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NOTES AND COMMENTS

DEATH OF A SUPERIOR INTELLECTUAL PROPERTY LAW SYSTEM

I. INTRODUCTION TO THE CONTROVERSY

The United States Patent and Trademark Office (PTO) may undergo dramatic changes in the near future. The House of Representatives passed a bill on April 23, 1997 that seeks to drastically restructure the PTO.¹ A similar bill is being considered by the Senate, S. 507.² The House bill, H.R. 400, has also been termed the “21st Century Patent System Improvement Act,” the “21st Century Patent Giveaway Act,” and more poignantly, the “Steal American Technology Act.”³ Why is the PTO getting all this attention? Why have inventors’ associations around the country rallied to lobby Congress to quash this bill? What does Japan have to do with the controversy?

If approved, H.R. 400 will radically change key features of the patent system in the United States. Those potentially affected by the change have been vocal in their opposition to the bill from the onset.⁴ In addition, H.R. 400 has an international element. The United States has an interest in creating a single, global patent system for all technologically advanced countries.⁵ As a strong, global technology leader, Japan has been supporting the global patent notion

1. H.R. 400, 105th Cong., 1st Sess. (1997).

2. Craig J. Brumfield & August Horvath, In the Legislature/In the Agencies, 9 NO. 5 J. PROPRIETARY RTS. 22, 22.

3. Drew Fetherston, Debate over Patent Bill/Plan Stems from Negotiations with Europe, Japan, NEWSDAY, March 26, 1997, at A47.

4. *The Importance of Patent Term and Patent Application Disclosure Issues to Small Businesses and the Impact Of Proposed Changes in the Patent Laws Upon the Small Business Community Before the Subcommittee on Government Programs and Oversight of the Committee on Small Business*, 105th Cong., 1st Sess. (1997) (statement of Dr. “Biff” Kramer, Vice-President, Alliance for American Innovation).

5. Carlos J. Moorhead, *Improving our Patent System for a Stronger America*, 11 ST. JOHN’S J. LEGAL COMMENT. 465, 469 (1996).

and encouraging a patent system modeled after its own. H.R. 400 reflects this Japanese influence.

This paper explores the arguments and controversy surrounding H.R. 400. A review of the current United States patent system and its unique structure from a global viewpoint begins the discussion, followed by an overview of the benefits and drawbacks of H.R. 400. The subsequent sections contain an explanation of the specific titles in H.R. 400 with the arguments for and against the bill. Finally, an analysis by the author concludes the paper.

II. THE CURRENT UNITED STATES PATENT SYSTEM

The PTO gets its constitutional power from Article I, Section 8, Clause 8 of the United States Constitution, declaring that Congress shall have the power “to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.”⁶ The patent system protects a wide range of technological inventions. As long as the invention is new, useful and non-obvious, a patent may issue.⁷ The first step in obtaining a patent is to draft an application that describes in detail the invention in question. A patent attorney strives to draft an application that is specific enough to be approved by the PTO, but vague enough to include a broad product design to prevent others from obtaining patents on similar products. After an examination of the application, which can take over two years, a patent will issue to the inventor if the invention is new, useful, and non-obvious.

In conformance with the recent General Agreement on Tariffs and Trade (GATT), the owner of a patent is granted an exclusive twenty-year negative right from the date of filing with the PTO.⁸ A “negative right” is a right that is used to exclude others from the manufacture, use, or sale of the product covered by the patent.⁹ If another person or company violates these rights, the patent owner may sue for either injunctive relief, damages, or both.¹⁰ Because patent rights have the attributes of personal property, they may be transferred to others.¹¹

6. U.S. CONST. art. I, § 8, cl. 8.

7. 35 U.S.C.A. § 101, 103.

8. Uruguay Round Agreements Act, Pub. L. No. 103-465, 108 Stat. 4809 (1994).

9. *Bauer & Cie. v. O'Donnell*, 229 U.S. 1, 10 (1913).

10. 35 U.S.C.A. § 281. This section rather succinctly provides that, “A patentee shall have remedy by civil action for infringement of his patent.” This may include attorney’s fees at the discretion of the judge and treble damages. 35 U.S.C.A. 285, 284.

11. 35 U.S.C.A. § 261. Patents are assignable, in whole or in part, to anyone so long as the conveyance is in writing and the writing is recorded with the PTO within three months of the transaction. *Id.* The assignees also have the right to convey the patent unless doing so would violate some other agreement between the parties. *Id.*

Congress has strong control of the policy and activities of the PTO. The PTO is affiliated with the Department of Commerce with its policies subject to the control of Congress.¹² The Commissioner of Patents and Trademarks is appointed by Congress.¹³

The patent examiners, the PTO employees who review patent applications, have civil service protection. Not unlike Article III federal judges, the patent examiners are immune from political pressure.¹⁴

The current patent system provides for secrecy until the patent application is granted. The drawings, specifications, and use of the invention are not revealed to the general public until a patent is issued. At the time of issuance, the patent is publicly disclosed as the PTO has conferred rights to the patent owner. If an application fails, all the information relating to the application remains confidential.

A prior-use right protects those companies or individuals that are using or manufacturing a non-patented product which another inventor subsequently attempts to patent.¹⁵ The prior user, by showing prior use or development of the product in question, can continue to use the invention whether or not a patent issues to the other party seeking protection. While other countries have prior-use provisions, the current United States patent system does not contain such a provision.¹⁶ The current U.S. system encourages individuals and companies to file as soon as possible to stake their claim in the invention before others do the same.

The patent applications in the United States are based on "best mode criteria."¹⁷ This means that a person skilled in the art can reproduce the invention from the details outlined in the application. Other countries require only descriptions of the inventions in the patent application.¹⁸ Having detailed patents allows other inventors to learn from and improve upon the original invention. Such a process reduces time wasted attempting to reverse-engineer an invention on which a patent has already issued and allows inventors to spend more

12. 35 U.S.C.A. § 1. The PTO is considered "an office in the Department of Commerce." *Id.*

13. 35 U.S.C.A. § 3.

14. *Id.* The basic pay schedule for the top employees is prescribed by law in this section. Changing such salaries would require a change in the law. *Id.*

15. Keith M. Kupferschmid, *Prior User Rights: The Inventor's Lottery Ticket*, 21 AIPLA QUARTERLY JOURNAL NO. 3, 213, 216 (1993).

16. Rose-Robin Pedone, *Patent Legislation: To Steal or Not to Steal?*, LI Business News, July 27, 1997, at 23.

17. Patent System Overhaul: Hearing On Patents Bills S. 507 and H.R. 400 Before the Senate Judiciary Committee, 105th Cong., 1st Sess. (1997) (statement of Rep. Dana Rohrabacher). Rep. Rohrabacher was the only witness asked to appear before the Senate Judiciary Committee to comment on the changes that the House made to H.R. 400 before passing the bill. Apparently, Rep. Rohrabacher's reputation and outspoken opposition to H.R. 400 prompted his selection.

18. *Id.*

time promoting the development of better inventions. This system has enabled the U.S. to become a leader in patenting and licensing advanced technologies.¹⁹

Rep. Dana Rohrabacher (R-Cal.) attributes the technological growth of the United States to the current patent system: "Independent inventors are responsible for most of the breakthrough technology in the U.S. They account for most of the patentable technology in the world. They are the reason the U.S. produces the vast majority of Nobel prize winners in Science."²⁰

III. HOW THE U.S. PATENT SYSTEM DIFFERS FROM OTHER COUNTRIES

The patent system in the United States is unique compared to other countries. The United States requires that the inventor apply for the patent. The underlying theory of patent protection is that the patent should go to the first to invent. The first inventor to file a patent application, however, is not always the one who receives the patent. Persons other than the applicant may contest the proceeding and attempt to prove that they were the first to invent. In addition, if an invention in the United States is disclosed before an application is filed, patent protection is still available if the application is filed within one year of disclosure or public use.²¹

In Europe and Japan, however, corporations can apply for patents for their employees' inventions.²² In these countries, the first inventor to file an application is usually the one who receives the patent because there is no "first to invent" principle underlying their patent systems.²³ Further, disclosure of an invention before patent issuance could eliminate all patent protection for an invention, no matter how short the time frame between disclosure and the filing of a patent application.²⁴

19. *Id.*

20. *Id.* While Rep. Rohrabacher does not cite any sources for his assertions in his testimony, Dr. Kramer of the Alliance for American Innovation cites a 1996 study entitled "SBA Office of Advocacy Facts About Small Businesses" which reports that 55% of innovations in the United States come from small businesses. See Kramer, *supra*, note 4.

21. John R. Thomas, *Litigation Beyond the Technological Frontier: Comparative Approaches to Multinational Patent Enforcement*, 27 *LAW & POL'Y INT'L BUS.* 277, 285 (1996).

22. *Id.* at 283.

23. *Id.* at 285. Prior to patent issuance, the United States PTO performs a thorough prior art search which seeks to determine whether the invention under inquiry is novel compared to previous inventions. "First to file" countries lack such a rigid scheme, and hence the first person to file an application usually is awarded the patent rights.

24. *Id.*

IV. THE BENEFITS OF H.R. 400

H.R. 400 has numerous supporters in Congress.²⁵ U.S. Representative Howard Coble (R-NC) is chairman of the Subcommittee on Courts and Intellectual Property of the House Judiciary Committee and sponsor of H.R. 400. Rep. Coble believes that H.R. 400, "benefits independent inventors, businesses, and the American people."²⁶

In 1994, the U.S. trade deficit with Japan prompted the late Secretary of Commerce Ron Brown to sign an agreement with Japanese Ambassador Takakazu Kuriyama that would improve the overall treatment of U.S. intellectual property rights in Japan.²⁷ To date, the Japanese have satisfied their concessions in the agreement, but the U.S. has not met its own.²⁸ According to PTO Commissioner Bruce Lehman, Assistant Secretary of Commerce and Commissioner of Patents and Trademarks, in a July, 1997 speech before the Japanese Commerce Association, H.R. 400 is a step towards fulfilling the U.S. end of the bargain.²⁹

Close behind Rep. Coble in his support of H.R. 400 is Bruce Lehman, the PTO commissioner. In testimony given on May 7, 1997 before the Judiciary Committee of the United States Senate, Commissioner Lehman stated that, "We believe that converting the USPTO into a performance based organization, and reforming our patent laws, are necessary to ensure that our patent system truly promotes the progress of useful arts now and in the next century."³⁰ Commissioner Lehman believes that a performance based organization

25. See Rohrabacher, *supra* note 17. H.R. 400 passed by a non-recorded, majority voice vote.

26. Howard Coble, *Patent-Improvement Bill Stirring a Lively Debate and is Vitaly Important*, GREENSBORO NEWS & RECORD, May 18, 1997, at F3.

27. Bruce A. Lehman, *Industrial Property Protection in the United States*, JEI Report, Vol. 1997, No. 35, September 19, 1997.

28. See Moorhead, *supra* note 5, at 473. Mr. Moorhead reports that four concessions were agreed to by the Japanese. These include permitting United States inventors to file their applications in English, permitting the conclusion of patent examinations within thirty-six months at the request of the applicant, eliminating pre-grant oppositions and consolidating post-grant oppositions, and termination of the practice of allowing dependent patent compulsory licensing. *Id.* The United States agreed to make two concessions to the Japanese. First, the term of patent protection would be changed to twenty years from the date of filing. At the time of the accord, the term was 17 years from the date of patent issuance. After GATT, this concession has been met. Second, the United States PTO would publish applications after eighteen months, regardless of whether or not the patent had issued. *Id.* at 474. Clearly, H.R. 400 is an attempt to satisfy this final concession.

To view scanned copies of the actual correspondence between the United States and Japan, visit the National Patent Association's home page at <http://www.nationalpatent.com/correspond.html>.

29. See Lehman, *supra* note 27. See also note 28, *supra*, showing how one U.S. concession to the Japanese remains to be completed.

30. *Patent System Overhaul: Hearing On Patents Bills S. 507 Before the Senate Judiciary Committee*, 105th Cong., 1st Sess. (1997) (statement of Bruce A. Lehman, Assistant Secretary of

can bring strong leadership to the PTO by providing an experienced director who reports to the Secretary of Commerce. By authorizing the Secretary to award monetary bonuses if measured goals are met, Lehman contends that top employees will have an increased incentive to improve the PTO.³¹

V. THE DRAWBACKS OF H.R. 400

H.R. 400 has been attacked for its radical nature. The most vocal and intense opposition in the House of Representatives is led by Rep. Rohrabacher. He has single-handedly brought more attention to this debate than any other member of Congress.³² In a speech before Congress, Rep. Rohrabacher summarized his position: "We have the best patent system in the world. We do not have to approach the bargaining table making concessions in the interests of harmonization. If anyone should change, it is others whose systems have not produced the technological leaps that the U.S. system has."³³

Before the Senate Judiciary Committee, the Hon. Marcy Kaptur asked the question, "Why would we want to do anything that would harm a patent system that has helped to make America the largest industrial and agricultural power on the face of the Earth?"³⁴ Clearly there are emotional aspects to the H.R. 400 debate. Where global competitiveness is concerned, feelings of patriotism for the home country and bitterness towards foreign competitors can sometimes cloud the issues and make compromise difficult. These emotions may explain the controversy surrounding some of the following provisions. The more notable, perhaps notorious aspects of H.R. 400 are now considered.

VI. PROVISIONS OF H.R. 400

The provisions of H.R. 400 are divided into five main categories. First, Title I reorganizes the legal structure of the PTO. Title II concerns procedural improvements and patent publication changes. Then, Title III establishes a prior-use defense to infringement of a patent. Title IV adds protection for inventors from unscrupulous invention promoters. As Title IV is devoid of controversy, it is not discussed in this paper. Finally, Title V incorporates miscel-

Commerce and Commissioner of Patents and Trademarks). Commissioner Lehman briefly discusses the value of a performance based organization in his testimony before Congress. For a more in-depth discussion of a performance based organization in the abstract, see Kazenske, *infra* note 46.

31. *Id.*

32. *Senate Judiciary IP Counsel Blasts Administration for Retreat on Patent Bill*, WASHINGTON INSIDER (BNA), April 17, 1997.

33. See Rohrabacher, *supra* note 17. A patent system produces innovations by assuring inventors that their ideas will be rewarded. A reliable, proven system provides security to inventors who risk their capital attempting to create breakthroughs in technology.

34. *Patent System Overhaul: Hearing On Patents Bills S. 507 and H.R. 400 Before the Senate Judiciary Committee*, 105th Cong., 1st Sess. (1997) (statement of the Hon. Marcy Kaptur).

laneous improvements concerning electronic filing, and provisional and international applications.

A. Title I: Patent and Trademark Office Modernization

1. The PTO as a Private Corporation under Title I

Under Title I of H.R. 400, the patent office will become a wholly owned government corporation separate from any department of the federal government.³⁵ The PTO will be considered an agency of the government, with its policies under the direction of the Secretary of Commerce.³⁶ An appointed board of twelve directors will comprise the Management Advisory Board.³⁷ The President of the United States, the Speaker of the House of Representatives, and the majority leader in the Senate will each appoint four directors; however, only three of the four appointees from any appointer can be from the same political party.³⁸ The directors will serve non-renewable terms varying from one to four years. The President also appoints the chair of this Advisory Board who will serve a three year term. The directors appointed to the board shall be "individuals with substantial background and achievement in corporate finance and management."³⁹

The Director of the PTO will be appointed by the President with the advice and consent of the Senate and will serve a renewable five-year term.⁴⁰ The President will have the authority to remove the Director at any time by providing notice to Congress.⁴¹

In addition to the reorganization of the business structure, civil service protection for all PTO employees would remain intact.⁴² Patent examiners have enjoyed such protection with the future of their employment not subject to the political whims of the Commissioner.⁴³ Providing civil service protection to examiners helps to insure the objective review of patent applications.

35. H.R. 400, § 111.

36. *Id.*

37. H.R. 400, § 114.

38. *Id.*

39. *Id.* Apparently, this provision implies that the Advisory Board will be best administered by those experienced in business, not necessarily by those experienced in technology and invention.

40. H.R. 400, § 113.

41. *Id.*

42. Because a private corporation has a certain amount of administrative flexibility, the PTO may declare itself exempt from the civil service protection requirement. *Patent Issues: Testimony Before the Judiciary Subcommittee on Courts and Intellectual Property of the House of Representatives*, 105th Cong., 1st Sess. (1997) (testimony of Rep. Duncan Hunter).

43. *Id.*

Further, H.R. 400 as approved continues the practice of not allowing PTO employees to receive gifts.⁴⁴

2. Title I: The PTO as a Government-Owned Corporation to Enhance Flexibility and Improve Efficiency

According to Commissioner Lehman, organizing the PTO as a government-owned corporation will create certain “operating and financial flexibilities” that will help further serve the public.⁴⁵ In particular, the PTO will resemble a performance-based organization after it achieves its first step of independence from the government. The performance based organization structure, as introduced by Vice President Al Gore in 1995, involves compensating top employees based on a performance bonus system.⁴⁶ It also involves separating policy-making functions from service functions and creating a bifurcated control structure.⁴⁷ The PTO would become similar to the United States Post Office, a corporation under the control of Congress.⁴⁸ In addition, the PTO would have broader latitude in hiring employees, much like a corporation.⁴⁹

Concerning staffing, the PTO re-organization would allow greater flexibility than the current system by authorizing the PTO to negotiate contract terms with union employees. Because the proposed corporate structure would remove Federal regulations concerning staffing contracts, the PTO would have the same leverage that private corporations do when dealing with labor unions.

Even though the PTO is currently funded entirely by user fees and not taxpayers’ funds, Congress has diverted a portion of the PTO revenues towards reducing the national deficit.⁵⁰ This restricts the PTO from hiring more employees. Corporate re-organization under Title I would free the PTO from the current financial limitation on hiring. More patent and trademark examiners could be hired to decrease the time it takes to review filed applications. Further, PTO employees would still receive Federal benefits, including health in-

44. A section authorizing examiners to accept gifts, either foreign or domestic, was originally included in H.R. 400. This section was stricken, however, from the final bill. John Boehner, *21st Century Patent System Improvement Act*, 1997 WL 4431787, April 17, 1997. The section allowing gifts still remains in the Senate version of the bill. S. 507, 105th Cong., 1st Sess. § 112(c)(14) (1997).

45. See Lehman, *supra* note 27.

46. *Performance Based Organizations: Hearings Before the Committee on Government Reform and Oversight, United States House of Representatives*, 105th Cong., 1st Sess. (1997) (statement of Edward R. Kazenske, Deputy Assistant Commissioner for Patents).

47. *Id.*

48. See Pedone, *supra* note 16.

49. *Id.*

50. *Patent System Overhaul: Hearing On Patents Bills S. 507 and H.R. 400 Before the Senate Judiciary Committee*, 105th Cong., 1st Sess. (1997) (statement of Michael K. Kirk, Executive Director of the American Intellectual Property Law Association).

surance.⁵¹ By giving the PTO more flexibility to offer competitive compensation packages to prospective employees and to hire as many employees as it needs, the provisions in Title I would improve the efficiency of the United States patent system.

In addition to the personnel flexibilities, equipment procurement would be streamlined as the PTO would no longer have to use the General Services Administration (GSA), the federal procurement service.⁵² The PTO would then have the benefits of acting both as a private company by seeking competitive bids for equipment and as a government agency by choosing GSA when it provides a better bid.⁵³ For example, with the current system, if the PTO would need increased office space, it is required to pay a surcharge to the GSA to act as an agent in procuring the lease for the PTO. Under the proposed system, the PTO could lease the land directly from the owner and eliminate this unnecessary surcharge.⁵⁴

Financially, Title I exempts the PTO from the Workforce Restructuring Act of 1994, which requires reduction of federal jobs to help manage the deficit.⁵⁵ Under the current patent system, the PTO is funded entirely by user fees and its operation does not contribute to the national deficit. Accordingly, requiring the PTO to participate in deficit-reducing programs is inappropriate.⁵⁶ With the proposed exemption from the Workforce Restructuring Act of 1994, the PTO would have more money to hire qualified people to improve public service.

With respect to management under Title I, the President-appointed Director will have a renewable five year term of office. This fixed five year term contrasts with the present system, where the Commissioner serves only at the pleasure of the President. As the American Intellectual Property Law Association (AIPLA) pointed out in its testimony before Congress, there have been ten Commissioners in the last thirty years.⁵⁷ AIPLA asserts that fixing a term of five years reduces the adverse effects of having a high turnover rate in the PTO's top position.⁵⁸

51. *Patent System Overhaul: Hearing On Patents Bills S. 507 and H.R. 400 Before the Senate Judiciary Committee*, 105th Cong., 1st Sess. (1997) (statement of Rep. Henry Hyde).

52. See Kirk, *supra* note 50.

53. *Id.* AIPLA calculates the amount of money which could be saved with adoption of such a proposal to approximate four to five million dollars a year. *Id.*

54. *Id.*

55. *Id.*

56. *Id.* The Workforce Restructuring Act is a mandate to reduce all federal employment. *Id.* Under strict control of the federal government, the PTO is currently subject to this Act. With the proposed reorganization, however, the PTO will no longer be subject to this restriction. *Id.*

57. *Id.*

58. *Id.* AIPLA contends that a high turnover rate frustrates the overall direction of the office, and limits the candidate field to those people who can afford to lose a job after only three

3. Title I: More Bureaucracy, Less Efficiency—The Opposition

The Alliance for American Innovation (AAI), as part of the opposition, claims that Title I will increase bureaucracy and reduce efficiency because of the creation of new administrative positions.⁵⁹ Namely, the AAI contends that the creation of Undersecretaries of Patent Policy and several Deputy Undersecretaries of Patent Policy positions is not needed.⁶⁰ Less money will be spent on improving the quality of service to patent applicants because the money will be spent on the increased administrative payrolls.⁶¹ The privatization of the PTO will also give the PTO the ability to open satellite offices globally. This will potentially further increase the number of administrative positions and hence decrease the amount of money for improving services to the public.⁶² The AAI fails to see the efficient results of such an organization.⁶³

Rep. Rohrabacher counters the efficiency arguments presented by Commissioner Lehman by taking a different perspective. He claims that if the GSA is an inefficient means of procuring equipment for federal agencies, then the solution is to improve the GSA for the benefit of all federal agencies and not just propose a complex workaround for the problem.⁶⁴ Rep. Rohrabacher further attacks the current policies of the PTO by pointing out that Commissioner Lehman complains of hiring limitations, but he has yet to fill authorized examiner vacancies or create “mentoring programs tailored to producing senior examiners.”⁶⁵

Further, Rep. Rohrabacher is concerned about the foreign influences that may be steering PTO policy.⁶⁶ This includes diverting money from examiner payrolls to international, management-level activities.⁶⁷ Rep. Rohrabacher reports that notwithstanding the passage of H.R. 400, the PTO plans to save approximately \$21 million dollars by eliminating 167 examiner positions in the

years. *Id.* By fixing the term to five years, AIPLA concludes that the PTO has a better chance of attracting quality management. *Id.*

59. *See* Kramer, *supra* note 4.

60. *Id.* Dr. Kramer, speaking for the Alliance for American Innovation, states that it “doesn’t seem to make much sense to increase the bureaucracy. . .and expect the PTO to become more efficient.” *Id.* Dr. Kramer also remarks that the PTO is already “top heavy” now with too many administrators. *Id.*

61. *Id.*

62. *Id.* It must be noted that the 1994 accord with Japan does not require or even mention the possibility of opening a branch of the United States PTO in Japan. It would not be preposterous, though, to suggest such an outcome. *See* notes 5 and 27, *supra*.

63. *See* Kramer, *supra* note 4. AAI contends that the PTO merely needs more qualified examiners to help reduce patent application delay. Expanding globally will help less in this respect than increasing the number of examiners. *Id.*

64. *See* Rohrabacher, *supra* note 17.

65. *Id.*

66. *Id.*

67. *Id.*

near future; furthermore, this money has already been slated for management activities internationally.⁶⁸

While H.R. 400 does not explicitly remove civil service protection for patent examiners, it does not affirm those protections either.⁶⁹ With the reorganization of the PTO as a quasi-private organization, the civil service protections may need to be scrutinized to determine if such protections would still apply. Similarly, a section explicitly prohibiting the acceptance of gifts by patent examiners was omitted from H.R. 400.⁷⁰ The PTO, if re-organized as a corporation, may later declare the acceptance of gifts to be permissible without the consent of Congress.⁷¹ It remains to be seen whether the acceptance of monetary gifts by PTO employees will ultimately result from this legislation.

B. Title II: Examining Procedure Improvements: Publication with Provisional Royalties; Terms Extensions; Further Examination

1. Pre-grant Publication under Title II

Under Title II, patent applications will be published eighteen months after filing regardless of whether or not a patent has or will eventually issue.⁷² This is termed pre-grant publication. Exceptions to this rule include patent applications that are being reviewed by the Atomic Energy Commission, the Department of Defense, or a similar defense agency.⁷³ Such a patent application will be published after eighteen months only when it has been determined that the publication will not be detrimental to national security.⁷⁴

Another exception to pre-grant publication is given to small businesses, independent inventors, and institutions of higher education. In addition to receiving reduced filing fees, these persons or entities are entitled to have their patent applications remain unpublished eighteen months after filing unless they intend to seek a patent in a foreign country. The rationale behind this foreign-filing exception is to give foreign and domestic inventors equal access to competitive documents.⁷⁵ In such cases, the Director will publish only the material that will be made public in the foreign country.

68. *Id.*

69. *See* notes 42 and 44, *supra*.

70. *See* Rohrabacher, *supra* note 17.

71. H.R. 400, § 111 declares that the PTO would be under the policy direction of the Secretary of Commerce, but “not subject to direction or supervision by any department of the United States. . . .”

72. H.R. 400, § 202.

73. *Id.*

74. *Id.*

75. This exception and its rationale are covered in greater detail in the next section.

2. Title II: Pre-Grant Publication as a Means to Level the Playing Field with Foreign Countries

When a U.S. applicant files for both a domestic and foreign patent, the domestic patent application is kept secret until a patent is issued. However, patent applications in some foreign countries are made public eighteen months after filing, regardless of whether or not a patent has issued.⁷⁶ This means that a foreign company can review in its native language a patent application that is still secret in the U.S. Reviewing a patent application before the patent actually issues is beneficial to companies in competition with the applicant because they can modify their product to compete with the new product.⁷⁷ The competitive companies can even infringe the new invention with impunity until the patent actually issues.⁷⁸ A foreign company gains an advantage over a U.S. company with respect to a U.S. application filed in that foreign country because the foreigners can review the application in their native language while U.S. competitors must first translate the foreign application.⁷⁹ According to Commissioner Lehman, the foreign pre-grant publication provision places American companies and inventors at a distinct disadvantage.⁸⁰

Title II would give the U.S. patent system this same feature by publishing applications in English eighteen months after filing.⁸¹ This provision would allow U.S. companies and individuals to review, in English, U.S. applications that have also been filed in foreign countries. With the current system, companies in that foreign country have the advantage of reviewing these U.S. applications in their own language before the English version of the application is published.

Pre-grant publication would also include the applications filed by foreigners, which constitute 46% of annual filings.⁸² Lehman further notes that the time frame for foreign applications begins with the foreign filing date, not the U.S. filing date. This means that foreign applications will be published in the U.S. at approximately the same time they are published in the foreign coun-

76. See Moorhead, *supra* note 5, at 475.

77. See Kramer, *supra* note 4. With pre-grant publication, a company competing with the patent applicant receives an early warning as to the status of the applicant's technology. This publication would allow the competing company to copy the work of the applicant.

78. *Id.* Once the patent issues and the competing company is declared an infringer, reasonable royalties are due to the patentee. However, these royalties are minimal compared to the potential profits gained during the infringing period. See note 100, *infra*.

79. *Patent System Overhaul: Hearing Before the Senate Judiciary Committee*, 105th Cong., 1st Sess. (1997) (statement of Bruce Lehman, Assistant Secretary of Commerce and Commissioner of Patents and Trademarks).

80. *Id.*

81. H.R. 400, § 202.

82. See Lehman, *supra* note 79.

try.⁸³ This would remove any pre-grant publication benefit that foreign competitors enjoy over domestic competitors under the current system.⁸⁴

Another advantage of Title II is that innovative technological information would be disseminated more quickly than it would be otherwise.⁸⁵ This means that time spent unknowingly duplicating the efforts of others would be saved by the sharing of information.⁸⁶ In addition, Lehman argues that pre-grant publication of an application would allow “others to learn from it and build upon it.”⁸⁷

Pre-grant publication also prevents “submarine” patent applications.⁸⁸ As described by Rep. Hyde, submarine patent applicants “purposely delay their applications. . . until someone else, who has no way of knowing of the hidden application. . . produce[s] a new product [similar to the submariner’s application], only to have the submarine rise above the surface and sue the [person] for their innovation.”⁸⁹ Submariners, according to Rep. Hyde, attempt to exploit their invention by litigation and not by commercial development.⁹⁰ To further that end, submariners attempt to keep their patents pending for as long

83. *Id.*

84. *Id.*

85. *Id.* Under the current system, a patent application is not disclosed publicly until a patent actually issues. For some high technology inventions, patent pending periods can exceed four years. See Rohrabacher, *supra* note 17. Publishing the application after 18 months would disclose the technology to the public much earlier than if disclosure came after the patent issues.

86. See Lehman, *supra* note 79.

87. *Id.* See notes 77 and 78, *supra*, and note 100, *infra*, for a discussion of the counterarguments to Commissioner Lehman’s viewpoint. Competitors can infringe the patent with impunity and possibly develop a better product before the original patent ever issues.

88. Submarine patent applicants “purposely file very broad applications and hope that another company or inventor will invest in technology similar to that contained in the patent application.” See Hyde, *supra* note 51. A “submariner” will keep secret about his invention, waiting until another inventor announces development of a similar product. The submariner makes money by suing the second inventor for infringement, not by marketing the original invention in any way. Rep. Hyde further contends that many submariners sue as many parties as possible, attempting to obtain nuisance settlements even from those parties not directly infringing the patent. *Id.*

89. *Id.*

90. *Id.* A newspaper excerpt tells the story of one famous submariner.

George Selden provides the prototypical case in point. George Washington University professor Harold C. Wegner, an intellectual property law expert, summed up the infamous case of this 19th century patent lawyer for Congress earlier this year.

“Mr. Selden patented the gas-drive automobile, obtaining his patent only after 16 years and only after the real pioneers of industry had put the cars on the road,” Wegner said. “Selden’s invention was little more than a paper creation, a patent tax on the real innovators who did more than write down their idea on a scrap of paper, putting their creative geniuses into actual production.” Ted Bunker, *Fight Over Patent Law Carries Historic Stakes*, BOSTON HERALD, April 21, 1997, at 24.

as possible to increase the chances of infringement by an unknowing party.⁹¹ Pre-grant publication would “sink” submarine patents by decreasing the amount of time a patent application remains secret.

Provisional rights are given to the applicant in return for pre-grant publication under Section 204 of Title II.⁹² Currently, an inventor who markets a product with a patent pending cannot sue a competitor who copies and markets the product until a patent is granted.⁹³ These rights are an attempt to prevent the competition from copying and profiting from the disclosed invention. Under the proposed law, the patent applicant can sue for infringement during the time between publication and granting and demand a reasonable royalty from the infringer.⁹⁴

3. Title II: An Invitation to Steal

Title II of H.R. 400, the pre-grant publication provision, calls for the publication of a patent application eighteen months after filing regardless of whether a patent has actually issued.⁹⁵ Interscience, a small technology and research company, insists that pre-grant publication removes rights from the inventor because if a patent application is rejected, trade secret protection is removed from the inventor due to the application disclosure.⁹⁶ Further, pre-grant publication will probably result in a “deluge of third party inputs of real or imagined prior art.”⁹⁷ Sorting through this material will require extra staff at the PTO and will result in increased delays for patent review.⁹⁸ An inventor will have to defend an invention before a patent is even issued.

AAI attacks the provisional patent rights available to an inventor after pre-grant publication.⁹⁹ They claim that provisional rights are not enough of a de-

91. See Hyde, *supra* note 51.

92. H.R. 400, § 204.

93. See Kirk, *supra* note 50.

94. H.R. 400, § 204.

95. H.R. 400, § 202.

96. *Patent Law Changes: Impacts of Changes in Patent Laws on the Small Business Community Before the Subcommittee on Government Programs and Oversight of the Committee on Small Business*, 105th Cong., 1st Sess. (1997) (statement of James T. Woo, President, Interscience, Inc.). A common strategy for an inventor is to first seek the strong protections of the patent system, then seek trade secret protection if a patent fails to issue. See Kirk, *supra* note 50. Under trade secret law, an invention can be the subject matter of a trade secret only if disclosure has not occurred. *Id.* As pre-grant publication constitutes public disclosure, the alternative of trade secret protection is removed from the inventor if the application is published and a patent ultimately fails to issue.

97. *Id.*

98. *Id.* While the amount of extra effort required to handle the anticipated increase in prior art references is based on speculation, the essence of the argument is that 18 months will not be long enough for sufficient PTO review of the patent. *Id.*

99. See Kramer, *supra* note 4.

terrent to large companies with full-time litigators who would be willing to wage war on the individual inventor, knowing that just “reasonable royalties” will be the result of a lost lawsuit.¹⁰⁰ Likewise, Rep. Rohrabacher detests the provisional right scheme because of the effort required by the inventor to successfully pursue “reasonable royalties.” An inventor whose patent is infringed after publication but before issuance will have to wait until the patent is granted before asserting rights to the product. Then, before receiving any royalties, the inventor has to prove that the infringer had actual notice of the application by the PTO publication and that the copied product is identical to the patented.¹⁰¹ Rep. Rohrabacher insists that the small inventor will not have the resources to successfully pursue an infringement claim through years of litigation.¹⁰²

A General Accounting Office (GAO) analysis indicates that the average pendency for patents issued in 1994 was 21.3 months.¹⁰³ This report also indicates that at the extreme, some patents took over five years to issue.¹⁰⁴ With the eighteen month pre-grant publication provision in H.R. 400, the competition may have years to copy and profit from an inventor’s idea with impunity before a patent ever issues.

Rep. Rohrabacher further contests the fear of “submarine patents.” He claims that the GAO found no more than thirteen incidences of submariners per year after studying over 2.3 million applications.¹⁰⁵ This means that requiring pre-grant publication to deter submarine patents will command disclosure for over 100,000 inventors per year for the sake of a mere handful of submariners.¹⁰⁶ Similarly, Rep. Rohrabacher notes that the proponents of H.R. 400 have failed to cite any submarine patents that have persisted after the installation of a computerized patent tracking system.¹⁰⁷

Concerning Commissioner Lehman’s argument that pre-grant publication will provide an English translation of U.S. applications that have also been filed and published in foreign countries, Rep. Rohrabacher indicates that on-line patent databases provide notice and translation of foreign patents into

100. *Id.* The price of a reasonable royalty is minimal compared to the cost of litigating a major infringement action. Some argue that reasonable royalties would not prevent a large company with in-house counsel from infringing a patent pending. *Id.*

101. H.R. 400, § 204.

102. *See* Rohrabacher, *supra* note 17.

103. *Intellectual Property: Patent Examination and Copyright Office Issues*, General Accounting Office Report T-RCED/GGD-96-230, September 18, 1996.

104. *Id.* The patents taking the longest to issue were those patent applications which were subject to a secrecy order.

105. *See* Rohrabacher, *supra* note 17.

106. *Id.*

107. *Id.* A computerized patent tracking system (PALM) was installed in 1978. It tracks and detects those patent applications which exceed the average pendency period.

English for an affordable fee.¹⁰⁸ The drastic step of forced disclosure is not needed to merely obtain an English translation of a foreign patent application.

C. Title III: Protection for Prior Domestic Users of Patented Technologies

1. The Prior Use Defense to Patent Infringement

Title III of H.R. 400 creates a new defense to patent infringers: the prior-use defense.¹⁰⁹ There is no such defense available in the current system. The proposed defense protects a person who has commercially used the subject matter of a patent in good faith for a time greater than one year before the filing date of the patent. Under the proposed defense, that person is not liable as an infringer against that patent.¹¹⁰ This defense cannot be asserted by a party who has abandoned use of the subject matter of the patent.¹¹¹ Whatever rights were transferred or sold to another party are considered as if they were transferred or sold by the actual patent holder. The entity asserting the prior-use defense has the burden of proof.¹¹²

2. Prior-Use Rights as a Defense to Infringement under Title III

Small businesses will benefit from the creation of the prior-use defense to patent infringement. According to Rep. Hyde, small businesses often do not have the “desire nor the money” to patent their innovative products.¹¹³ Under the current system, another company could patent the idea, then sue the first inventor for infringement. Title III would prevent such a scenario by allowing the inventor to claim prior-use and be immune from infringement. The provision would allow the small inventor to avoid the hassle of the patent process, while still reaping the benefits of the invention.

Title III expressly requires good faith, commercial use or effective and serious preparation for use by the prior user of the subject matter of a patent. AIPLA believes that these requirements will successfully narrow invocation of this defense except “in the most compelling circumstances.”¹¹⁴

The prior-use rights created by Title III will solve disputes arising from the PTO publication “Proposed Examination Guidelines for Computer-Implemented Inventions.”¹¹⁵ These guidelines increase the availability of pa-

108. *Id.*

109. H.R. 400, § 302.

110. *Id.*

111. *Id.*

112. *Id.*

113. *See* Hyde, *supra* note 51.

114. *See* Kirk, *supra* note 50.

115. *Id.*

tents for software programs.¹¹⁶ Because patents on software programs have been difficult to obtain in the past, most companies have employed their processes and techniques in secret. With the increased issuance of patents on software programs, prior-use rights will aid the original inventors of the programs in defending infringement suits resulting from a subsequent company's efforts to steal those processes.¹¹⁷

Prior-use rights exist in most major industrialized countries.¹¹⁸ Creation of these rights under Title III will create a level playing field between U.S. and foreign companies. Giving domestic inventors the same patent infringement defenses available to foreign companies helps to equalize the U.S. patent system with those of the rest of the world.

3. Title III: Prior-Use Rights Convert the "First to Invent" System into a "First to File" System

Prior-use rights are contrary to public interests according to Rep. Rohrabacher.¹¹⁹ By allowing such a defense to patent infringement, Title III would allow companies to benefit from not filing with the PTO. This is contrary to public policy, and may even be unconstitutional as exclusive rights would not be conferred solely upon a patent holder since some rights would be given to infringers.¹²⁰

The U.S. patent system credits the original inventor with an invention. Prior-use rights ignore the original inventor and confer patent rights on the

116. *Id.*

117. *Id.* A typical example would be that of a software programmer who writes a program in his or her garage, and then markets the program. A large company duplicates the program, obtains a patent on the program, and then sues the original creator for infringement. A prior-use right would defend the software programmer.

118. *See* Kupferschmid, *supra* note 15, at 221.

119. *See* Rohrabacher, *supra* note 17.

120. *Id.* Article I, § 8, clause 8 of the United States Constitution requires that Congress shall have the power "to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries." U.S. CONST. art. I, § 8, cl. 8. The basic arrangement gives inventors a secured right to their invention in return for full disclosure, which promotes the progress of the useful arts. As this clause is the only sentence in the entire Constitution containing the word "right," the drafters must have felt strongly about this issue. As such, any proposal which attempts to detract from the original intent must be scrutinized carefully.

Title III is contrary to the original intent of the Constitutional drafters. By protecting inventors with prior-use rights without first mandating full disclosure, Title III removes the incentive for disclosure. As disclosure is deemed essential for promoting the useful arts, Title III directly contradicts the intent of the Constitution.

Additionally, the express language of the Constitution decries the constitutionality of Title III. Article I authorizes the conferral of "exclusive" rights on the inventor. Title III grants a right to both the patentee and the prior-user. Securing non-exclusive patent rights to a party is unconstitutional

first entity to file an application.¹²¹ This creates a “first to file” system as opposed to the current “first to invent” system.¹²² Some opponents insist that as the world leader in patent applications, the U.S. system is obviously a working model and not a work-in-progress.¹²³

Rep. Rohrabacher emphasizes the negative impact of prior-use rights on university research.¹²⁴ He claims that business interests will commercialize university research ideas before the university can file a patent application.¹²⁵ This business interest will then not be liable for any infringement when a patent is then granted. The university will possess a patent of little or no value as the business entity has already profited from the invention.

D. Title V: Miscellaneous Improvements

1. Increased Protection for Plant Patents

Among other miscellaneous provisions in Title V, the rights of owners of agricultural plant patents are modified. As the issue is devoid of controversy, only an overview of the section is included in this paper. Under the current system, plant patents are not available for tuber propagated plants.¹²⁶ This prevents important research into the growth and development of tuber propagated plants by denying researchers protection for their efforts. By providing coverage for such plants, Title V would remove the disincentive for this field.

Title V would further expand plant patent coverage by including any plant part in a plant patent.¹²⁷ The current system excludes plant parts. This has resulted in people growing patented flowering plants outside the U.S. and im-

121. See Rohrabacher, *supra* note 17.

122. *Id.*

123. See Kaptur, *supra* note 34. In testimony before the Senate Judiciary Committee, the Hon. Marcy Kaptur lauds the United States patent system: “The United States leads the world in patent filings. We have ten times more intellectual property breakthroughs than any other nation in the world.”

124. See Rohrabacher, *supra* note 17.

125. *Id.* Rep. Rohrabacher contends that large businesses will win the race to the patent office over university research if prior-use rights are enacted. In 1996, universities were responsible for 1.8 percent of all patents issued. Michael I. Chakansky, Patent Profiles, *COMPUTER LAW STRATEGIST*, January, 1997, at 8. While this may seem minimal, a closer inspection reveals that universities obtained almost 6 percent of the patents relating to software in 1996. *Id.* Some critics feel that most universities currently do not seek patents for their software innovations, but were actually responsible for much more than 6 percent of the software innovations in the United States in 1996. *Id.* If such unpatented technology currently exists at universities, then outside businesses can appropriate the technology and obtain patents on it. These figures and speculation support Rep. Rohrabacher’s concern that prior-use rights, if created, will invite big business to capitalize on the efforts of universities.

126. See Kirk, *supra* note 50.

127. H.R. 400, § 503.

porting the flowers back into the country for sale.¹²⁸ The scheme avoids patent infringement because only the plants themselves are patentable, not their flowers. Title V would remove such a dubious exclusion.

VII. CONCLUSION

The debate over H.R. 400 concerns more than just a modernization of the PTO. A similar bill was introduced last year and promptly defeated.¹²⁹ H.R. 400 was introduced late in this year's session, and rushed through the House of Representatives with only two days spent in debate.¹³⁰ From the outset, the proponents of the bill are discouraging House members from becoming educated about patent law and the ramifications of H.R. 400.¹³¹

The 1994 agreement with Japan was made by an appointed government official. The goals set out in that accord, an attempt to please Japan, may not reflect the will of the people. Attempting to achieve those goals by completely restructuring a working patent system does not comport with good sense. The United States patent system has been touted the best in the world, producing a high-level of innovation.¹³² Conforming to a global patent system should not require a lowering of standards.¹³³ H.R. 400 will do more harm than good for inventors.¹³⁴

H.R. 400 is a major step towards a global patent system. However, its results are achieved by lowering standards, and making the U.S. patent system conform to an inferior, global standard. Rep. Rohrabacher aptly describes the current patent law system: "Independent inventors are responsible for most of

128. See Kirk, *supra* note 50.

129. See Brumfield, *supra* note 2, at 22. H.R. 3460 included privatization, pre-grant publication, prior-use rights, and revised patent re-examination procedures. The bill was essentially an early version of H.R. 400. H.R. 3460, 104th Cong., 1st Sess. (1996).

130. See Brumfield, *supra* note 2, at 22. See also Kaptur, *supra* note 34.

131. Intellectual Property Creators (IPC), a group of small inventors, asserts the impropriety of the manner in which H.R. 400 passed through the House of Representatives: "In brief, H.R. 400 was railroaded through committees before people could find out what was happening, or line up witnesses for the hearing." See <http://www.heckel.org/congress/105cong/issues105/hr400.htm>. IPC also notes that H.R. 400 was originally scheduled for a vote during the week of April 15, before all committee hearings were held on the bill. *Id.* Ultimately, the bill was passed on April 23, one day before hearings on small business interests were heard. *Patent Law Changes: Opening Statement Before the Subcommittee on Government Programs and Oversight of the House Committee on Small Business*, 105th Cong., 1st Sess. (1997) (statement of Rep. Roscoe Bartlett, Chairman).

See also note 130 for further sources describing the hasty manner in which H.R. 400 has passed through Congress.

132. See generally notes 20, 33, and 34, *supra*.

133. See generally note 33, *supra*.

134. Tim Poor, *Unlikely Allies Fight Patent Reform Bill; Bond, Perot See Changes Hurting Small Inventors*, ST. LOUIS POST-DISPATCH, February 15, 1998, at E2.

the breakthrough technology in the U.S. They account for most of the patentable technology in the world. They are the reason the U.S. produces the vast majority of Nobel prize winners in Science.”¹³⁵

While the aims of H.R. 400 may be honorable, the means fail to pass muster. While it may be in the best interests of the United States to move towards a global patent system, H.R. 400 is not the means to that end. An age-old aphorism summarizes the situation: “If it’s not broken, don’t fix it.”

JAMES J. BARTA, JR.

135. See Rohrabacher, *supra* note 17.