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## If It Ain't Broke, Don't Fix It: The Unnecessary Scope of Patent Reform As Embodied in the "21st Century Patent System Improvement Act" and "The Omnibus Patent Act of 1997"

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# **IF IT AIN'T BROKE, DON'T FIX IT: THE UNNECESSARY SCOPE OF PATENT REFORM AS EMBODIED IN THE "21st CENTURY PATENT SYSTEM IMPROVEMENT ACT" AND "THE OMNIBUS PATENT ACT OF 1997"**

## **I. INTRODUCTION**

On April 23, 1997, the United States House of Representatives passed the "21st Century Patent System Improvement Act,"<sup>1</sup> a bill originally introduced into the 104th Congress in 1996 and reintroduced in January 1997 by North Carolina Representative Howard Coble.<sup>2</sup> A similar piece of legislation in both its scope and in many of its provisions, "The Omnibus Patent Act of 1997,"<sup>3</sup> was introduced into the Senate by Utah Senator Orrin Hatch on March 20, 1997. Both Acts represent sweeping changes in substantive patent law and patent administration in the United States and would have far-reaching effects on a system that has always stood alone among the world's industrialized nations.

Debate over the Acts has divided along a fairly bright and remarkably bipartisan line, with multinational corporations and big business concerns in favor of most provisions, and individual inventors, many small businesses and academics generally opposed. Supporters of the Acts feel such reform is much-needed in order to modernize and streamline the Patent and Trademark Office and the patent process and to keep the United States competitive with its European and Japanese counterparts, which employ much less rigid patent procedures.<sup>4</sup> But several provisions, including the establishment of the Patent and Trademark Office as a government corporation, an eighteen-month publication provision for patent applications, the establishment of prior user rights as a defense to

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<sup>1</sup> H.R. 400, 105th Cong. (1997).

<sup>2</sup> Coble (R-N.C.) is presently chairman of the House Intellectual Property Subcommittee.

<sup>3</sup> S. 507, 105th Cong. (1997). The bill was voted out of the Senate Judiciary Committee on May 22, 1997, but was not put to a vote before the expiration of the Congressional session.

<sup>4</sup> See generally ROBERT PATRICK MERGES, *PATENT LAW AND POLICY: CASES AND MATERIALS* Ch. 1 (2d ed. 1997) (giving a historical overview of patent law).

infringement, and more extensive patent reexamination procedures among others, have drawn the wrath of critics who believe the Acts open the door to “political interference, corruption and malfeasance”<sup>5</sup> and amount to nothing more than a giveaway of legal protection for American citizens.<sup>6</sup>

This Note will attempt to sort through the rhetoric and heated debate<sup>7</sup> that has accompanied the Acts on their respective journeys through the House and Senate by exploring the legislation title by title and analyzing the potential impact on U.S. patent policy and practice. Part II of this Note provides an admittedly brief and perhaps oversimplified historical background of the development of U.S. patent law. Part III examines relevant provisions of existing patent law that would be directly affected or altered by provisions in one or both of the Acts. Part IV takes an objective look at relevant sections of both Acts and the arguments supporting and attacking the Acts. Part V examines the legislative history of both Acts, including similar predecessors to each piece of legislation and both successful and unsuccessful amendments to each. Finally, Part VII analyzes the proposed legislation’s impact on our patent system and the accompanying policy issues that have been raised by both supporters and opponents of the two bills.

This Note will demonstrate that while the current Patent and Trademark Office may not be an exemplary model of efficiency and although U.S. patent law may not be a perfect fit with the law of European and Asian technological powers, the scope of the changes

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<sup>5</sup> Frank Gaffney, Jr., *Risky Business of Patent Reform*, WASH. TIMES, May 22, 1997 at A17.

<sup>6</sup> *Id.*

<sup>7</sup> Neither side has been above hyperbole, dramatization, or sarcasm in the House and Senate floor debates. See 143 CONG. REC. H1630 (daily ed. Apr. 17, 1997) (quoting H.R. 400 opponent Dana Rohrabacher, who said, “if this vote passes today . . . America’s patent system will be gutted, that is gutted, and we will hear during this debate that they are doing it simply to get out a thing called the submarine patent . . . . That is very similar by saying the only way we are going to be able to handle Hustler magazine is to destroy all freedom of speech in the United States or the equivalent of saying, ‘You have a hangnail that might be infected, and the only way to cure it is to cut off your leg.’”). See also 143 CONG. REC. H8837 (daily ed. Oct. 21, 1997) (defending himself and S. 507 sponsor Orrin Hatch, H.R. 400 sponsor Coble said “[p]reviously, I was led to believe that my exclusive motivation in sponsoring H.R. 400 was to destroy the U.S. patent system. But no, I am far more ambitious. I have now learned that Senator HATCH and I are part of a nefarious plot designed to ruin the United States of America financially.”).

embodied in the Acts is greater than what is warranted at this time. In short, the United States patent system is in need of some fine tuning, but not due for the major overhaul embodied by the "21st Century Patent System Improvement Act" and the "1997 Omnibus Patent Act."

## II. HISTORICAL BACKGROUND

While streamlining the patent process and bringing it in line with the patent laws of other technological powers around the world seems to make perfect sense at first glance, a quick look at the history and development of patent law in the United States sheds some light on the reasoning behind criticism of such an attempt as embodied in the Acts.

The granting of exclusive rights to an inventor of new technology can be traced back as far as fifteenth century Venice,<sup>8</sup> although the origins of American patent law are generally thought to have begun with England's Statute of Monopolies, enacted in 1624.<sup>9</sup> The ability to patent new technology was deemed important enough by the drafters of the United States Constitution to make it an express right.<sup>10</sup> The Constitution gives Congress the right "[t]o 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 . . . ."<sup>11</sup> In fact, this right was apparently important enough to the framers that it was the only right granted to individual citizens by the Constitution.<sup>12</sup> In 1790, the United States Congress passed the first patent act in order to implement and effectuate this constitutional right, and the act has undergone remarkably little change in the past two centuries.<sup>13</sup>

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<sup>8</sup> Paul E. Schaafsma, *An Economic Overview of Patents*, 79 J. PAT. [& TRADEMARK] OFF. SOC'Y 241, 244 (1997). The Venetian Act included all the essential features of modern patent statutes. It included a fixed term of ten years, infringement procedures, and interestingly reserved the right to use an invention without compensation for the Republic. MERGES, *supra* note 4, at 4.

<sup>9</sup> MERGES, *supra* note 4, at 6.

<sup>10</sup> U.S. CONST. art. I, § 8, cl. 8.

<sup>11</sup> *Id.*

<sup>12</sup> Ralph Oman, *Intellectual Property - Our Once and Future Strength*, 27 GEO. WASH. J. INT'L L. & ECON. 301 (1993-1994).

<sup>13</sup> Schaafsma, *supra* note 8, at 246.

The only major revisions to the Patent Act came in 1793, 1836,<sup>14</sup> and 1952.

Even more distinctive and impressive than the longevity and consistency of American patent law is its uniqueness. The American system has always stressed the priority of invention as opposed to the priority of filing for a patent. Such a system, while it may result in more administrative difficulty, is considered a way to favor invention and avoid the wasting of resources that could result from races by competitors to the patent office.<sup>15</sup> However, every other country in the world that grants patent protection, with the exception of the Philippines, has developed and still uses a first-to-file system rather than a first-to-invent system.<sup>16</sup> Many feel a shift to a first-to-file system is inevitable. Although neither Act would expressly change this fundamental element of American patent policy,<sup>17</sup> the mere thought of conforming to other systems employed in Europe and Japan has drawn the wrath of many politicians and inventors.<sup>18</sup>

### III. EXISTING LAW

Existing patent law in the United States is wholly embodied in Title 35 of the United States Code.<sup>19</sup> Title 35 is the codification of The Patent Act of 1952 and has undergone only minor amendments in the last half century. Under United States law, a patent

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<sup>14</sup> The Act of 1836 established the United States Patent and Trademark Office as the administrative body to examine and determine if a patent application meets statutory requirements.

<sup>15</sup> PAUL GOLDSTEIN, *COPYRIGHT, PATENT, TRADEMARK AND RELATED STATE DOCTRINES* 409 (3d ed. 1993).

<sup>16</sup> John F. Carroll, IV, Note, *Priority of Invention in United States Patents: From the Paris Convention to GATT*, 1 RICH. J.L. & TECH. 3, 13 (1995) (citing GOLDSTEIN, *supra* note 15, at 408).

<sup>17</sup> For an argument that the Act does effectively change this policy, see Gaffney, *supra* note 5, at A17 (arguing that the prior user rights section would transform the U.S. from a first-to-invent philosophy to a first-to-file or "first-to-steal" formula).

<sup>18</sup> See George Raine, *Inventors Hope to Scuttle Patent Bill They Say Publishing Applications Would Amount to Giving Away Their Secrets*, S.F. EXAMINER, Apr. 17, 1997, at B1. (noting Rep. Dana Rohrabacher (R-Calif.), one of the Act's most vocal critics, who has said in reference to the Act's eighteen-month publication provision, "[t]o bring down the level of legal protection for our citizens in the name of harmonizing our situation with the rest of the world is an attack on the well-being of the American people.").

<sup>19</sup> 35 U.S.C. §§ 1-376 (1994).

gives an inventor the right to exclude others from making, using, or selling his or her patented invention.<sup>20</sup> If an applicant establishes the necessary requirements, a patent is granted by the United States Patent and Trademark Office. Historically, the term of the patent was valid for seventeen years from the date the patent was granted. This term limit changed with the General Agreement on Tariffs and Trade (GATT), and is now a twenty-year term measured from the date a patent application is filed.<sup>21</sup>

Under current law, the Patent and Trademark Office exists within the Department of Commerce.<sup>22</sup> The Patent and Trademark Office is headed by "a Commissioner of Patents and Trademarks, a Deputy Commissioner, two Assistant Commissioners, and examiners-in-chief . . . ."<sup>23</sup> All but the examiners-in-chief are appointed by the President, with the consent of the Senate. The Secretary of Commerce appoints all other officers and employees.<sup>24</sup> Title 35 also establishes a Board of Patent Appeals and Interference, formed by a Deputy Commissioner, two Assistant Commissioners, and examiners-in-chief.<sup>25</sup>

Under current law, patent applications in this country are kept confidential unless special circumstances exist.<sup>26</sup> Publication of a patent application, which is common after eighteen months in many other countries,<sup>27</sup> is not provided for in Title 35. Currently, when a claim for a patent is rejected, an applicant is given an explanatory notice of the rejection and if the applicant chooses to, he or she can have the application re-examined.<sup>28</sup>

Re-examination provisions are provided for, including limited re-examination rights for third parties, in Title 35. Under the current system, anyone can request a re-examination,<sup>29</sup> however, the

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<sup>20</sup> MERGES, *supra* note 4, at 35 (citing *Bloomer v. McQuewan*, 55 US 539, 548 (1952)).

<sup>21</sup> *Id.*

<sup>22</sup> 35 U.S.C. § 1 (1994).

<sup>23</sup> 35 U.S.C. § 3 (1994).

<sup>24</sup> *Id.*

<sup>25</sup> 35 U.S.C. § 7 (1994).

<sup>26</sup> 35 U.S.C. § 122 (1994). This section prevents disclosure of a pending patent application without the applicant's authority "unless necessary to carry out the provisions of any Act of Congress or in such special circumstances as may be determined by the Commissioner." *Id.*

<sup>27</sup> MERGES, *supra* note 4, at 49.

<sup>28</sup> 35 U.S.C. § 132 (1994).

<sup>29</sup> 35 U.S.C. § 302 (1994).

actual re-examination is conducted just like an initial examination, with the third party being excluded from the proceeding.<sup>30</sup>

Title 35 also provides no defense to patent infringement based on prior domestic commercial or research use, or what has been referred to as “prior user rights” in both the House and Senate floor debates.<sup>31</sup>

#### IV. THE ACTS

##### A. TITLE I—PATENT AND TRADEMARK OFFICE MODERNIZATION<sup>32</sup>

Title I of H.R. 400 constitutes a nearly complete restructuring of the United States Patent and Trademark Office. Under the Act, the Patent and Trademark Office is no longer an office in the Department of Commerce, but “a wholly owned Government corporation . . . separate from any department of the United States . . . . The United States Patent and Trademark Office shall be a corporate body not subject to direction or supervision by any department of the United States.”<sup>33</sup> Title I also replaces the position of Commissioner with a Director of the United States Patent and Trademark Office, in whom the same management powers are vested, who is also appointed by the President.<sup>34</sup>

One of the provisions of Title I that has drawn much media attention is section 114, “Management Advisory Board.”<sup>35</sup> The Act gives the Board the responsibility of reviewing “policies, goals, performance, budget, and user fees . . .” and advising the Director on such matters.<sup>36</sup> But it is not the establishment of the Board or the description of its duties that has drawn the criticism. Rather, it is the language of section 114 that describes the basis for

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<sup>30</sup> 35 U.S.C. § 305 (1994).

<sup>31</sup> Title III-Protection for Prior Domestic Users of Patented Technologies in H.R. 400 and Title IV-Prior Domestic Commercial Use of S. 507 both provide similar prior user defenses to infringement.

<sup>32</sup> For the sake of convenience, this section will follow the structure of H.R. 400 in its examination. Any significant additions, deletions or other changes that are contained only within S. 507 will be addressed at the end of this section.

<sup>33</sup> H.R. 400, 105th Cong. § 111(a) (1997).

<sup>34</sup> H.R. 400, 105th Cong. § 113 (1997).

<sup>35</sup> H.R. 400, 105th Cong. § 114 (1997).

<sup>36</sup> H.R. 400, 105th Cong. § 114(e)(1) (1997).

appointment to the Board that further infuriates critics who see the Act itself as a concession to large, multinational corporations.<sup>37</sup> Specifically, members of the Board “shall be chosen so as to represent the interests of diverse users of [the PTO], including inventors, and shall include individuals with substantial background and achievement in corporate finance and management.”<sup>38</sup>

#### B. TITLE II—EXAMINING PROCEDURE IMPROVEMENTS: PUBLICATION WITH PROVISIONAL ROYALTIES; TERM EXTENSIONS; FURTHER EXAMINATION

The provision in Title II that is most likely to have a significant impact on patent law in the U.S. and which has drawn the most attention to date is the eighteen-month publication requirement.<sup>39</sup>

The eighteen-month publication provision is not only an attempt to conform U.S. patent law to that of European and Asian technological powers, but also an overt attempt to put an end to the practice of “submarine patenting”<sup>40</sup> in this country. However, the publication requirement as set forth in the original H.R. 400 by Representative Coble was weakened significantly by an amendment to the Act by Representative Marcy Kaptur of Ohio. That amendment, along with several other alterations, would exempt any application being reviewed by certain defense agencies, including

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<sup>37</sup> See *Patent Change Threatens Long Island Inventors*, NEWSDAY, Aug. 25, 1997, at A24 (criticizing H.R. 400 generally and the composition of the Board specifically).

<sup>38</sup> H.R. 400, 105th Cong. § 114(b) (1997).

<sup>39</sup> H.R. 400, 105th Cong. § 202(b)(1) (1997) and S. 507, 105th Cong. § 202(b)(1) (1997). That section of H.R. 400 reads:

[E]ach application for patent, except applications for design patents filed under chapter 16 of this title and provisional applications [for design patents] filed under section 111(b) of this title, shall be published, in accordance with procedures determined by the Director, promptly after the expiration of a period of 18 months from the earliest filing date for which a benefit is sought under this title.

H.R. 400, 105th Cong. § 202(b)(1) (1997). Section 202(b)(1) of S. 507 is nearly identical.

<sup>40</sup> “Submarine patents” are patent applications which are filed but left inactive until they are later asserted to challenge subsequent inventions whose applications touch in any way on the subject matter of the patent in the original application. Gaffney, *supra* note 5, at A17. These techniques have been exploited and identified for some time (they are recognized in the Patent Examiner’s Handbook as early as 1965), but according to opponents of the provision, can be addressed by the Commissioner of Patents by using existing authority under U.S. law. *Id.*



the Atomic Energy Commission and Department of Defense, and applications filed by small businesses, independent inventors, and all institutions of higher education.<sup>41</sup>

It is this eighteen-month publication provision that opponents believe would effectively change the U.S. system from its unique and traditional first-to-invent approach to the patent process, which emphasizes fairness to the true inventor, to the more common first-to-file approach, the greatest strength of which is its ease of administration.<sup>42</sup> Unlike its House counterpart, S. 507 does not contain anything similar to the Kaptur amendment creating an exception for small businesses, independent inventors, or universities.

### C. TITLE III—PROTECTION FOR PRIOR DOMESTIC USERS OF PATENTED TECHNOLOGIES<sup>43</sup>

Title III's only effect is to establish a new "[d]efense to patent infringement based on prior domestic commercial or research use."<sup>44</sup> No similar defense based on "prior user rights" exists under current United States patent law. Critics argue that such a defense is another huge step toward a first-to-file patent system, because an inventor or small business which has invested time and money to bring an invention into the marketplace could have the value of their patent significantly reduced by another party claiming to have developed the idea for the invention first, although

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<sup>41</sup> H.R. 400, 105th Cong. § 209(2) (1997).

<sup>42</sup> See GOLDSTEIN, *supra* note 15, at 408 (noting that the U.S. and the Philippines are the only first-to-invent systems). See also Joanne Hayes-Rines, *Some Call it Reform*, INTELL. PROP. TODAY, July 1997, at 44 (stating that opponents think the change would cause the "destruction of the life blood of America's economy"). Hayes-Rines is publisher of *Inventors' Digest* and president of the United Inventors Association of the USA, a not-for-profit organization.

<sup>43</sup> A similar version of Title III's prior user rights defense to infringement appears in S. 507 as "Title IV - PRIOR DOMESTIC COMMERCIAL USE." S. 507, 105th Cong. (1997).

<sup>44</sup> H.R. 400, 105th Cong. § 302 (1997). Section 302(b)(1) states:

A person shall not be liable as an infringer . . . with respect to any subject matter that would otherwise infringe one or more claims in the patent being asserted against such person, if such person had, acting in good faith, commercially used the subject matter before the effective filing date of such patent.

H.R. 400, 105th Cong. § 302 (1997).

that party had not yet patented it. One possible effect on independent inventors and small businesses might be that it would be difficult if not impossible to guarantee potential licensees of an invention that they will have an exclusive license to that invention.<sup>45</sup>

#### D. TITLE IV—ENHANCED PROTECTION OF INVENTORS' RIGHTS

Title IV of H.R. 400 is entirely new law that would be added to Section 1 of Title 35 of the U.S. Code as "Chapter 5—Invention Promotion Services."<sup>46</sup> It sets forth contracting requirements and standard provisions for cover notice, requires reports to customers, details mandatory contract terms and possible remedies, among other provisions.<sup>47</sup> Title IV's basic purpose is to protect inventors from fraudulent invention marketing companies. However there is not an equivalent to Title IV in S. 507.

#### E. TITLE V—MISCELLANEOUS IMPROVEMENTS

This final section of H.R. 400 is a kind of catchall and has drawn little attention thus far. Its provisions cover provisional applications,<sup>48</sup> international applications,<sup>49</sup> plant patents,<sup>50</sup> electronic filing,<sup>51</sup> divisional applications<sup>52</sup> and publications.<sup>53</sup> All but the divisional applications and publications section are included in Title VI of S. 507, entitled Miscellaneous Patent Provisions.<sup>54</sup>

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<sup>45</sup> See Letter from Joanne Hayes-Rines, President United Inventors' Association, to Tony Askew et al., Jones & Askew (Apr. 23, 1997) (on file with Mike Mehrman of Jones & Askew) (quoting concerns expressed by Senator Bond).

<sup>46</sup> H.R. 400, 105th Cong. § 402 (1997).

<sup>47</sup> *Id.*

<sup>48</sup> H.R. 400, 105th Cong. § 501 (1997).

<sup>49</sup> *Id.* at § 502.

<sup>50</sup> *Id.* at § 503.

<sup>51</sup> *Id.* at § 504.

<sup>52</sup> *Id.* at § 505.

<sup>53</sup> *Id.* at § 506.

<sup>54</sup> S. 507, 105th Cong. Title VI (1997).

## F. TITLE V OF S. 507—PATENT REEXAMINATION REFORM

This section of the Senate's "Omnibus Patent Act of 1997," which significantly expands the rights of third parties to participate in the reexamination of patents in this country,<sup>55</sup> originally appeared as Title V of the "21st Century Patent System Improvement Act" in the House of Representatives as well. The entire title was stricken from H.R. 400 as a result of the amendment by Representative Marcy Kaptur.<sup>56</sup> According to Kaptur:

[T]he reexamination provisions of the base bill, recognize that this is going to cause a heavier burden on inventors to defend their patents because it gives the right to anyone in the world to submit a request to invalidate a U.S. patent at any time in its 17-year life. On this one, the big money will win as these patent fights go.<sup>57</sup>

Although the impact of such an expanded reexamination provision is debatable, even supporters of S. 507's Title V would not argue with Kaptur's assessment of its scope. Section 503(e) of S. 507 would completely alter section 306 of Title 35, which covers reexamination appeals.<sup>58</sup> While the current law only allows a patent owner involved in the reexamination proceeding to appeal, S. 507 opens the appeal process to third parties who unsuccessfully challenged a patent through the initial reexamination process.<sup>59</sup> Opponents of Title V worry that it leaves smaller businesses and independent inventors wide open to attack from larger entities, which could better afford the tremendous legal fees involved in extensive patent reexamination proceedings.

Supporters of the legislation argue that the changes embodied in Title V of S. 507 could make the reexamination process, which

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<sup>55</sup> See 35 U.S.C. §§ 301-307 (1994) (introducing the reexamination procedures).

<sup>56</sup> 143 CONG. REC. H1731 (daily ed. Apr. 23, 1997) (statement of Rep. Kaptur). The Kaptur amendment passed by a vote of 220 to 193. *Id.* See Part V, *infra* for more on the Kaptur amendment.

<sup>57</sup> *Id.* at H1732 (statement of Rep. Kaptur).

<sup>58</sup> 35 U.S.C. § 306 (1994).

<sup>59</sup> S. 507, 105th Cong. § 503(e) (1997).

allows a patent owner and an accused infringer to have a patent's validity tested within the Patent and Trademark Office and is designed to avoid lengthier and more expensive litigation in traditional courts, more attractive to potential litigants.<sup>60</sup> It would also allow a party requesting a reexamination to appeal adverse rulings to the Board of Appeals and then to the Federal Circuit.<sup>61</sup> If a requester were to fully participate in the reexamination, the outcome would be legally binding and both parties would be prohibited from relitigating any issue decided by the Patent and Trademark Office.<sup>62</sup>

#### G. OTHER DIFFERENCES BETWEEN H.R. 400 AND S. 507

Although the Kaptur amendment to H.R. 400 accounts for many of the significant differences between the House bill and the legislation in the Senate as it currently exists, there are a few other differences. Among them, S. 507 does not have a provision similar to H.R. 400's that would end the diversion of patent user fees to the general treasury for deficit reduction.<sup>63</sup> The Senate version also lacks an equivalent to H.R. 400's provision for a feasibility study on creating a government corporation for trademark operations.

#### V. THE GENESIS OF H.R. 400 AND S. 507

Although the "21st Century Patent System Improvement Act" and the "Omnibus Patent Act of 1997" are two of the most comprehensive legislative reforms of the United States patent system ever introduced to Congress, they are essentially only the culmination of more than a decade's worth of proposed alterations to patent law in this country.

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<sup>60</sup> Wayne O. Stacy, Note, *Reexamination Reality: How the Courts Should Approach a Motion to Stay Litigation Pending the Outcome of Reexamination*, 66 GEO. WASH. L. REV. 172 (1997).

<sup>61</sup> *Id.* at 177 (citing S. 507, 105th Cong. § 503(e) (1997), which would create a subsection (b) to 35 U.S.C. § 306.)

<sup>62</sup> *Id.* (citing S. 507, 105th Cong. § 503(e) (1997), which would create a subsection (c) to 35 U.S.C. § 306).

<sup>63</sup> Patent fees were increased 69 percent and excess funds are now taken away from the PTO to offset the deficit as a result of the "Omnibus Budget Reconciliation Act of 1990." See Hayes-Rines, *supra* note 42, at 44 (criticizing the practice of siphoning funds from the Patent and Trademark Office).

The beginnings of these reforms can be traced as far back as a 1987 meeting of the United Nations' World Intellectual Property Organization.<sup>64</sup> That meeting's goal was to "begin the process of world wide 'harmonization' of patent systems,"<sup>65</sup> a goal that is often cited by supporters of both Acts. The United States delegation at that meeting, apparently in order to further such "harmonization," announced "that, as part of a balanced package, it would consider recommending to the bar and to Congress the dropping of the 150-year-old practice of granting a patent to the first inventor and replacing it with a system in which the patent would be granted to the inventor who was first to file."<sup>66</sup> Five years later, legislation that would have made the United States' system a first-to-file one was unsuccessfully proposed to Congress.<sup>67</sup> And in the years from 1992 to 1997, various pieces of legislation were proposed to Congress that if taken as a whole would have had much the same effect on patent law as either of the Acts, including a bill changing the U.S. system to first-to-file, one requiring the publication of patent applications eighteen months after filing, one expanding reexamination procedures, and one granting prior user rights.<sup>68</sup> However, none of these bills were successful.

Despite these previously unsuccessful attempts at reform, H.R. 400 was able to quickly garner support in the 105th Congress, including the support of the Clinton administration, although that support might not survive any provision that would keep Patent and Trademark Office Funds within the Office and inaccessible for the general budget. The Act's journey through the House of Representatives did not continue quite as smoothly however, as several amendments to Representative Coble's original legislation were proposed and defeated, and another amendment that significantly altered the bill in several respects was approved.

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<sup>64</sup> Hayes-Rines, *supra* note 42, at 44.

<sup>65</sup> *Id.*

<sup>66</sup> *Id.* See also 143 CONG. REC. H1721 (daily ed. Apr. 23, 1997) (quoting Rep. Dana Rohrabacher, who claims H.R. 400 is the culmination of a "subterranean agreement" between Assistant Secretary of Commerce and Commissioner of Patents and Trademarks Bruce A. Lehman and Japanese officials to "harmonize" the patent laws of the two technological powers).

<sup>67</sup> *Id.*

<sup>68</sup> *Id.*

One amendment which was soundly defeated sought to limit the scope of H.R. 400's prior user rights provision.<sup>69</sup> The amendment was the first of two proposed by California Representative Tom Campbell, a Republican.<sup>70</sup> In support of his amendment, Campbell argued:

I understand that there will occasionally be a prior innocent commercial user. Let him, let her continue—that is all right—but only with the scope and volume that that person was doing. Do not allow it to be a back door to expand so much as to take away the essential patent right.<sup>71</sup>

Campbell was unable to sway a majority of the House to support the limiting language of his amendment to the prior user rights provision, probably in large part due to the response by Bruce A. Lehman, Assistant Secretary of Commerce and Commissioner of Patents and Trademarks. Lehman's letter in response to the Campbell amendment was read into the record. According to Lehman:

Mr. Campbell's amendment is unfair in limiting their rights to exploit the invention to the quantity or volume of use at the time of the prior use. In some instances they may have reasonably expected to expand operations at a later time and others that may be tantamount to eliminating the prior use right.<sup>72</sup>

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<sup>69</sup> H.R. 400, 105th Cong. § 302 (1997) (establishing a defense for prior domestic users of patented technologies).

<sup>70</sup> 143 CONG. REC. H1612 (daily ed. Apr. 16, 1997). The amendment would have struck lines 4-6 of section 302(c)(2) and inserted "under this chapter, and such use shall not be greater in quantity, volume, or scope than had been the actual quantity, volume, or scope of the prior use, however, the defense shall also extend to improvements in". *Id.* Also, the proposal would have amended section 302(c)(6) by adding at line 23 "; in which case the use of the defense shall not be greater in quantity, volume, or scope than had been the actual quantity, volume, or scope of the prior use." *Id.*

<sup>71</sup> 143 CONG. REC. H1723 (daily ed. Apr. 23, 1997) (statement of Rep. Campbell).

<sup>72</sup> *Id.* at H1721 (statement of Bruce A. Lehman).

The amendment was defeated by a vote of 185 to 224.<sup>73</sup>

Campbell also offered an amendment that would have limited the publication provision of H.R. 400. It would allow the publication of a patent application only after two Patent and Trademark Office rulings pertaining to the patentability of the invention had been made.<sup>74</sup> According to Campbell, his amendment was an attempt to deal with the concerns about “submarine patents” that led to the publication provisions while avoiding disclosure by all patent applicants.<sup>75</sup> Two Patent and Trademark Office rulings would be “a good signal” for potential manipulation of the system and would trigger publication of the patent.<sup>76</sup> While this would undoubtedly trigger publication for a number of “innocent” people who happen to have two actions in the Patent and Trademark Office,<sup>77</sup> it would still affect fewer “innocent” applicants while effectively dealing with the submarine patent problem.<sup>78</sup>

Coble responded by arguing that the Patent and Trademark Office could not handle such a requirement with its existing resources, that it would force the Patent and Trademark Office into a fee increase, and that it would affect the quality of patent examinations.<sup>79</sup> Coble also argued that the Campbell amendment would negate the benefit to U.S. interests derived from Title II, which requires publication of foreign origin applications approximately six months after filing in the United States.<sup>80</sup> The amendment was voted down 167 to 242.<sup>81</sup>

Of all the unsuccessful amendments offered in the House, none would have altered H.R. 400 as drastically as the amendment offered by Republican Representative Dana Rohrabacher of California. Much like Campbell, Rohrabacher believed his amendment struck a balance between preservation of the traditional United States patent system and an attempt to solve the problem of submarine patents.

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<sup>73</sup> *Id.* at H1739.

<sup>74</sup> *Id.* at H1723.

<sup>75</sup> *Id.* at H1724.

<sup>76</sup> *Id.*

<sup>77</sup> *Id.* According to Campbell, the two actions requirement is a compromise because many research universities need three or four actions “before they are absolutely sure.” *Id.*

<sup>78</sup> *Id.*

<sup>79</sup> *Id.*

<sup>80</sup> *Id.*

<sup>81</sup> *Id.* at H1740.

The amendment sought to establish a firm seventeen-year patent term from the date a patent is granted or a twenty-year term from the date a patent application is first filed.<sup>82</sup> The amendment provided for publication of patent applications only if 1) the information is in the public domain in other countries at the time it is filed in the United States, 2) the application has been pending with the Patent and Trademark Office for five years or longer and the Patent and Trademark Office determines that other minimal requirements are met which seem to indicate that the public interest would be served by publication, or 3) the inventor deliberately withholds publication of the patent.<sup>83</sup> It also provided for patent examiner training, required that user fees would only be used for the Patent and Trademark Office, and specified that contracts between marketing companies and inventors must contain standardized disclosures.<sup>84</sup> One key omission of H.R. 400 material in the Rohrabacher amendment was the lack of any provisions to reorganize the Patent and Trademark Office.<sup>85</sup> After much debate, the amendment was defeated by a vote of 178 to 227.<sup>86</sup>

Also defeated, by a vote of 133 to 280,<sup>87</sup> was an amendment sponsored by Republican Representative Duncan Hunter of California, which would have required all patent examination and search duties to be performed within the United States by U.S. citizens who are employees of the U.S. Government and all patent examiners to spend five percent of their time in examiner training.<sup>88</sup> The amendment would also have established an incentive program to retain patent examiners and would have exempted the Patent and Trademark Office from any administrative or statutory limits on full-time employee positions or personnel.<sup>89</sup>

Two ultimately successful amendments, one from H.R. 400 sponsor Coble and the other from Kaptur, did result in a "21st

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<sup>82</sup> 143 CONG. REC. H1616 (daily ed. Apr. 16, 1997).

<sup>83</sup> *Id.*

<sup>84</sup> *Id.* at H1615-1617.

<sup>85</sup> *Id.* at H1615-1619.

<sup>86</sup> 143 CONG. REC. H1683 (daily ed. Apr. 17, 1997).

<sup>87</sup> 143 CONG. REC. H1741 (daily ed. Apr. 23, 1997).

<sup>88</sup> *Id.* at H1737.

<sup>89</sup> *Id.*



Century Patent System Improvement Act" that left the House of Representatives looking significantly different than when it arrived.

In addition to making several technical changes to H.R. 400, the lengthy manager's amendment by Coble also made some significant substantive alterations. In an attempt to address some of the concerns over individual inventors and small businesses, it provided for delayed publication of patent applications from small business concerns or independent inventors until three months after a second notification on the merits is made by the Patent and Trademark Office, and it retained the practice of charging small businesses and independent inventors a reduced application fee,<sup>90</sup> something that was surprisingly omitted from the original draft.

The most important provisions of the Coble amendment addressed the reorganization of the Patent and Trademark Office as a government corporation. These changes to Title I of the Act were seen by many as an attempt to make the bill conform to the performance-based Patent and Trademark Office envisioned by the Clinton Administration and articulated to Congress by Lehman.<sup>91</sup> Under the Clinton Administration's vision, "the PTO's mandate would be limited to the day-to-day operational functions of patent examination and trademark registration, while policy matters are handled within the Commerce Department."<sup>92</sup> In addition, the amendment deleted a provision requiring the Patent and Trademark Office Director to advise the President through the Secretary of Commerce about treaty obligations and to recommend changes in law and policy. It also eliminated the policy advising functions of the Patent Commissioner and Trademark Commissioner from the Act.<sup>93</sup>

The Coble amendment also added a subtitle D to Title I, establishing an Under Secretary of Commerce for Intellectual

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<sup>90</sup> 143 CONG. REC. H1613 (daily ed. Apr. 16, 1997).

<sup>91</sup> *PTO Chief Asks Intellectual Property Bar to Support Agency's Restructuring*, 53 PAT. TRADEMARK & COPYRIGHT J. 490 (1997). See also 143 CONG. REC. H1612 (daily ed. Apr. 16, 1997) (adding a new subsection (F) to Title I that reads: "provide for the development of a performance-based process that includes quantitative and qualitative measures and standards for evaluating cost-effectiveness and is consistent with the principles of impartiality and competitiveness.").

<sup>92</sup> *House Passes Bill to Create Patent and Trademark Office Inc. and Reform Patent Law*, 53 PAT. TRADEMARK & COPYRIGHT J. 539 (1997).

<sup>93</sup> *Id.*

Property Policy, who would be appointed by the President and handle an array of intellectual property issues.<sup>94</sup> It also mandated that inventors be included as members of the Patent and Trademark Office advisory board proposed in the Act, while deleting provisions that would have allowed the Patent and Trademark Office to borrow money from private entities and to accept monetary gifts.<sup>95</sup> Such changes were a response to critics within the House like Rohrabacher, as well as to critics from the media.<sup>96</sup> The Coble amendment met with little opposition and was passed by a voice vote.<sup>97</sup>

The Kaptur amendment, while both shorter in length and simpler in its language, is the amendment which most changed H.R. 400 and the only successful amendment to appease to any degree those who felt the bill was deleterious to the interests of small businesses,<sup>98</sup> independent inventors and universities. The amendment made just two changes; it narrowed the scope of the original bill's pre-grant publication provisions and completely eliminated the reexamination provisions contained in the original Title V.<sup>99</sup>

Kaptur's amendment amounts to a broad exception to the mandatory publication provisions contained in Section 102 for small businesses, independent inventors and universities, with five exceptions to that exception.<sup>100</sup> Under the amended section, such parties would not have their patent applications published until the

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<sup>94</sup> 143 CONG. REC. H1612-1613 (daily ed. Apr. 16, 1997).

<sup>95</sup> *Id.* at H1614.

<sup>96</sup> See Gaffney, *supra* note 5, at A17 (criticizing the composition of the advisory board and the receipt of funds as contained in the original H.R. 400).

<sup>97</sup> 143 CONG. REC. H1669 (daily ed. Apr. 23, 1997).

<sup>98</sup> To qualify as a "small business" as defined by the Patent and Trademark Office, a business must have 500 or fewer employees. See 143 Cong. Rec. H1731 (daily ed. Apr. 23, 1997) (explaining the amendment).

<sup>99</sup> 143 CONG. REC. H1731 (daily ed. Apr. 23, 1997).

<sup>100</sup> *Id.* The amendment is now subsection (D) of section 202 and reads:

[A]n application filed by a small business concern entitled to reduced fees under section 41(h)(1) of this title, by an individual who is an independent inventor entitled to reduced fees under such section, or by an institution of higher education . . . entitled to reduced fees under such section 41(h)(1) shall not be published until a patent is issued thereon, except upon the request of the applicant . . . .

H.R. 400, 105th Cong. § 202(D) (1997).

patent is issued unless: 1) the application has been pending for more than five years from the effective filing date, 2) the patent has not been previously published by the Patent and Trademark Office, 3) the patent is not under any appellate review by the Board of Patent Appeals and Interferences, 4) the patent is not under any interference proceedings, 5) the patent is not under any secrecy order, 6) the patent is not being diligently pursued by the applicant, and 7) the patent has not been abandoned.<sup>101</sup> Again, this was an amendment designed to protect “the little guy” from pre-grant publication and at the same time avoid the dreaded “submarine patent.” In order to accomplish the latter, the Kaptur amendment adopted the same language contained in the failed Rohrabacher amendment with respect to the submarine patent problem.<sup>102</sup>

The Kaptur amendment dealt with the reexamination provisions in a much simpler fashion; it completely eliminated the original Title V from the bill.<sup>103</sup>

## VI. AN ANALYSIS OF THE PROPOSED PATENT REFORMS

### A. ESTABLISHING THE PATENT AND TRADEMARK OFFICE AS A GOVERNMENT CORPORATION

Supporters of Title I of both the “21st Century Patent System Improvement Act” and “The Omnibus Patent Act of 1997” see the corporatization of the Patent and Trademark Office as a means to both increase its efficiency and to insure that the funds collected by the Office in the form of user fees are kept within its coffers, rather than being siphoned off by the federal government, as has been the practice since the “Omnibus Budget Reconciliation Act of 1990.”<sup>104</sup> And while the issue of whether a corporatized Patent and Trade-

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<sup>101</sup> H.R. 400, 105th Cong. § 202(D)(ii) (1997).

<sup>102</sup> 143 CONG. REC. H1731 (daily ed. Apr. 23, 1997).

<sup>103</sup> *Id.* See Part IV of this Note, *supra*, for Kaptur’s argument for eliminating the reexamination provisions.

<sup>104</sup> See Hayes-Rines, *supra* note 45, at 44 (claiming the PTO “became the country’s golden goose; Congress decided it took in more money than it actually ‘needed’”). Hayes-Rines claims the PTO lost \$30 million this way in 1995, \$54 million in 1996 and that the Clinton Administration proposed to take \$92 million for the fiscal year 1997. *Id.*

mark Office, in the mold of other privatized entities like the United States Post Office or Amtrak, would be more or less efficient is debatable,<sup>105</sup> the second argument put forward by supporters of Title I is more curious.

It is not readily apparent why the Patent and Trademark Office would need to be made a government corporation in order to keep funds within its coffers. As one patent attorney, who is also a former patent examiner, put it, “[i]ncorporation, in and of itself, no way guarantees this result. Such a result does not require incorporation, merely political willpower on the part of Congress.”<sup>106</sup>

Even if it is assumed that corporatization of the Patent and Trademark Office guarantees that user fees will remain within the Office and that such a practice is the ideal, several problems with such corporatization still exist. Most importantly, and perhaps most disturbingly, the long-standing civil service protection afforded patent examiners would be eliminated if the Patent and Trademark Office is made a private corporation under Title I of the Acts. Although some supporters of the Acts have argued that the removal of such protection might actually be a benefit,<sup>107</sup> its critics—including patent examiners at the Patent and Trademark Office—are legitimately concerned with the type and extent of pressure that might be exerted upon them if the legislation passes. According to Rep. Rohrabacher,

[T]hese patent examiners work hard and they have been totally insulated from outside influences because they have been part of the U.S. Government. They are opposed to H.R. 400. They are pleading with us, do not do this to us, because they have no

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<sup>105</sup> See Robert P. Bell, *Why I Changed My Mind on Patent "Reform,"* INVENTOR'S DIGEST, Nov.-Dec., 1997 (arguing, inter alia, that the corporatization effort reflects the Clinton Administration's desire to reinvent government in an attempt to make it appear to be a reduction in the size of the federal government).

<sup>106</sup> *Id.*

<sup>107</sup> See 143 CONG. REC. H1586 (daily ed. Apr. 16, 1997) (entering a letter from Richard W. Velde, manager of the small Virginia business Unique Specialty Products, that argues “the ‘corporatizations’ [sic] of the PTO is important for us ‘users’ of its services. The PTO should be insulated from bureaucratic meddling and political influence”).

idea what outside influences will come to play. No one knows.<sup>108</sup>

Considering the influence and pressures large corporations and overseas concerns already exert on political figures in Washington, it is not hard to imagine the kind of effort that might be made in regard to patent examiners, whose day-to-day decisions can mean millions, or even billions of dollars to interested parties.

In addition to concerns about removing the civil service protections of patent examiners, the effort to corporatize the Patent and Trademark Office carries with it broader policy issues that make such a move suspect. A corporatized Patent and Trademark Office would not be handling the mail, or running train schedules. It would be making decisions every day that impact independent inventors, small businesses, universities, large corporations, national and global economies, and even national security. As one opponent of the Acts wrote:

The PTO's functions are a core government purpose. The PTO issues legal monopolies on a wide range of activities. Patents are issued on new life forms, surgical procedures . . . business practices . . . the use of human gene sequences, and many other areas of controversy. It is completely inappropriate for such decisions to be made by a private corporation. Private corporations should not create legal entitlements, and it is inappropriate for private corporations to fund specific policy initiatives for the PTO, which would increase control [of] the agency's agenda and policy conclusions.<sup>109</sup>

In short, it is difficult if not impossible to see how the goals of efficiency and the desire to keep Patent and Trademark Office user fees within the Office that supposedly inspired Title I of the "21st Century Patent Improvement Act" and "The Omnibus Patent Act

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<sup>108</sup> 143 CONG. REC. H1668 (daily ed. Apr. 17, 1997).

<sup>109</sup> Letter from James Love, Consumer Project on Technology (Apr. 16, 1997) (on file with Mike Mehrman, Jones & Askew).

of 1997” could not be achieved through much less drastic reforms. There is no apparent need to open up a Pandora’s Box of arm twisting and influence peddling in order to accomplish such relatively modest goals.

## B. THE EIGHTEEN-MONTH PUBLICATION PROVISIONS

Title II of each Act originally required publication of a patent application eighteen months after the date of filing for anyone who submits a patent application to the Patent and Trademark Office. Considering the time it takes to grant a patent, several years on average, this would most often result in pre-grant publication of the inventor’s information. H.R. 400 was seriously modified in this regard by the Kaptur amendment that exempts independent inventors, small businesses and universities.<sup>110</sup>

Supporters of the early publication provisions believe such a provision would not just eliminate the nefarious “submarine patent,” but also level the playing field for U.S. inventors against their international competitors.<sup>111</sup> While submarine patents have drawn bipartisan contempt in both the House and Senate, supporters of the Acts paint a much bleaker picture of their effects.<sup>112</sup> Senator Goodlatte claimed “submarine patents cost American consumers and taxpayers hundreds of millions of dollars. A single submarine patent can wipe out an entire small business—and with some submarine patents, an entire corporation.”<sup>113</sup>

In regards to leveling the playing field, supporters of the eighteen-month provision point out that forty-five percent of

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<sup>110</sup> See Part IV, *supra*.

<sup>111</sup> For an argument that pre-grant publication would also aid small, financially strapped businesses and inventors in acquiring much-needed venture capital, see 143 CONG. REC. 1585 (daily ed. Apr. 16, 1997) (statement of Rep. Goodlatte).

<sup>112</sup> For an argument that submarine patents actually amount to a fairly insignificant proportion of applications, see 143 CONG. REC. S12639 (1997) (statement of Sen. Bond) (claiming “the Commissioner himself has said that only one percent of one percent of patent applications could be considered submarine patents”). See also 143 CONG. REC. H1733 (daily ed. Apr. 23, 1997) (statement of Rep. Kaptur) (claiming that “in the last 20 years between 1971 and 1993, out of 2.3 million patent applications, only 627 have been classified as submarine patents; and at least a third of those were U.S. Government military secrets”).

<sup>113</sup> 143 CONG. REC. H1585 (daily ed. Apr. 16, 1997) (statement of Sen. Goodlatte) (citing information from Bernard Wysocki, Jr., *Royalty Rewards: How Patent Lawsuits Make a Quiet Engineer Rich and Controversial*, WALL ST. J., Apr. 9, 1997, at A1).

patents filed in the U.S. are filed by foreign inventors.<sup>114</sup> As the law currently exists, those applications are not published in English in the U.S. until a patent is granted.<sup>115</sup> Conversely, when a U.S. inventor files a patent application in Europe or Japan, it is published in the native language of that country after eighteen months.<sup>116</sup> Thus, foreign inventors have more information available to them sooner than their U.S. counterparts.

Regardless of how widespread one believes the practice of submarine patenting has become, it is clear that some process designed to prevent such treachery is needed. It is also clear that pre-grant publication would level the playing field between U.S. and international competitors, at least in the sense discussed *supra*. But the publication provisions as originally written in Title II of each Act create at least as many problems as they attempt to solve.

H.R. 400 was called the "Steal American Technology Act"<sup>117</sup> by critics because of this provision. In short, it is difficult to see what would stop a larger domestic competitor or foreign interest from taking information published in a patent application and beginning its own manufacturing process based on that information before the true inventor has even obtained a patent. The true patent owner's only recourse would be to sue once such theft has taken place, assuming a patent is eventually granted. For the applicants who have limited resources and struggle just to finance the application itself, the legal fees involved in that sole recourse are likely to be quite imposing. In addition, the threat of a future lawsuit might not be such a deterrent for large, multinational corporations or foreign governments. As Rep. Rohrabacher said during the House debate, "I can hear [the Chinese Liberation Army] now, or Mitsubishi Corp: 'I am using your technology? So, sue me.' Yes, great. That is going to really protect our people and protect our country."<sup>118</sup> "Leveling the playing field" by giving U.S. patent applicants information about applications filed domestically by overseas inventors does not seem like such a big carrot to dangle when accompanied by this opportunity to exploit U.S. innovation.

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<sup>114</sup> 143 CONG. REC. H1725 (daily ed. Apr. 23, 1997) (statement of Rep. Goodlatte).

<sup>115</sup> *Id.*

<sup>116</sup> *Id.*

<sup>117</sup> Gaffney, *supra* note 5, at A17.

<sup>118</sup> 143 CONG. REC. H1668 (daily ed. Apr. 17, 1997).

If the real goal of the eighteen-month provision is to level the playing field, the Senate amendment that exempts patent applicants not filing abroad makes perfect sense. If coupled with the Kaptur amendment exempting independent inventors, small businesses and universities in a final bill, it would be a drastically scaled back provision, but would also be without many of its original evils. If not, the Rohrabacher amendment,<sup>119</sup> could prevent excessive manipulation of the patent system without delving into the morass of a pre-grant publication system.<sup>120</sup>

### C. THE PRIOR DOMESTIC COMMERCIAL USE RIGHT

Although the provisions granting the new right to continue a prior domestic commercial use have not received as much attention as the corporatization or publication issues, it has still been a contentious subject. Just what the driving force was behind this new defense to patent infringement is not clear, and the Congressional Record is lacking a well-thought out explanation of the provisions.

In a letter from Lehman entered into the Congressional Record, he wrote that prior user rights "are intended to make their patent system fairer by allowing those who practiced an invention before it was patented by another to continue to practice invention after the patent issued."<sup>121</sup> Why this would be for the public's better good is unclear. The apparent effect of the provisions would be to encourage inventors to keep their ideas secret and to undermine the first-to-invent system that has been the hallmark of United States patent law since the eighteenth century.

Our first to invent system protects small inventors.  
If they document their invention, they will not have  
to engage in a race to the patent office. They will  
have time to tinker and perfect their inventions

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<sup>119</sup> See Part IV, *supra*.

<sup>120</sup> See 143 CONG. REC. S12639 (daily ed. Nov. 13, 1997) (statement of Sen. Bond) (arguing that the Commissioner already has the means at his disposal to deal with submarine patents).

<sup>121</sup> 143 CONG. REC. H1721 (daily ed. Apr. 23, 1997).



without being forced to file early and then file for all  
perfections, a costly process for a small inventor.<sup>122</sup>

At the very least, a provision limiting the quantity, volume, or scope of the prior use like the one in the unsuccessful Campbell amendment<sup>123</sup> would be preferable to the existing provisions in both H.R. 400 and S. 507. The best choice would be to strike this defense to infringement altogether considering it runs contrary to the successful tradition of the United States patent system and seems to be a solution to a problem that may not even exist, while at the same time creates opportunities for manipulation and malfeasance.

[Prior user rights] would encourage corporations to avoid the patent process altogether. Under current law, companies that rely on unpatented trade secrets run the risk that someone else will patent their invention and charge them royalties. [S. 507] would permit companies whose trade secrets are later patented by someone else to continue to market their products without paying royalties. Encouraging corporations to hide secrets is the opposite of what an economy that relies on information needs.<sup>124</sup>

The current system includes a natural tension between inventions that can be protected as trade secrets or patents. Instead of granting a monopoly for a limited time, a trade secret can last indefinitely if the secret is kept, but the holder runs the risk of independent invention and the grant of a patent to a rival.<sup>125</sup> That is the incentive to patent that has driven the system, and granting a prior user right defense to infringement directly contravenes this goal.

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<sup>122</sup> 143 CONG. REC. S12639 (daily ed. Nov. 13, 1997) (statement of Sen. Bond).

<sup>123</sup> See note 70, *supra*.

<sup>124</sup> 143 CONG. REC. S12640 (daily ed. Nov. 13, 1997) (statement of Sen. Bond)(reproducing Editorial, *A Bad Patent Bill*, Editorial, N.Y. TIMES, Oct. 17, 1997, at A34).

<sup>125</sup> Letter from James Love, Consumer Project on Technology (Apr. 16, 1997) (on file with Mike Mehrman of Jones & Askew).

#### D. PATENT REEXAMINATION REFORM

Title V of S. 507 and the original Title V of H.R. 400 both allow for anyone to challenge the validity of a patent at anytime, which would be a significant departure from existing law, under which third-party examination procedures are much more limited. Expanding the reexamination rights of third parties in the Patent and Trademark Office does have some merit. Title V of S. 507 could make the reexamination process shorter and less expensive.<sup>126</sup> Allowing a third party challenger to participate in an adversarial process within the Patent and Trademark Office, rather than forcing a challenger to resort to an appellate court as section 306 of Title 35 does, means the entire process of establishing or reestablishing a patent's validity can take advantage of the Office's expertise in patent matters.

According to its opponents, S. 507's Title V opens the door to potentially infinite litigation costs for a patent owner, something that is not justifiable because of increased efficiency or cost, particularly considering the potential aggregate cost to a patent owner whose invention is frequently challenged through third-party reexamination procedures. And again, the type of patent owner most likely to be adversely affected by increased litigation costs is the independent inventor or small business owner.

This bill will allow larger corporations and wealthier entities to challenge the validity of a patent. As these challenges or suits drag on for longer periods, the smaller and less affluent businesses or individuals are the ones most negatively affected. Once their finances are depleted, the "deep pockets" are likely to acquire rights to these patents.<sup>127</sup>

The "deep pockets" argument was voiced on a number of occasions, and may have been what ultimately swayed a majority of the House to eliminate the reexamination provisions. However, it is far

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<sup>126</sup> See part III, *supra*.

<sup>127</sup> 143 CONG. REC. H1739 (daily ed. Apr. 23, 1997) (statement of Rep. Barcia).

from a foregone conclusion that expanding the reexamination rights of third parties would result in increased litigation costs. It seems equally plausible, if not more likely, that an adversarial appeals process within the Patent and Trademark Office could actually reduce potential costs of defending a patent. First, the fact that the Patent and Trademark Office would have already ruled twice on the validity of a patent if it has been challenged through the reexamination procedure and withstood the adversarial process might make third parties less likely to challenge the patent in the court system. Second, the process proposed in Title V of S. 507 could simply evolve as a quicker, less expensive version of a patent infringement suit, because of the expertise available in the Patent and Trademark Office as opposed to the federal courts.

## VII. CONCLUSION

Perhaps the most surprising thing about the "21st Century Patent System Improvement Act" and "The Omnibus Patent Act of 1997" is the amount of heated debate these reform packages have created. As H.R. 400 sponsor Coble said on the floor of the House of Representatives, "I confess my ongoing amazement that this bill has engendered so much controversy . . . . For most people the words 'patent bill' are sufficient to induce sleep."<sup>128</sup> Perhaps it is even more surprising that any bill could generate such a purely bipartisan and unique cast of supporters and opponents. Proponents of the Acts claim small businesses, multinational corporations, and the Clinton, Bush and Reagan administrations to be on their side.<sup>129</sup> Opponents also lay claim to small businesses, universities, dozens of Nobel laureates and even Ross Perot.<sup>130</sup> Republicans Coble and Hatch sponsored the House and Senate bills, respectively, while fellow party member Rohrabacher has

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<sup>128</sup> 143 CONG. REC. H8837 (daily ed. Oct. 21, 1997).

<sup>129</sup> According to Coble, H.R. 400 is "supported by 75 American companies responsible for ninety percent of the patents issued to American applicants in the United States. Twenty-one CEO's of our Nation's high-technology companies which employ 1.4 million men and women and which hold 55,000 U.S. patents endorse HR. 400." 143 CONG. REC. H1630 (daily ed. Nov. 13, 1997).

<sup>130</sup> See 143 CONG. REC. S12640 (daily ed. Nov. 13, 1997) (statement of Sen. Bond) (entering into the record a letter from Perot attacking S. 507).

been H.R. 400's chief antagonist. But when one considers the far-reaching economic implications and the complexity of patent law, both as it currently exists and as it is embodied in these Acts, perhaps it is easier to understand. As Coble told the House, "The patent law . . . as my colleagues know, provides a forum whereby cute, sexy questions can be propounded, but because of the complexity of the subject matters, cute, sexy responses are not that easy to be forthcoming."<sup>131</sup> That complexity and the resulting confusion in Congress is precisely why a patent act as diverse and as sweeping as either H.R. 400 or S. 507 should not pass.

If the United States is to make the transition from its traditional and unique first-to-invent approach and conform to the Japanese and European first-to-file methods, it should be an overt decision made by Congress, not as the result of individual publication or defense to infringement provisions. The submarine patent problem could be addressed directly and independently of a publication provision encompassing all U.S. inventors. Keeping revenues from patent fees within the Patent and Trademark Office does not require the corporatization of that Office and all the potential problems it could create, nor does the goal of increased efficiency. The removal of civil service protection for patent examiners is alone enough to make Title I of the Acts onerous. An eighteen-month publication provision would align the United States with the Japanese and European systems and undoubtedly provide some advantages for U.S. inventors, but if small businesses, independent inventors and universities are really being dragged kicking and screaming, why not exempt them as the Kaptur amendment does? Further, the prior user rights provisions seem to address problems that either do not exist or are of little practical concern with solutions that may create more problems than they solve. Finally, the reexamination provisions, which could result in a quicker, more efficient alternative to the patent infringement suit, have some merit, but were eliminated entirely in H.R. 400.

If Congress is intent on improving a United States patent system that has consistently led the rest of the world in the creation of useful inventions, it should take small steps. The sizable reforms

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<sup>131</sup> 143 CONG. REC. H1630 (daily ed. Apr. 17, 1997).

**embodied in H.R. 400 and S. 507 are not necessary and their largest, most controversial changes are obliterating their necessary reforms.**

**JEFFERY E. ROBERTSON**