

## Saint Louis University Public Law Review

---

Volume 20  
Number 1 *Ten Years After the Clean Air Act  
Amendments: Have We Cleared the Air?*  
(Volume XX, No. 1)

Article 13

---

2001

### The First Inventors Defense Act (35 U.S.C. § 273): Have Prior User Rights in Patent Law Been Resurrected?

Jeffrey P. Duke

Follow this and additional works at: <https://scholarship.law.slu.edu/plr>



Part of the [Law Commons](#)

---

#### Recommended Citation

Duke, Jeffrey P. (2001) "The First Inventors Defense Act (35 U.S.C. § 273): Have Prior User Rights in Patent Law Been Resurrected?," *Saint Louis University Public Law Review*: Vol. 20 : No. 1 , Article 13. Available at: <https://scholarship.law.slu.edu/plr/vol20/iss1/13>

This Comment is brought to you for free and open access by Scholarship Commons. It has been accepted for inclusion in Saint Louis University Public Law Review by an authorized editor of Scholarship Commons. For more information, please contact [Susie Lee](#).

**THE FIRST INVENTORS DEFENSE ACT (35 U.S.C. § 273): HAVE  
PRIOR USER RIGHTS IN PATENT LAW BEEN RESURRECTED?**

*The Congress shall have Power. . . To promote the  
Progress of. . . useful Arts, by securing for limited Times to . . .  
inventors the exclusive Right to their respective . . .  
Discoveries;*

-U.S. CONST. art I, § 8, cl. 8.

I. INTRODUCTION

On November 29, 1999, the Intellectual Property and Communications Omnibus Reform Act of 1999 was signed into law.<sup>1</sup> One provision of this new legislation is entitled “The American Inventors Protection Act” and contains anticipated changes to the administration of the United States patent system.<sup>2</sup> In addition to reorganizing the Patent and Trademark Office (PTO), the Act creates a legal claim against fraudulent invention promoters, lowers various patent and trademark registration fees, extends patent terms to remedy delays in the patent registration process, outlines the domestic publication of patent applications, creates an *inter partes* patent reexamination procedure, and establishes an affirmative defense against patent infringement actions.<sup>3</sup> It is this last change, referred to most commonly as “The First Inventors Defense Act of 1999” (FIDA),<sup>4</sup> that is the focus of this comment.

The First Inventors Defense Act of 1999 is, in part, a legislative response to the somewhat controversial decision<sup>5</sup> by the United States Court of Appeals for the Federal Circuit in *State Street Bank & Trust Co. v. Signature Financial Group, Inc. (State Street)* wherein the long-standing (ninety years) “business method exception” to patentability was overturned.<sup>6</sup> Judge Rich stated, for the majority, that “we take this opportunity to lay this ill-conceived exception to

---

1. Charles E. Van Horn, *Overview of the American Inventors Protection Act of 1999*, at <http://www.aipla.org/html/newpatentlaw.html> (last visited June 15, 2001).

2. Pat Costello, *New Law Creates a Patent Infringement Defense and Restructures the Patent and Trademark Office*, 6 B.U. J. SCI. & TECH. L. 16 (1999), available at <http://www.bu.edu/law/scitech/volume6/costello.htm>.

3. *Id.*

4. Codified as 35 U.S.C. § 273 (2001).

5. See generally John R. Thomas, *The Patenting of the Liberal Professions*, 40 B.C. L. REV. 1139 (1999).

6. *State St. Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368, 1370 (Fed. Cir. 1998).

rest”<sup>7</sup> and held the claimed invention (the transformation of data) produces a useful, concrete and tangible result.<sup>8</sup> The Congressional response to the *State Street* decision, in the form of an affirmative defense to infringement, 35 U.S.C. § 273 (FIDA), however, appears to stem more from the lower court’s invocation of the business method exception to hold the invention at issue unpatentable<sup>9</sup> than from the Federal Circuit’s reversal of the holding.

Commentators and the PTO assume and widely espouse that the affirmative defense is restricted to “methods of doing business.”<sup>10</sup> A closer

---

7. *Id.* at 1375. The Court implied that this ruling was long overdue. “Since the 1952 Patent Act, business methods have been, and should have been, subject to the same legal requirements for patentability as applied to any other process or method.” *Id.*

8. *Id.* at 1373:

Today, we hold that the transformation of data representing discrete dollar amounts, by a machine through a series of mathematical calculations into a final share price, constitutes a practical application of a mathematical algorithm, formula, or calculation, because it produces “a useful, concrete and tangible result”—a final share price momentarily fixed for recording and reporting purposes and even accepted and relied upon by regulatory authorities and in subsequent trades.

*Id.*

9. *Id.* at 1376-77. The affirmative defense provided in 35 USC § 273 would be available to financial institutions who were already practicing such a method but not to any party “desirous of implementing” such a system. In the excerpt below, the Federal Circuit quotes (but also dismisses as a reason for a finding of invalidity) the district court’s concern that if held valid, the ‘056 patent would shut out competitors using “any computer implemented accounting method . . .”:

If Signature’s invention were patentable, any financial institution desirous of implementing a multi-tiered funding complex modeled (sic) on a Hub and spoke configuration would be required to seek Signature’s permission before embarking on such a project. This is so because the ‘056 Patent is claimed [sic] sufficiently broadly to foreclose virtually any computer implemented accounting method necessary to manage this type of financial structure.

*Id.* (quoting *State St. Bank & Trust v. Signature Financial Group, Inc.*, 927 F. Supp. 502, 516 (D. Mass. 1996)).

10. Thomas, *supra* note 5, at 1140. See also Steven E. Lipman, *First Inventor Defense Under the AIPA*, Address at the American Intellectual Property Law Association’s National (AIPLA) Meeting (Oct. 19, 2000) (transcript available from Steven Lipman at Oblon, Spivak, McClelland, Maier, & Neustadt, P.C.); USPTO White Paper Executive Summary, Automated Financial or Management Data Processing Methods (Business Methods), available at <http://www.uspto.gov/web/menu/busmethp/index.html>:

This class contains numerous small groupings and four major groupings directed to specific and general business data processing machines and methods. These machines and methods still heavily reflect the electrical and computer engineering that underlay them. Class 705 saw about [one percent] of the total patent applications filed at the USPTO in FY 1999. Its 2658 applications did not even place it among the top five Communications and Information Processing technologies.

USPTO White Paper on Class 705 (Modern Business Data Processing), available at <http://www.uspto.gov/web/menu/busmethp/class705.htm>; Talis Dszenitis, *American Inventors Protection Act of 1999 is Law*, Subtitle C - The “First Inventor Defense Act of 1999,” available at <http://www.uspto.gov/web/offices/dcom/olia/aipa/summary.htm> (last visited June 15, 2001).

look at the language of the statute<sup>11</sup> and the Act's ancestral roots,<sup>12</sup> however, makes plausible the conclusion that Congress created a broader defensive tool than it intended. It is quite likely that the courts will have to determine, or Congress will have to clarify, the scope of what is meant by a "business method." In fact, because of the flood of patent applications to the PTO since the *State Street* decision,<sup>13</sup> Congress has been busy attempting to clarify the scope of patentable business methods.<sup>14</sup>

Because The First Inventors Defense Act of 1999 is a shadow of an affirmative defense once contemplated by Congress<sup>15</sup> that would have extended an affirmative defense to holders of trade secrets, this comment will first examine the nexus of trade secret and patent law, their competing interests, and the scopes of their respective protections. It will then look at whether Congress missed an opportunity to provide prior user's rights not only to inventors who have reduced patentable *business methods* to practice, but also to "first inventors" of processes, machines, manufactures or compositions of matter who have kept their inventions out of the public domain.

---

11. 35 U.S.C § 273 (a)(1) (2001) ("[T]he terms 'commercially used' and 'commercial use' mean use of a method in the United States, so long as such use is in connection with an internal commercial use. . . whether or not the subject matter at issue is accessible to or otherwise known to the public. . ."); 35 U.S.C § 273 (a) (3) (2001) ("[T]he term 'method' means a method of doing or conducting business").

12. *Prior User Rights (Relative to Patents): Hearing Before the Subcomm. on Intellectual Prop. and Judicial Admin. of the Comm. on the Judiciary*, 103d Cong. 88 (1994) [hereinafter *Prior User Rights (Relative to Patents)*]. This is not an exhaustive lineage of FIDA. It showcases, however, strong arguments for the benefits of prior user's rights (e.g., first inventor's defense) in suits for patent infringement. See also, Pierre Jean Hubert, *The Prior User Right of H.R. 400: A Careful Balancing of Competing Interests*, 14 SANTA CLARA COMPUTER & HIGH TECH. L.J. 189, 212 (discussing The Twenty-First Century Patent System Improvement Act, H.R. 400, 105th Cong. (1997)), which would have created international equity between U. S. and foreign inventors:

The inclusion of a prior user right in the U. S. patent law would redress a current imbalance of rights between U.S. and foreign businesses. [Many] foreign countries provide for a prior user right in their patent laws. U.S. businesses that hold patents in those countries cannot enforce these patents against prior users. However, the converse is not true.

13. *Legislation/Patents Bill Would Tighten PTO Procedure for Issuing Business Method Patents*, BNA's PATENT, TRADEMARK & COPYRIGHT J., Vol. 60, No.1493, ¶ 3 (October 6, 2000), at [http://ipcenter.bna.com/ipcenter/1,1103,1\\_633,00.html](http://ipcenter.bna.com/ipcenter/1,1103,1_633,00.html). "With the State Street decision, the floodgates opened and the PTO was swamped with business method patent applications. Between 1998 and 1999, the number of Class 705 applications on computer-implemented business methods grew from 1,300 to 2,600."

*Id.*

14. Business Method Patent Improvement Act, H.R. 5364, 106th Cong (2000).

15. Prior User Rights (Relative to Patents), *supra* note 12.

## II. PATENTS AND TRADE SECRETS

A. *What are they, what do they promote and what do they protect?*

## 1. Patents

Since ratification of the U.S. Constitution, the national government has granted monopolies, for limited times, to inventors.<sup>16</sup> With the monopoly comes the right to exclude others from making, using, or selling the invention.<sup>17</sup> The policy underlying this protected grant is as stated in the Constitution itself: to promote the progress of the useful arts.<sup>18</sup> In other words, the federal government makes a contract, of sorts, with inventors: as consideration for the right to exclude others—for a limited time—from using one's invention,<sup>19</sup> the inventor is required to share his or her invention with the public. In this way, other innovative persons, inventors, competitors, and the general public are afforded the opportunity to first, be notified of the invention and second, to improve upon it.<sup>20</sup> The escalating effect upon the world is that know-how, technology, useful machines and the like are continually improved. Consequently, the general welfare of the public is enhanced and overall progress is promoted.

There are generally three distinct classes of patents in the United States: (1) utility patents on the functional aspects of products and processes; (2) design patents on the ornamental design of useful objects; and (3) plant patents on new varieties of living plants.<sup>21</sup> Patents do not protect "ideas"—only structures and methods that apply technological concepts.<sup>22</sup> In fact, the United States Supreme Court has identified three specific categories of subject matter that are unpatentable: laws of nature, natural phenomena and abstract ideas.<sup>23</sup>

---

16. U.S. CONST. art. I, § 8, cl. 8. ("The Congress shall have Power . . . To promote the Progress of . . . useful Arts, by securing for limited Times to . . . Inventors the exclusive Right to their respective . . . Discoveries.").

17. MCCARTHY'S DESK ENCYCLOPEDIA OF INTELLECTUAL PROPERTY 311 (J. Thomas McCarthy ed., 2d ed. 1995).

18. U.S. CONST. art. I, § 8, cl. 8.

19. 35 U.S.C. § 154 (a)(2) (2001). "[The] grant shall be for a term beginning on the date on which the patent issues and ending 20 years from the date on which the application for the patent was filed in the United States . . ." *Id.*

20. *Graham v. John Deere Co.*, 383 U.S. 1, 7-9 (1966). Thomas Jefferson might well be called the "first administrator of our patent system." (quoting Federico, *Operation of the Patent Act of 1790*, 18 J. PAT. OFF. SOC'Y. 237, 238 (1936)). Jefferson clearly recognized the social and economic rationale of the patent system. "The patent monopoly was not designed to secure to the inventor his natural right in his discoveries. Rather, it was a reward, an inducement, to bring forth new knowledge." *Id.*

21. MCCARTHY'S, *supra* note 17.

22. *Jones v. Hardy*, 727 F.2d 1524, 1528 (Fed. Cir. 1984); *see* 35 U.S.C. § 101 (2001).

23. *Diamond v. Diehr*, 450 U.S. 175, 185 (1981).

Generally, the requirements for patentability are set forth in 35 U.S.C. §§ 101, 102 and 103; in essence, an invention must (1) have utility, (2) be novel and (3) be nonobvious.<sup>24</sup>

## 2. Trade Secrets

Trade secrets, emanating from the laws of unfair competition, typically consist of information held in secret by a person or entity in order to maintain or gain a competitive edge in the marketplace. The Restatement of the Law, Third, Unfair Competition defines a trade secret as “any *information* that can be used *in the operation of a business*. . . that is sufficiently valuable and secret to afford an actual or potential economic advantage over others.”<sup>25</sup> The rights to such information may last indefinitely because, by definition, the trade secret is a secret. However, once any portion of a trade secret enters the public domain, secrecy is destroyed and the disclosed information—as a protectable interest—is no longer protectable.<sup>26</sup> The state laws protecting trade secrets are

---

24. An exhaustive analysis of these requirements is not the objective of this comment. *But see generally Graham v. John Deere Co.*, 383 U.S. at 7-9 (thoroughly treating all three requirements for the first time). The latter requirement, nonobviousness, was codified in the Patent Act of 1952, 35 U.S.C. § 103 (1998).

*Useful.* §101: Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefore, subject to the conditions and requirements of this title.

*Novelty.* §102. A person shall be entitled to a patent unless (a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, or (b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States, or . . .

*Nonobvious.* §103: A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.

*Id.*

25. RESTATEMENT (THIRD) UNFAIR COMPETITION § 39 (1995) (emphasis added). *See also* Smith v. Dravo Corp., 203 F.2d 369, 373 (7th Cir. 1953). “We assume that almost any knowledge or information used in the conduct of one’s business may be held by its possessor in secret.” *Id.*

26. RESTATEMENT (THIRD) UNFAIR COMPETITION, *supra* note 25, cmt. c. “Thus, for matter disclosed in the patent, issuance terminates the secrecy required for continued protection as a trade secret, even if the patent is subsequently declared invalid . . . the filing of a patent application does not in itself preclude continued protection of the invention as a trade secret.” *Id.* *See also* Randy Kay, *A Distance Runner’s Guide to Trade Secret Protection—Maintaining*

designed to encourage investment in research, promote the exploitation of knowledge, and to punish unlawful misappropriation.<sup>27</sup> Viewed in this light, does it not seem that federal patent law protects similar interests and encourages similar endeavors?

The similarity in objective notwithstanding, valid patents are limited in term, afforded federal protection as to the inventor's right to exclude others from the use of such patents, and bring useful information into the public domain. Trade secrets, to the contrary, may last forever, are afforded protection by state unfair competition laws, and are concealed from the public.

### 3. The Effect of Prior Art

Claims, by the "inventor," to protectable subject matter in the form of either a patent or a trade secret are thwarted by the public disclosure of the intellectual "information." In other words, if a trade secret is made public, the secret no longer exists. If the embodied practice of a particular invention is made public, that information, generally speaking, may not be patented. It is in the rights and obligations of the holder of a *novel* piece of useful information or *novel* invention that the two are treated differently. The holder of a patent, for a limited time, may license his invention, improve upon it (as may others), assign or sell it to another, abandon it or simply admire it. The holder of a trade secret, on the other hand, may use the information to further his enterprise and is obligated, if he desires to maintain its secrecy, to take reasonable measures to protect it.<sup>28</sup>

#### *Analysis*

The new defense provided, presumably, only to practitioners of certain business methods (35 U.S.C. § 273) claimed by another should not be denied to trade secret holders. Both groups keep useful, and in some cases, patentable<sup>29</sup> subject matter out of the public domain; their motives for doing so should be irrelevant. For years, parties with potentially patentable business methods mistakenly believed their inventions to be unpatentable,<sup>30</sup> whereas

---

*Secrecy* (2000), at [http://www.graycary.com/articles/ipu/ipu\\_sum004.html](http://www.graycary.com/articles/ipu/ipu_sum004.html) (last visited June 15, 2001).

27. RESTATEMENT (THIRD) UNFAIR COMPETITION, *supra* note 15, at cmt. a.

28. E.I. duPont deNemours & Co. v. Christopher, 431 F.2d 1012, 1016 (5th Cir. 1970). However, the measures do not have to be extraordinary. In the context of industrial espionage, at least, the United States Court of Appeals for the Fifth Circuit stated: "Perhaps ordinary fences and roofs must be built to shut out incursive eyes, but we need not require the discoverer of a trade secret to guard against the unanticipated, the undetectable, or the unpreventable methods of espionage now available." *Id.* (emphasis added).

29. 35 U.S.C. §§ 101, 102, and 103 (2001).

30. *State St.*, 149 F.3d at 1375.

Since its inception, the "business method" exception has merely represented the

trade secret holders have retained information for competitive business purposes. The fact that the courts have gotten it wrong, according to the Federal Circuit, for nearly half a century should not be used to punish trade secret holders by denying them the use of the affirmative defense. Herein lies the rub of the limited scope of the First Inventor's Defense Act of 1999. If practitioners of business methods should be afforded an affirmative defense against infringement where another subsequently patents, then why is the same defense not also available to practitioners of other types of potentially "patentable" processes held as trade secrets?

#### 4. Hypotheticals

Consider the following two scenarios.

##### Scenario 1 – "Patentable" Trade Secret

Suppose Company A had practiced, for twenty-five years, a proprietary process for making or formulating a pharmaceutically active drug. Company A, through its innovative manufacturing process which meets the statutory requirements of patentability, maintained a competitive edge in the marketplace by successfully keeping its process a secret.

Company B, a subsequent producer of the same drug, is granted a patent whose claims contain some of the elements of Company A's secret process. Insofar as the "overlapping" claims are concerned, Company A, the original "inventor," would be without an affirmative defense in a patent infringement action brought by the latecomer, Company B.

##### Scenario 2 – Patentable Business Method

Suppose Company C had practiced, for ten years, a proprietary data processing method used to monitor individual mutual fund investments pooled into a single portfolio. Through its innovative business method, which meets the statutory requirements of patentability, Company C maintained a competitive edge in the marketplace only by keeping its processing system a secret.

Company D, an ambitious newcomer to the business of accounting and financial services, applies for and is granted a patent whose claims contain some, but not all, of the elements of Company C's secret methods. Because Company C, acting in good faith, had actually reduced the subject matter to practice at least one year before the effective filing date of Company D's patent, and used the method for commercial purposes, Company C would have an affirmative defense in an infringement action brought by Company D.

---

application of some general, but no longer applicable legal principle, perhaps arising out of the "requirement for invention"—which was eliminated by §103. Since the 1952 Patent Act, *business methods have been, and should have been, subject to the same legal requirements for patentability as applied to any other process or method.*

*Id.* (emphasis added).



*Analysis*

Does Scenario 1 seem like a fair result? An argument could be made, in the wake of both the *State Street* decision and the Congressional response (35 USC § 273) to it, that the senior inventors in the two scenarios should not be treated differently. The outcomes, however, are diametrically opposite given the newly available affirmative defense enacted in 1999. Both companies, A and C, were the first to invent their respective process or method. Competitors B and D were both later “inventors.” Only C is allowed to raise the affirmative defense in an action of infringement (*D v. C*). The trade secret holder, A, is afforded no such defense in *B v. A*, because A’s process did not happen to be a “business method.” Do these scenarios truly reflect reality of what happens in practice? In the case of Scenario 1, there is judicial precedent, drafted by Judge Learned Hand, established in the United States Court of Appeals for the Second Circuit that answers affirmatively.<sup>31</sup> It is only a matter of time before the First Inventor’s Defense Act, in a situation like Scenario 2, is tested in the courts.

It may appear from the preceding discussion that because there are numerous similarities (though important differences) between federal patent law and state trade secret law, that the protections afforded patent holders trump those afforded trade secret holders. A discussion that dispels such a conclusion is warranted before proceeding to the language of The First Inventors Defense Act and the Congressional intent beneath it.

*B. Where the Twain Shall Meet: Kewanee Oil Co. v. Bicron Corp.*

In a landmark decision at the nexus of patent and trade secret law, the United States Supreme Court held that Ohio’s law of trade secrets was not preempted by federal patent law, thereby overturning a Sixth Circuit decision which had declared the contrary.<sup>32</sup> The Court gives thorough treatment to what

---

31. Gillman v. Stern, 114 F.2d 28, 30 (2d. Cir. 1940).

We need not, however, pass upon this question [whether prior use was in fact established], or indeed whether the evidence of its date of production satisfied the exacting standard set by the *Barbed Wire Patent Case*, 143 U.S. 275, 12 S.Ct. 443, 450, 36 L.Ed. 154, for *it is clear that it was never in prior “public use,” and that [defendant] was not a “first inventor.”* It was always kept as strictly secret as was possible, consistently with its exploitation. In general, everybody was carefully kept out of [defendant’s] shop where the four machines were used.

*Id.* (emphasis added). See also *Fromson v. Western Litho Plate & Supply Co.*, 670 F. Supp. 861, 868 (E.D. Mo. 1987). The plaintiff established that the defendant had not created prior art because defendant corporation “sought to conceal its process throughout the 1970’s.” *Id.*

32. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 474 (1974). However, the *Kewanee* Court, at 480, quoted itself on the matter in an earlier opinion. See, *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 231 (1964), wherein the Court stated “if the scheme of protection developed by Ohio respecting trade secrets ‘clashes with the objectives of the federal patent laws,’ then the state law must fall.” *Id.*

has been discussed heretofore, but one of the important inquiries in *Kewanee Oil* was the Court's analysis of *disclosure* (the objective of patent law) as it relates to trade secret law. The Court recognized that trade secrets fall into three categories: "(1) the trade secret believed by its owner to constitute a validly patentable invention; (2) the trade secret known to its owner not to be patentable; and (3) the trade secret whose valid patentability is considered dubious."<sup>33</sup> The greatest conflict for the Court were those innovations where the owner of the trade secret believed the subject matter to meet the requirements of patentability.<sup>34</sup> Despite the Court's concern with the inventor who holds a patentable invention in the form of a trade secret, it concluded by saying "the extension of trade secret protection to clearly patentable inventions does not conflict with the patent policy of disclosure."<sup>35</sup> So, while protections for both trade secrets and patents may coexist amicably, the primary question in this comment is whether an affirmative defense should be available to a defendant where the plaintiff, an inventor who subsequently patents "over" defendant's trade secret, sues for infringement.

In *Kewanee Oil*, the plaintiff corporation executed nondisclosure agreements with parting employees preventing them from disclosing the company's method for growing very large sodium iodide crystals—a process which, more than likely, would have been patentable. The Supreme Court upheld a permanent injunction (for misappropriation) against the competitor corporation (defendant), who soon after hiring the departed employees, was able to grow the same large crystals. Mr. Justice Douglas for the dissent, citing precedent, declared "[w]e held that when an article is unprotected by a patent [e.g., a trade secret], state law may not forbid others to copy it, because every article not covered by a valid patent is in the public domain."<sup>36</sup> He was very concerned that when an otherwise patentable invention is held in secret, it should not be afforded a greater term of protection (then, seventeen years from

---

33. *Kewanee Oil*, 416 U.S. at 484.

34. *Id.* at 489.

It is here that the federal interest in disclosure is at its peak; these inventions, novel, useful and nonobvious, are "the things which are worth to the public the embarrassment of an exclusive patent," (quoting *Graham v. John Deere Co.*, *supra* note 20, at 9). . . The interest of the public is that the bargain of [a term] of exclusive use in return for disclosure be accepted. If a State, through a system of protection, were to cause a *substantial risk* that holders of patentable inventions would not seek patents, but rather would rely on the state protection, we would be compelled to hold that such a system could not constitutionally continue to exist. *In the case of trade secret law no reasonable risk of deterrence from patent application by those who can reasonably expect to be granted patents exists.*

*Id.* (emphasis added).

35. *Id.*

36. *Id.* at 495 (citing *Sears, Roebuck & Co.*, 376 U.S. at 225; *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964)).

date of patent issue) than the federal patent system affords.<sup>37</sup> This is where the philosophical debate arises. Had the defendant in *Kewanee Oil* applied for and been granted a patent for the method of synthesizing large sodium iodide crystals instead of misappropriating the trade secret, what would have been the result? Could the patent holder have enjoined the “senior inventor” (the plaintiff) from practicing his craft? Should the latecomer be permitted to do so?

### *Analysis*

It seems that based on both the holding in *Kewanee Oil* and on the apparent unfairness of Scenario 1, *supra*, that where a trade secret—held by a senior practitioner—meets the requirements of patentability,<sup>38</sup> a junior inventor, with a pertinent patent in hand, should not have the right to bring an infringement action against the senior innovator, who for competitive purposes, willfully maintained the secrecy of his invention. This is not to say that the senior practitioner should be allowed to extend the monopoly of his or her trade secret by subsequently receiving a patent. This would undermine the constitutional underpinnings of our patent system; but neither should he or she be enjoined from practicing that which has been reduced to practice for some time.

## II. FROM HOTEL SECURITY CHECKING TO STATE STREET BANK & TRUST: NINETY YEARS OF THE BUSINESS METHOD EXCEPTION

The United States Court of Appeals for the Federal Circuit was created in 1982 and is frequently referred to as the “Supreme Court of patent law.”<sup>39</sup> The gravity of the Federal Circuit’s holding in *State Street* sparked countless notes, comments and essays.<sup>40</sup> The origins of the precedent (against patentability of business methods) overturned in *State Street* are found in the holding of the Court of Appeals for the Second Circuit in *Hotel Security Checking Co. v.*

---

37. *Id.*

38. 35 U.S.C. §§ 101, 102, and 103 (2001).

39. Donald S. Chisum, *The Supreme Court and Patent Law: Does Shallow Reasoning Lead to Thin Law*, 3 MARQ. INTELL. PROP. L. REV. 1, 2 (1999).

40. *Id.* See also Christopher A. Brown, *Intellectual Property Law: Recent Developments in Intellectual Property Law*, 32 IND. L. REV. 909 (1999); S.E. Francisc Marius Keeley-Domokos, *Intellectual Property: B. Patent: 2. Patentability: (b) Business Models: State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 14 BERKELEY TECH. L.J. 153 (1999); John R. Thomas, *The Patenting of the Liberal Professions*, 40 B.C. L. REV. 1139 (1999); Rochelle Cooper Dreyfuss, *Are Business Method Patents Bad For Business?*, 16 COMPUTER & HIGH TECH. L.J. 263 (2000); Chad King, *Abort, Retry, Fail: Protection for Software-Related Inventions in the Wake of State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 85 CORNELL L. REV. 1118 (2000); Sari Gabay, *The Patentability of Electronic Commerce Business Systems in the Aftermath of State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 8 J.L. & POL’Y 179 (1999).

*Lorraine Co. (Hotel Security)* in 1908.<sup>41</sup> The claimed invention in *Hotel Security* described a method of and means for cash-registering and account-checking designed to prevent frauds and embezzlement by waiters and cashiers in hotels and restaurants.<sup>42</sup> The method of conducting business involved an elaborate scheme by which employees—primarily managers, waiters and cashiers—would conduct themselves in order to prevent theft and promote equity in the sharing of tips. The Second Circuit did not hold the business method invalid, *per se*.<sup>43</sup> The holding of the Court turned on the claims of the business method patent, which when compared with the prior art, were such “as would occur to anyone conversant with the business.”<sup>44</sup> Whether aware of it or not, the Second Circuit was continuing to synthesize the third requirement of patentability, nonobviousness, that would not be codified for another forty-four years.<sup>45</sup> Nevertheless, the opinions and holdings of *Hotel Security* established the “business method exception” that stood for ninety years until *State Street*.<sup>46</sup> In the wake of *Hotel Security*,<sup>47</sup> the PTO adopted *Hotel Security* by incorporating into its Manual of Patent Examining Procedures (MPEP) the notion that business methods were not patentable subject matter within the meaning of the Patent Act.<sup>48</sup> Patent examiners in the PTO employ the MPEP to examine patent claims and under its guidelines, rejected methods of doing

---

41. *Hotel Sec. Checking Co. v. Lorraine Co.*, 160 F. 467 (2d. Cir. 1908).

42. *Id.*

43. *Id.* at 472.

If at the time of Hicks’ application, there had been no system of bookkeeping of any kind in restaurants, we would be confronted with the question whether a new and useful system of cash-registering and account-checking is such an art as is patentable under the statute. This question seems never to have been decided by a controlling authority and its decision is not necessary now unless we find that Hicks has made a contribution to the art which is new and useful.

*Id.*

44. *Id.* at 471.

45. *Id.* Compare the court’s language, “as would occur to anyone conversant with the business,” with the language in 35 U.S.C. § 103 (1999): “would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.” See also *Hotchkiss v. Greenwood*, 52 U.S. (11 How.) 248, 267 (1850), for what is believed to be the genesis of the nonobviousness requirement: “no more ingenuity or skill was required to construct the knob in this way than that possessed by an ordinary mechanic acquainted with the business.” *Id.*

46. *Hotel Sec.*, 160 F. at 472. “We are convinced that there is no patentable *novelty* either in the physical means employed or in the method described and claimed in the Hicks patent.” *Id.* The court never said, however, that such a method could never be patented. *Id.*

47. The Second Circuit upheld the “business method exception” faithfully, even where other Circuits (*e.g.* 6th, 7th Cir.) were upholding the validity of patents for certain business methods. See, *e.g.*, *Latz v. Reliance Graphic Corp.*, 98 F.2d 679, 681 (2d Cir. 1938), *cert. denied*, 59 S. Ct. 154 (1938); see also *Guthrie v. Curlett*, 10 F.2d 725, 726 (2d Cir. 1926).

48. Gabay, *supra* note 40, at 201, referring to the MANUAL OF PATENT EXAMINING PROCEDURE § 706.03 (a) (1994) [hereinafter MPEP].

business by finding that such methods were not within the scope of the four statutory categories of patentability.<sup>49</sup>

The United States Supreme Court denied *certiorari* of the *State Street* decision on January 11, 1999, letting stand the Federal Circuit's reversal of the business method exception to patentability.<sup>50</sup> The defendant in *State Street* challenged the validity of the claimed invention at issue raising two longstanding judicially-created exceptions to statutory subject matter: the business method exception and the mathematical algorithm exception. The business method exception had generally been considered the weaker of the two affirmative defenses.<sup>51</sup> The mathematical algorithm exception generally provides that "[a] mathematical formula alone, . . . viewed in the abstract, is considered unpatentable subject matter."<sup>52</sup> If such an algorithm were applied in a useful way, however, it may be patentable if it meets the other two requirements of patentability: novelty and nonobviousness.<sup>53</sup> Neither defense was effective in the particular facts of *State Street* and the business method exception was laid to rest.<sup>54</sup> The algorithm exception did not apply because the software invention at issue produced a concrete, tangible and useful result.<sup>55</sup>

The opinion in *State Street* has been analyzed extensively<sup>56</sup> and has had pervasive effects on the manner in which the PTO examines and grants business method patent applications.<sup>57</sup> Additionally, it has sparked more than

---

49. Gabay, *supra* note 40, at 201 (noting that The Board of Patent Appeals and Interferences upheld the business method exception as the basis for rejection in *Ex parte Murray*, 9 U.S.P.Q.2d 1819, 1820 (1988)); *see also Paine, Webber, Jackson & Curtis, Inc. v. Merrill Lynch, Inc.*, 564 F. Supp. 1358, 1369 (D. Del. 1983), for an example illustrative of the disagreement between the examiners in the PTO and the Court of Customs and Patent Appeals as to whether business methods were patentable subject matter. After *State Street*, the accounting system in *Murray* would not be automatically excluded from patent protection on the grounds that it is an unpatentable business method, *per se*. Rather, the test is whether the system has practical utility and produces a "useful, tangible and concrete result."

50. *State St. Bank & Trust Co. v. Signature Fin. Group, Inc.*, 525 U.S. 1093 (1999).

51. *State St.*, 149 F.3d at 1375. "The business method exception to patentability has never been invoked by this court, or the CCPA, to deem an invention unpatentable." *Id.*

52. *Diamond v. Diehr*, 450 U.S. 175, 185 (1981).

53. *State St.*, 149 F.3d at 1373.

54. *Id.* at 1375.

55. *Id.* "For purpose of our analysis . . . claim 1 is directed to a machine programmed with the Hub and Spoke software and admittedly produces a 'useful, concrete, and tangible result . . . [t]his renders it statutory subject matter, even if the useful result is expressed in numbers, such as price, profit, percentage, cost, or loss.'" *Id.* (quoting *In re Alappat*, 33 F.3d 1526, 1544 (Fed. Cir. 1994) (en banc)).

56. *See supra* note 40.

57. Gabay, *supra* note 40, at 217-19. *See also* USPTO White Paper, Executive Summary, *supra* note 10.

one legislative response by Congress<sup>58</sup> that will have untold effects on the scope of what is statutory subject matter within Title 35 of the United States Code.

While the impact of *State Street* has been far-reaching, the merits of whether its reversal of the long-standing business method exception is sound or the right direction for what ought to be statutory subject matter in the U.S. patent system, is left to others.<sup>59</sup> More important, for purposes of this comment, is the manner in which Congress responded to *State Street* via the enactment of the First Inventor's Defense Act.

### III. FIRST INVENTOR'S DEFENSE ACT (35 U.S.C. §273): CONGRESSIONAL RESPONSE TO *STATE STREET*

#### A. A Look at 35 U.S.C. § 273—"The New Deal?"

##### 1. Plain Meaning

As noted *supra*, The First Inventors Defense Act was signed into law November 29, 1999 and is codified as 35 U.S.C. § 273. The new law provides, in general, that

[I]t shall be a defense to an action for infringement . . . with respect to any subject matter that would otherwise infringe one or more claims for a *method* in the patent being asserted against a person, if such person had, acting in good faith, actually reduced the subject matter to practice at least [one] year before the effective filing date of such patent, and commercially used the subject matter before the effective filing date of such patent.<sup>60</sup>

The requirements for infringement of a patent are set forth in Section 271(a): "whoever without authority makes, uses, offers to sell or sells any patented invention, within the United States. . .during the term of the patent therefore, infringes the patent." The party eligible to raise the defense, when sued for infringement, must have reduced the subject matter to practice at least one year prior to the effective filing date of the patentee. This seems like a reasonable requirement and Company A, in our trade secret hypothetical, *supra*, would easily satisfy the requirement. An additional time requirement imposed requires that the party asserting the defense not only reduce the subject matter to practice but also commercially use the method. Commercial use is defined as "use of a method in the United States, so long as such use is in connection with an internal commercial use . . . whether or not the subject matter at issue is accessible to or otherwise known to the public. . . ."<sup>61</sup> The definition of

58. Costello, *supra* note 2; 35 U.S.C. § 273 (2001); H.R. 5364, 106th Cong. (2d Sess. 2000).

59. CHISUM, *supra* note 39; *supra* note 40.

60. 35 U.S.C. § 273 (b)(1) (2001).

61. *See id.* § 273 (a)(1) (2001).

method is “a method of doing or conducting business.”<sup>62</sup> Company A, having utilized the drug manufacturing process for twenty-five years, would meet the second time requirement as well.

### *Analysis*

Applying the statute to Scenario 1, Company A used the method of conducting business in connection with an internal commercial use (a process to internally manufacture drugs) where the subject matter was not accessible to the public, i.e., it was a trade secret. Presumably, Company A, if sued for infringement, should be able to raise the defense since it met the requirements of 35 U.S.C. § 273. In other words if practitioners of business methods are afforded prior user rights, then perhaps, so should entities practicing manufacturing processes. This assertion notwithstanding, the entire scope of protection for practitioners of a broader interpretation of business methods will have to be determined in the courts. As with any legislation, however, the explicit limitations seem apparent.<sup>63</sup>

Most people interested in patent reform legislation have settled on the notion that 35 U.S.C. § 273 is strictly geared toward business methods of the nature in *State Street*.<sup>64</sup> Applying the plain meaning of the statute to our hypothetical, however, would possibly lead some to a different conclusion. Consider again, Scenario 1, *supra*. In short, Company A practiced a proprietary process for making a drug for twenty five years; the company enjoyed the fruits of its labor by selling the proprietary drug itself but maintained certain key aspects of the process for manufacturing the drug a trade secret. It turns out that the trade secret itself was patentable subject matter, but because it had been commercially practiced in secret, it could not

---

62. *See id.* § 273 (a)(3) (2001).

63. Robert C. Haldiman, *Business Method Patents*, 20 ST. LOUIS U. PUB. L. REV. (forthcoming 2001)

The method must have been in commercial use, or used by a non-profit entity such as a university or hospital, before the filing date of the patent and must have been reduced to practice one year before the effective date of the patent. The alleged infringer must have acted in good faith. The defense is personal—sale of the method exhausts the right to the prior user defense; the defense may not be raised if the method was derived from the patentee or its privities, and cannot be raised if the use had been abandoned; the defense is site specific—[and, therefore] may only be raised for alleged infringement at the sites at which the methods have actually been used. In the event of a merger or acquisition, the defense remains available, again, only at the site at which it had been used. The defense cannot be used to establish invalidity under §§ 102 or 103. If unsuccessful, raising the defense and failing automatically allows the patent holder to request enhanced damages under § 285.

*Id.*

64. Thomas, *supra* note 5. *See also* Lipman, *supra* note 10; Dzenitis, *supra* note 10.

now be the subject of a valid U.S. patent.<sup>65</sup> According to 35 U.S.C. §273 (b), the subject matter would infringe one or more claims of Company B in our hypothetical (remember that Company B was recently granted a patent covering at least some facets of Company A's process). Let us assume that Company A met the other requirements of 35 U.S.C. § 273 (a) and (b). Company A acted in good faith, reduced the subject matter to practice and commercially used the "method of doing business" within the required time frame; its use was in the United States and was consistent "with an internal commercial use;" and the subject matter, in the form of a trade secret, was never accessible or known to the public. As long as Company A practiced its methods at the same manufacturing facility (location), this commentator contends that it would not only be eligible to raise the defense (FIDA, §273) in an action for infringement brought by Company B, but ought to prevail on the point as well. From the plain meaning of §273, such a conclusion is at least plausible.

The plain meaning analysis of the statutory language generally begins and ends the judicial inquiry unless a contrary legislative intent is clearly shown.<sup>66</sup> If one accepts that there exists some ambiguity in the "plain language" of the statute as to the scope of "business methods," a look at the legislative intent is in order.

## 2. Congressional Intent

Senator Schumer, on the Senate floor, discussing what would eventually become The American Inventors Protection Act, spoke on point about the intent of the statute ultimately enacted.<sup>67</sup> He stated that a method "includes a practice, process, activity, or system that is used in the design, formulation,

---

65. *Kewanee Oil*, 416 U.S. at 490. "The possibility that an inventor who believes his invention meets the standards of patentability will sit back, rely on trade secret law, and after one year of use forfeit any right to patent protection, 35 U.S.C. § 102(b), is remote indeed." *Id.*

66. *MCI Telecommunications Corp. v U.S.*, 878 F.2d 362, 365 (Fed. Cir. 1989).

67. 106 CONG. REC. S14836 (daily ed. Nov. 18, 1999) (statement of Sen. Schumer):

This defense provides a first inventor (or 'prior user') with a defense in patent infringement lawsuits, whenever an inventor of a business method (i.e., a practice[,] process or system) uses the invention but does not patent it. . . *the term 'method' is intended to be construed broadly.* The term 'method' is defined as meaning 'a method of doing or conducting business.' Thus, 'method includes *any internal method of doing business*, a method used in the course of doing or conducting business, or a method for conducting business in the public marketplace. *It includes a practice, process, activity, or system that is used in the design, formulation, testing, or manufacture of any product or service.* The defense will be applicable against method claims, as well as the claims involving machines or articles the manufacturer used to practice such methods (i.e., apparatus claims) . . . the first inventor defense is intended to protect both method claims and apparatus claims.

*Id.* (emphasis added).



testing, or manufacture of any product or service.” Additionally, Rep. Howard Coble, in his remarks to the House of Representatives, made it clear that the legislation was directed towards any industry relying on trade secrecy for protecting the operations of their businesses.<sup>68</sup>

Our senior drug manufacturer, Company A, who had relied on trade secrecy, would presumably be protected. Certainly, its processes qualify as “intermediate manufacturing procedure[s] . . . producing a useful end result . . . for external sale.”

Imbedded within the legislative history of prior user’s rights is either continued ambiguity about what 35 U.S.C. § 273 is intended to encompass, or a clear mandate that the affirmative defense is available to nearly any person who had practiced a secret internal process or method, used by a company or person, to achieve a useful end result in the interest of the business.<sup>69</sup> The longstanding debate on prior user rights with regard to patents, however, did not begin with this most recent legislation.<sup>70</sup>

*B. Predecessor to the 1999 Version of §273: Rights Based on Prior Use (Defense to Infringement), 1994*

---

68. 106 CONG. REC. E1788 (daily ed. July 26, 1999) (statement of Hon. Coble):  
[C]hanges have been made to the bill [H.R. 1907] which are not reflected in the committee report that was filed. I therefore intend that this document supplement the report for purposes of detailing a more accurate legislative history of H.R. 1907 . . . The title [referring to the House version of FIDA] clarifies the interface between two key branches of intellectual property law—patents and trade secrets . . . this title focuses on methods of doing and conducting business, *including methods used in connection with internal commercial operations as well as those used in connection with the sale or transfer of useful end results—whether in the form of physical products, or in the form of services, or in the form of some other useful results . . . for example . . . other inputs to produce a useful result . . .* The earlier inventor defense is important to many small and large businesses, including financial services, software companies, and manufacturing firms—*any business that relies on innovative business processes and methods . . .* The method that is the subject matter of the defense may be an internal method for doing business . . . *or a method for conducting business such as a preliminary or intermediate manufacturing procedure, which contributes to the effectiveness of the business by producing a useful end result for the internal operation of the business or for external sale . . .* *The first inventor defense is not limited to methods in any particular industry such as the financial services industry, but applies to any industry which relies on trade secrecy for protecting methods for doing or conducting the operations of their business.*

*Id.* (emphasis added).

69. *Id.*

70. *Prior User Rights (Relative to Patents)*, *supra* note 12, at 1. According to the opening statement of Chairman William J. Hughes, “[p]rior user rights is not a new issue, having been previously considered by the subcommittee during the 102d Congress in the context of patent harmonization.” *Id.*

As stated, what is now codified as 35 U.S.C. § 273 was once slated to be a broader form of “prior user’s rights.” It was not, however, to be an affirmative defense limited merely to practitioners of business methods of the type in *State Street*. In the hearings before the Subcommittee on Intellectual Property and Judicial Administration, numerous persons from industry, academia, government service, etc. weighed in on the matters at stake.<sup>71</sup> Bruce Lehman, the then Assistant Secretary of Commerce and the Commissioner of Patents and Trademarks, said that “[o]ur patent laws were not designed to force American companies to seek patent protection for every invention . . . The purpose, in fact . . . is to stimulate innovation . . . So if that innovation can be stimulated or is stimulated even without patenting, we are still successful.”<sup>72</sup> Mr. Lehman went on to state three sound reasons why prior innovators should be afforded such a defense.

The prior user defense (1) will help parties more fairly and efficiently resolve disputes that can arise when one party uses an innovation that is later patented by another; (2) will eliminate the disparate treatment [between] American and foreign manufacturers;<sup>73</sup> and (3) could help resolve concerns that have been expressed in the software industry . . . regarding prior use of poorly documented techniques that are later patented by another.<sup>74</sup>

Robert P. Merges, Professor of Law at Boston University School of Law, concluded his statement to the Subcommittee with an argument for balance in the competing systems of patent and trade secret law:

Currently, patent law sends mixed signals to inventors regarding trade secrecy. In one sense, this is appropriate; one goal of patent law, to encourage disclosure of technology, is stymied by trade secrets. On the other hand, many inventions are of uncertain patentability, or occur in industries where firms do not generally seek patent protection.

Patent and trade secret law must therefore be made to accommodate each other. While current law achieves a workable accommodation, introducing prior user rights would alter the balance favorably. This is so because prior user rights, properly implemented, represent a significant benefit to those who choose trade secret protection, without undercutting too seriously the rights of subsequent patentees.<sup>75</sup>

Despite this and other reasoned pleas, this Bill did not survive Congress. A look at the broad language of S.2272 (103d Congress, 2d Session) shows why those opposed to upsetting decades of jurisprudence in the ether between

---

71. *Prior User Rights (Relative to Patents)*, *supra* note 12.

72. *Id.* at 5-6.

73. Hubert, *supra* note 12, at 211.

74. *Prior User Rights (Relative to Patents)*, *supra* note 12, at 7.

75. *Id.* at 45.

trade secret and patent law carried the day. The proposed legislation, which would have become 35 U.S.C. § 273 (b), originally read as follows:

IN GENERAL.—A person shall not be liable as an infringer under a patent granted to another with respect to any subject matter claimed in the patent that such person had, acting in good faith, commercially used in the United States or made effective and serious preparation therefore in the United States, before the critical date.<sup>76</sup>

In the definition section of the same bill, “commercially used” was defined as “the use in interstate or intrastate commerce, including the use of processes, equipment, tooling, and intermediate materials in the design, testing or production of commercial products whether or not such processes, equipment, tooling, and intermediate material are normally accessible, available, or otherwise known to the public . . .”<sup>77</sup>

#### *Analysis*

By comparison to what was eventually enacted into law as the First Inventor’s Defense Act of 1999, it is easy to see, by negative implication, that what Congress left on the “cutting room floor” in 1994, it did not intend to encompass in the 1999 version. Arguably, however, the intent behind the prior version of §273 survived, as evidenced in the sentiments expressed by Senator Schumer and Representative Coble, discussed *supra*.<sup>78</sup> The intent of both legislators was to clarify the meaning of “method” by reciting the more rudimentary notions of the types of subject matter that are, or have been, traditionally protected in the United States for over two hundred years. What should fall within the statute is “any . . . practice, process, activity, or system that is used in the design, formulation, testing, or manufacture of any product or service”<sup>79</sup> and “any industry which relies on trade secrecy for protecting methods for doing or conducting the operations of their business.”<sup>80</sup> The breadth of such intent should not be ignored.

#### IV. CONGRESS REMAINS DISSATISFIED: THE BUSINESS METHOD PATENT IMPROVEMENT ACT OF 2000, H.R. 5364

As mentioned, *supra*, the Patent and Trademark Office was bombarded with patent applications for diverse business methods after the Federal Circuit opened the doors, in *State Street*, to presumably new patentable subject matter.<sup>81</sup> The PTO has received unwelcome scrutiny regarding its review

76. *Id.* at 128.

77. *Id.* at 127.

78. SCHUMER, *supra* note 67; COBLE, *supra* note 68.

79. SCHUMER, *supra* note 67.

80. COBLE, *supra* note 68.

81. BNA’s PATENT, TRADEMARK & COPYRIGHT J., vol. 60, no. 1493, *supra* note 13.

procedures for business method patent applications and for the types of prior art it researches in examining such applications.<sup>82</sup> Representative Boucher, during the introduction of H.R. 5364 remarked that “there is something fundamentally wrong with a system that allows individuals to get patents for doing the seemingly obvious.”<sup>83</sup> The intent of the legislation, introduced jointly with Rep. Howard Berman (D-Cal.), is to improve the overall examination procedures for business method applications; the purpose is not to prohibit the award of monopolies for such inventions.<sup>84</sup> There are numerous provisions in the bill,<sup>85</sup> but Section 2 would codify a new definition of “business methods as 35 U.S.C. § 100 (f):”

The term business method means (1) a method of (A) administering, managing, or otherwise operating an enterprise or organization, including a technique used in doing or conducting business; or (B) processing financial data; (2) any technique used in athletics, instruction, or personal skills; and (3) any computer-assisted implementation of a method described in paragraph (1) or a technique described in paragraph (2).<sup>86</sup>

The proposed bill, as currently drafted, seems fairly hostile to the broader scope of business methods called for in this comment. Remember that a broader scope of business methods would afford practitioners of such methods (e.g., formerly held as trade secrets in reliance on the advice of attorneys and judicial decision) the right to invoke the affirmative defense in 35 U.S.C. § 273 in suits of infringement. But the language defining what is a business method focuses on financial data processing, coaching techniques and computer-assisted implementations. This notwithstanding, the very first definition still seems somewhat vague: “a method of . . . otherwise operating an enterprise or organization.” Our drug manufacturer (Company A) in Scenario 1, discussed throughout this comment, might still argue that his process of manufacture falls within this definition of business methods.

## V. CONCLUSION

Prior user’s rights relating to patent protection and affirmative defenses to infringement have been debated extensively for at least a decade in the United States. The competing interests involve, on the one hand, the long standing motive behind the Constitutional imperative to promote the sharing of useful knowledge within the public domain and, on the other hand, the means available to practitioners of commercially useful methods and processes which allow for the protection of trade secrets, giving such innovators the ability to

---

82. *Id.*

83. *Id.*

84. *Id.*

85. *Id.*

86. H.R. 5364, *supra* note 14.

maintain a competitive edge in a free market economy. The legislative and executive branches of our government failed to consummate an earlier version of prior user's rights in 1994. In the face of new technology, pressure from industry, and the Federal Circuit's opinion in *State Street* overturning the business method exception to patentability, Congress promulgated the First Inventors Defense Act of 1999—only one small portion of the sweeping reform implemented in the United States Patent and Trademark Office. By inference, most commentators believe that the Congressional response to *State Street*, is intended to only cover intangible business methods, e-commerce software or business methods, or mathematical algorithms generating useful results. If this is true, in essence, Congress was successful in passing legislation that is merely a penumbra of a true and complete affirmative defense of prior user's rights. I suggest, in the alternative, that the language of what has been codified in 35 U.S.C. § 273 is ambiguous and open for broader interpretation. An analysis of the legislative intent, if indeed the plain meaning is construed as ambiguous by the federal courts, will show that Congress intended a broader umbrella than what most commentators believe was ultimately enacted. Additionally, it is in the best interest of U.S. inventors to make available a number of means for the protection of the useful arts. The words of Chief Justice Burger, writing for the majority in *Kewanee Oil* are on point:

Trade secret law and patent law have co-existed in this country for over one hundred years. Each has its particular role to play, and the operation of one does not take away from the need for the other. Trade secret law encourages the development and exploitation of those items of lesser or different invention than might be accorded protection under the patent laws, but which items still have an important part to play in the technological and scientific advancement of the Nation. Trade secret law promotes the sharing of knowledge, and the efficient operation of industry; it permits the individual inventor to reap the rewards of his labor by contracting with a company large enough to develop and exploit it. Congress, by its silence over these many years, has seen the wisdom of allowing the States to enforce trade secret protection. Until Congress takes affirmative action to the contrary, States should be free to grant protection to trade secrets.<sup>87</sup>

Indeed, Congress has remained silent on the issue of keeping trade secret protection within the jurisdiction of the States. But the larger point by Justice Burger is that trade secret law, like patent law, also promotes the sharing of knowledge and permits the individual inventor to reap the rewards of his labor. Why then, should the trade secret holders, who commercially practice their processes or methods continually, not be afforded the privilege of the affirmative defense offered in 35 U.S.C. § 273? It is the contention of this

---

87. *Kewanee Oil*, 416 U.S. at 493.

comment that prior users or first inventors should have, at their disposal, this important protection.

JEFFREY P. DUKE\*

---

\* J.D. Candidate, Saint Louis University, 2002; B.S. Chemistry (1986). I would like most especially to give tribute to my wife, Tina, who has wholeheartedly supported me in my endeavors at law school. She has sacrificed much, served much and played both Mom and Dad to our three children on countless nights when I have been away at class. Tribute is also due to my three children, Jordan, Kaylie and Nathan, for their prayers and their individual sacrifices. I would also like to thank Robert Kennedy, Assistant General Counsel & Director, Global Intellectual Property, Litigation Management & Business Transactions of the Pharmacia Corporation in St. Louis, Missouri for his enthusiasm and guidance to me while writing this Note. Finally, thanks go to James Surber, a good friend, who led me to this topic and who guided me through the law during the early drafts before I had taken a course in patent law.

