberate intent to deceive.

The second bill, H.R. 4525, provides that unpublished information known to the inventor does not constitute prior art in the field of the invention, and therefore cannot serve to defeat the patentability of that invention. The provisions of this bill are only a first attempt at resolving this issue. This provision has the net effect of overruling In re Bass, 474 F.2d 1276 (C.C.P.A. 1973) and its progeny. This amendment, or a substantially similar bill, will be of material benefit to university and corporate research laboratories where the free exchange of ideas and concepts may have been hampered by the current state of the law with respect to what constitutes "prior art." See generally Shurn, "Is the Invention of Another Available as Prior Art? In re Bass to In re Clemens and Beyond," 63 Journal of the Patent Office Society 516 (1981); see also Waltersheid, "The Ever Evolving Meaning of Prior Art," Parts I-IV, 64 Journal of the Patent Office Society 457, 571, 632 (1982), 65 Journal of the Patent Office Society 3 (1983).

A third bill, H.R. 4526 contains two parts. First, the bill would bring the U.S. patent law into line with those of most of our major trading partners by providing for international protection of process patents. Second, the bill provides that a product patent's protection cannot be avoided through the manufacture of component parts within the United States for assembly outside the United States.

This bill takes an approach which is not new to Federal law. Under 19 U.S.C. 1337(a) an aggrieved party can claim that goods are being imported into the United States which have been produced using a process protected by a U.S. patent. While the Tariff Act does provide some protection against this practice the potential remedies are clearly insufficent. A Tariff Act case is almost by definition extremely complex and expensive. Moreover, such a case turns not on questions of patent law, rather whether the importation is unfair. Finally, and most importantly, the remedy in such an action is insufficient. The only remedies in a proceeding under 19 U.S.C. 1337(a) are a cease and desist order and an order of exclusion. Thus, unlike a patent infringement case, under current law in a Tariff Act case, there is no damage remedy available to a person who holds a valid U.S. process patent when a product made by that process outside the United States is imported into this country.

I should note that this subject has also been addressed in earlier legislation by the ranking member of my subcommittee, Mr. MOORHEAD. See, e.g., H.R. 3577 and H.R. 4288. The earlier bills suggest two features which are not present in my bill; a presumption that an infringement has occurred if there is proof that it is substantially likely that the product was produced by the protected process patent, and reasonable discovery efforts have been exhausted. The net effect of the presumption is to shift the burden of proof to establish innocence to the alleged infringer if the two conditions precedent are met.

While I am sympathetic with problems which are likely to occur in such cases involving discovery in foreign countries, I am not yet convinced about the need for such a presumption. It is arguable, for example, that an innocent purchaser of gasoline (or other fungible product) would be placed in the difficult situation of having to establish that the product was not produced using a process subject to patent protection. In my view it will be possible to establish infringement in these cases without such a legislative presumption. Such a showing could be made by establishing that there are no other economically viable processes—other than the patented process—which could have produced the product at the same cost as it was made available in the U.S. market. Alternatively persons alleging infringement of a U.S. process patent could establish infringement through the identification of side effects in the product which occur only as a result of the use of the patented process.

My final concern about the presumption provisions found in the other bills is whether they will produce more, rather than less, litigation. It is possible that infringement cases will become more protracted because the parties will argue about whether reasonable discovery efforts have been exhausted than on the merits.

I hope that the hearing process will address both the merits of this proposal and these other procedural problems.[1]

The second part of this bill provides greater protection for U.S. patent holders when copiers produce all of the parts of a patented product in the country but who move offshore for final assembly before export. This proposal responds to a suggestion made by the Supreme Court in *Deepsouth Packing Co.* v. *The Laitrum Corp.*, 406 U.S. 518 (1972) for a legislative solution to this issue.

A fourth bill, H.R. 4527 provides that two or more inventors may obtain a patent jointly even though each inventor has not contributed to each and every "claim" found in the patent application. This technical amendment should be of benefit to universities and corporations which rely on team research. One question which has arisen about this bill is whether it is necessary in light of current case law which may make sufficient allowance for correction of misjoinder of an inventor. Another question is whether this amendment is consistent with the policy enunciated by section 102(f) of title 35 (relating to a requirement that patents issue to persons who have made an inventive contribution). Hopefully, the hearing process will answer these questions.

H.R. 4528, a fifth proposal, authorizes parties involved in patent interferences to arbitrate such disputes. This change parallels a provision of Public Law 97-297 which authorizes arbitration with respect to questions of patentability. This bill requires that the parties provide notice of the arbitration award to the Commissioner of the Patent and Trademark Office. Finally, the bill provides that the arbitration award is not enforceable unless the Commissioner has been given the requisite notice. Nothing in this bill abrogates the final authority of the Commissioner of Patents to determine the validity of a patent application. The

[1] The bill also requires that before an infringement action may be brought successfully under section 271(e) the alleged infringer must be on notice that the product was made by a process patented in the United States. This notice requirement was added at the suggestion of the American Patent Law Association. Two questions arise with respect to the notice requirement. First, will uncertainty about the meaning of the term "on notice" become a cause of unnecessary litigation? Second, is the notice requirement necessary in light of the provisions of 2-312 of the Uniform Commercial Code (relating to a warranty against infringement)?

bill also makes a technical change in section 135 of title 35.

Sixth, H.R. 4529 creates a new section 295 relating to licensee estoppel. Since the Supreme Court decision in *Lear* v. *Adkins*, 395 U.S. 653 (1969), the law has been settled that a party with a license from a patent holder may challenge the validity of the patent and continue to use the license. As the Court reasoned in Lear, to hold otherwise may work to encourage the continued existence of dubious patents. The perpetration of the advantageous market situation afforded by patent protection should be balanced by a relatively open process to challenge patent validity.

In the years since *Lear*, however, some commentators have suggested that the pendulum has swung too far toward protecting the rights of licensees in patent validity suits. See McCarthy, " 'Unmuzzling' the Patent Licensee: Chaos in the Wake of *Lear* v. *Adkins*," 45 Geo. Wash. L. Rev. 429 (1977). For example, some courts have permitted a licensee to challenge the validity of a patent by seeking a declaratory judgment, pay license royalties into an escrow account and still be able to use the patent license if the patent is found valid. See, e.g., *Precision Shooting Equipment Co.* v. *Allen*, 196 U.S.P.Q. 502 (E.D. Ill. 1977). This situation is unfair to patent holders because they are forced to remain cash starved during the pendency of the patent validity litigation. The imbalance caused by this approach is particularly acute for a patentee who was forced to license the product in the first place because of a leak of adequate capital to work or produce the invention.

The bill provides that a licensee is not estopped from denying the validity of a patent which is the subject of the license. The bill makes unenforceable, as a matter of Federal law, any contract or license agreement that attempts to estop the licensee from challenging the validity of the licensed patent. Subsection (b) of proposed section 295 provides that the licensee and licensor both have the option of unilaterally terminating the license after assertion in a judicial proceeding of the invalidity of the licensed patent. Finally, the bill provides that during the life of any license which is subject to a judicial action asserting the invalidity of the licensed patent that the obligation of the licensee to continue to make payments under the license continues.

This latter bill raises several questions. First, is this change necessary in light of recent case law of a similar nature. *See Telectronics Pty. Ltd.* v. *Cordis Corp.*, 217 U.S.P.Q. 1374 (D. Minn. 1972). On the other hand, it is possible to argue that the lack of uniform case law on these questions is sufficient reason to provide for a nationally applicable result balancing the competing interests. Second, since the effective date provisions of the bill have the net effect of changing the nature of the contractual arrangements between the parties by modifying the nature of available judicial remedies, it must be questioned whether this bill should be prospective only in effect. The third, and more fundamental question, is whether permitting termination of the license agreement by the licensor after a challenge to the validity of the licensed patent will be used punitively to prevent the assertion of patent invalidity. Hopefully, as stated above, such questions will be addressed more fully in the hearing process.●