

REPORT

THE INTELLECTUAL PROPERTY AND COMMUNICATIONS OMNIBUS REFORM ACT OF 1999

November 29, 1999

President Clinton today signed legislation that includes a number of significant revisions to U.S. Intellectual Property Law. The various aspects of the legislation go into effect at various times, from immediately to one year from today, and will be implemented automatically and through future rulemakings. The legislation encompasses patent law reform and trademark/internet domain name legislation. The patent law reform includes such matters as:

- patent filing fee reductions,
- 18-month publication of U.S. patent applications with provisional pre-issuance royalty rights (and associated revisions of 35 U.S.C. §§102(e), 119, 135(b), 374, etc.),
- optional *inter partes* reexamination proceedings,
- a prior user defense for business method patents,
- exclusion of commonly owned §102(e) prior art from obviousness determinations,
- extension of patent terms based on PTO delays,
- continued examination of patent applications (after final rejection),
- a conformed term for filing regular applications based on provisional applications,
- limited reinstatement of infringement remedies against medical practitioners,
- PTO reorganization as an agency within the Department of Commerce,
- electronic filing and publication,
- clarification of 35 U.S.C. §102(g)
- a study and report on biological deposits,
- priority claims to certain foreign applications, and

- regulation of invention promotion services.

Some of the more significant revisions relating to patent and trademark law, and their effective dates, are briefly outlined below.

I. Patent Law Changes

The patent law reform aspects of the present legislation, officially called "The American Inventors' Protection Act of 1999," are very significant and wide ranging. They have been the subject of legislative dispute for several years. Some of them are self-effectuating, while others will require extensive rulemaking to implement.

A. PTO Fees

This section of the legislation, entitled the "Patent and Trademark Fee Fairness Act of 1999," reduces U.S. patent application and U.S. reissue patent application large entity filing fees and some very limited U.S. national phase large entity filing fees, from \$760 down to \$690. It also reduces the large entity first maintenance fee from \$940 down to \$830. Each of these reduced fees remains eligible for the 50% reduction for small entities.

This section of the legislation also authorizes the PTO to adjust Trademark Office fees in fiscal year 2000 without regard to fluctuations in the Consumer Price Index during the preceding 12 months. The PTO has made it clear that this will result in increases in several trademark fees.

Finally, the legislation requires the Department of Commerce to conduct a study of alternative fee structures for the PTO and submit its report within the next year. The stated purpose of this study is to find fee structures that would "encourage maximum participation by the inventor community in the United States."

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Effective Date

These patent fee changes go into effect 30 days from today -- i.e., on December 29, 1999.

B. 18-Month Publication Of Patent Applications

In a section of the legislation entitled the "Domestic Publication of Foreign Filed Patent Applications Act of 1999," the legislation adds new 35 U.S.C. §122(b). It establishes procedures under which U.S. patent applications will be published promptly after the expiration of 18 months from the earliest filing date for which a benefit is sought, unless the Applicant requests their non-publication on a specified basis. At the request of the Applicant, an application may be published earlier than the end of such an 18 month period.

This legislation involves a number of significant changes in U.S. law, and is very complex. In addition to providing for publication of U.S. applications, it involves creation of new categories of prior art, new provisional royalty rights, new restrictions on claiming priority and continuing status filing date benefits, new restrictions on interference practice, and new fees. It also involves a complex interaction between U.S. patent applications and PCT international patent applications, with particular emphasis on the language of publication of PCT international applications.¹ The legislation should be followed soon by rulemaking that will establish and clarify procedures under the legislation. Various features of the legislation, and interactions of the legislation with existing law, are complex and ambiguous and are likely to be the subject of both legislative and judicial clarification in the future. This Special Report will address some of those complexities and ambiguities, but it is clear that a significant number of issues created by this legislation will arise and be further explored in the future.

1. Extent of Publication

Publication of applications under new §122(b) is not intended to open the prosecution history of a published application to public inspection. However, determinations by the PTO to release or not release information concerning a published patent application are final and non-reviewable. The statutory language to this effect is very direct and clear, although under the Administrative Procedures Act, there

¹ A goal of this feature of the legislation appears to be to discriminate between PCT applications published in English and PCT applications published in other languages, in favor of those PCT applications published in English.

should continue to be some routes for relief available in the event that the PTO abuses its discretion or acts in an arbitrary and capricious manner in releasing information about published patent applications.

2. Applications Not Subject to Publication

In addition to applications exempted by the effective date of the legislation, discussed below, the following types of applications will not be published under §122(b):

- a. Abandoned applications;²
- b. Applications subject to secrecy orders;
- c. Provisional applications; and
- d. Design patent applications.

No exception is stated for continuing applications, such as divisional, continuation and continuation-in-part applications. However, no separate comments on the timing of publication of such applications are provided in the legislation. Their publication would provide public notice of their existence, although in the case of continuation and divisional applications, the contents of the publication may not clarify the ways in which the claims are likely to be amended during prosecution.

The legislation also does not specifically address re-publication of PCT international applications that designate the United States (hereinafter "PCT/US applications"), although the effective date provisions of the legislation suggest that PCT/US applications that do not satisfy the requirements for entering the U.S. national phase under 35 U.S.C. §371 (for filing of copies, translations, declarations, etc.) will not be re-published by the PTO.

The legislation also does not specifically address U.S. patent applications that are filed in a language other than English. Interestingly, the extended due date for filing translations of such applications can be later than the 18-month publication date. Unless this matter is addressed by PTO rulemaking, this could have the anomalous effect of U.S. patent applications being published in a foreign language. As noted elsewhere herein, this would provide for very different effects of PCT/US applications published in a foreign language and U.S. applications published in a foreign language.

² There will likely be some exceptions where an application is abandoned so close to the publication date that publication cannot be stopped. In addition, applications may be abandoned after the publication date.

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3. Requests Not to Publish Applications

Under limited circumstances, mainly favoring U.S. Applicants although also applicable to foreign Applicants who file only in the United States, the Applicant can request that a patent application not be published. Any such request must be filed on filing of the application, and must include a certification that the disclosed invention has not been, and will not be, the subject of a patent application filed in another country, or under a multi-lateral agreement such as the Patent Cooperation Treaty (PCT) or European Patent Convention (EPC), that requires publication 18 months after filing.

The request for non-publication can be rescinded at any time, with the effect that the application will be published at the 18 month date or as soon as possible thereafter. Furthermore, the Applicant can simply foreign file the application without expressly rescinding the request. However, in this case, the Applicant must notify the PTO within 45 days of the foreign or international filing date of the fact of such foreign or international filing. Failure to provide such notice will result in abandonment of the U.S. application, unless the failure can be shown to be unintentional. As with a request for non-publication that is rescinded, the effect of such a notice is that the application will be published at the 18-month date or as soon as possible thereafter.

In addition, if a U.S. patent application is more extensive or contains more extensive description of an invention than a foreign or international application disclosing the invention, the Applicant may submit a redacted text for publication, redacting out the additional material. Any such submission must occur within 16 months after the earliest benefit date. However, the provisional rights discussed below will not apply to any claim that is not enabled by the published redacted text.

4. Timing of Prior Filing Date Benefit Requests

In order that the appropriate timing for publication can be determined, as well as to permit filing date benefits to be included in the published application, the legislation permits the PTO to set deadlines for Applicants to (1) claim foreign priority benefits, (2) claim U.S. provisional application priority benefits, and (3) claim continuing application status benefits. In each case, the benefits will be considered waived if not timely claimed. However, the legislation further includes an exception to the waiver where the Applicant establishes that the failure to meet the deadline was unintentional.

5. Provisional Royalty Rights

The legislation adds new 35 U.S.C. §154(d) and amends 35 U.S.C. §284 to establish that a patentee may recover a reasonable royalty, but not increased damages, as to certain activities that occur between the §122(b) publication of "the application for the patent" and issuance of the U.S. patent. The legislation does not clarify whether "the application for the patent" includes parent or prior §120 benefit applications, although it appears from the express language of the Act that the provisional rights do not carry back to the publication date of a parent application. This effect may be somewhat ameliorated by the below-discussed provisions for continued prosecution of an application in lieu of the filing of a continuing application (revised 35 U.S.C. §132). However, such amelioration would not appear to apply to divisional applications in which the claims in question were subjected to a restriction requirement in the parent or preceding application, or to continuations or continuations-in-part of international applications.

Similar provisional royalty rights also apply between the publication date of a PCT/US application and the U.S. patent issue date. However, for such applications, the provisional rights commence on the date on which the PTO receives a copy of the international publication if it is in English, or the date on which the PTO receives a translation of the international application if the PCT publication is not in English. Thus, to establish such provisional rights with respect to a PCT/US application published in a non-English language, Applicants may benefit from early filing in the PTO of English language translations of PCT/US applications.

The activities that would be subject to such provisional rights correspond to patent infringement under 35 U.S.C. §271(a)(normal infringement) and, to a large degree, 271(g)(process patent infringement).³ They do not appear to include activities that would constitute infringement under §271(b)(inducement of infringement), §271(c)(contributory infringement), §271(e)(infringement

³ The exemption regarding acts occurring during the term of the patent under the second sentence of §271(g) does not apply. Furthermore, there is no counterpart definition of a product made by the process claimed in a published patent application, as distinguished from the definition of a product made by a patented process in the third sentence of §271(g) as excluding "materially changed" products or "trivial and nonessential component" products. We expect that courts would, however, apply the same definition.

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by filing FDCA applications) or §271(f)(infringement by supplying components of an invention).

6. Notice of the Publication

The provisional rights apply only if the entity against which they are asserted has actual notice of the published patent application. The legislation does not define "actual notice." However, the legislative history includes the following comments: "The requirement of actual notice is critical. The mere fact that the published application is included in a commercial database where it might be found is insufficient. The published applicant must give actual notice of the published application to the accused infringer and explain what acts are regarded as giving rise to provisional rights." The third sentence of these comments appears to go well beyond the actual language of the statute. Thus it is unclear how courts will construe the actual notice requirement.

Furthermore, if the published application is a PCT/US application published in a non-English language, the provisional rights only apply if the entity "had a translation of the international application into the English language." Thus, to activate provisional rights, an Applicant may want to send a potential infringer a copy of the published application and, if it is a PCT/US publication not published in English, send that entity and file in the PTO an English translation of the application. On the other hand, because the statute does not specify that the translation must be received from the Applicant, parties who are aware of PCT/US publications that are not in English and that might cover their activities may want to abstain from obtaining a translation of the application under certain circumstances.

7. Substantial Identity of Claims

In addition to the actual notice and other requirements addressed above, the provisional rights to a reasonable royalty only apply where the invention claimed in the patent is substantially identical to the invention claimed in the published patent application. As a result, it is important to include a full set of claims in U.S. format, with claims to likely fall-back positions, when filing applications, including international PCT/US applications. This will increase the likelihood that claims in the ultimate patent will claim an invention substantially identical to that of at least one claim of the published application.

8. Time for Claiming Provisional Royalties

Any action to recover a reasonable royalty under these provisional rights must be brought within six years after the

patent issues. The length of the pendency of the application before or after publication does not affect this 6-year term.

9. Prior Art Effect

Published applications will constitute printed publications under 35 U.S.C. §102(a) and (b). In addition, 35 U.S.C. §102(e) has been completely rewritten to address publication of applications and other issues.

The following items will constitute prior art under 35 U.S.C. §102(e):

- a. A U.S. national application published under §122(b), by another, filed in the United States before the invention by the Applicant for patent.⁴
- b. A published PCT/US application by another with an international filing date before the invention by the Applicant for patent, but only if the international application was published in the English language. Furthermore, under the effective date provisions discussed below (which will not appear in §102(e) itself), it appears that the international application must also comply with 35 U.S.C. §371 -- i.e., enter the U.S. national phase.
- c. A U.S. patent granted on an application for patent by another filed in the United States before the invention by the Applicant for patent. A patent shall not be deemed filed in the United States for the purpose of this subsection based on the filing of a PCT/US application.⁵

One aspect of this portion of the legislation is that English language publications of PCT/US applications constitute prior art under §102(e) as of the international filing date if

⁴ Because a published application will constitute §102(e) prior art as of its filing date, and may subsequently be abandoned, much of the reason for filing Statutory Invention Registration applications (SIR's) is eliminated by this legislation.

⁵ The legislation does not specifically address what will be considered to be the date on which an application is filed in the United States when it is the national phase of a PCT/US application. However, under the second sentence of 35 U.S.C. §111(a)(4), the filing date would appear to be the date on which the specification and any required drawing are received in the PTO, either from the International Bureau or from the Applicant, whether or not the application is in the English language.

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they enter the U.S. national phase, whereas English language publications of PCT applications that do not designate the United States do not constitute prior art under 35 U.S.C. §102(e). Thus, where a PCT application is to be filed (and thus published) in English, it might be useful to designate the United States and enter the U.S. national phase, even if the U.S. application is thereafter to be abandoned, in order to establish the §102(e) prior art status of the PCT publication in the United States.

Another aspect of this portion of the legislation is that it appears to eliminate the unresolved issue as to whether a patent issuing on a U.S. continuation of a PCT/US application has a different §102(e) effective date than a patent issuing on a national phase of the PCT/US application. The international filing date will not be the effective §102(e) date for any U.S. patent; it will only be the effective §102(e) date for English-language publications of PCT/US applications that enter the U.S. national phase.

10. Cost of Publication

The legislation authorizes the PTO to charge a publication fee when forwarding the Notice of Allowance of a patent application. Thus, the Applicant will not have to pay for the publication of an application that is ultimately abandoned. The amount of the fee is not set by the legislation, but will be set by a PTO rulemaking.

11. Miscellaneous Law Changes Related to Publication

The following additional areas of U.S. patent law are also modified in light of the new publication statute.

a. Protests

At present, the public may protest issuance of a patent on a pending application if the protest is filed and served before the mailing of a Notice of Allowance. The publication legislation establishes that protests and pre-issuance oppositions may not be initiated after publication of an application, without the consent of the Applicant. Thus, individuals who might have protested a published application are limited to attacking the issued patent through reexamination.

b. Certified Copies of Priority Documents

The priority statute is amended to eliminate the requirement for submission of certified copies of priority documents unless required by the PTO. The statutory language authorizing the PTO to request certified copies of priority

documents corresponds to the language presently authorizing the PTO to require translations of priority documents. Thus, subject to rulemaking by the PTO, it appears that certified copies may no longer be required on a routine basis, but only if necessary to overcome a rejection or the like.

c. Copying Claims to Provoke an Interference

35 U.S.C. §135(b) presently states that a claim which is the same as, or for the same or substantially the same subject matter as, a claim of an issued patent may not be made in any application unless such a claim is made prior to one year from the date on which the patent was granted. This language is now made section (1) of 35 U.S.C. §135(b), and a new section (2) is added. This new section indicates that if a patent application is filed after the §122(b) publication of an application, a claim which is the same as, or for the same or substantially the same subject matter as, a claim of the published application may be made only if made before one year after the date on which the application is published. This section does not distinguish between publications of U.S. direct national applications and publications of PCT/US applications, nor between English-language and non-English-language publications of PCT/US applications. Under amended 35 U.S.C. §374,⁶ amended §135(b) appears to apply equally to publications of direct national applications and PCT/US applications, whether or not published in English. Thus in this instance, it would appear to conflict with the general approach of this legislation of discriminating in favor of English-language PCT/US publications.

Another odd aspect of this section of the legislation is that, on its face, it appears to apply to PCT/US applications whether or not they enter the U.S. national phase. However, the effective date portion of the legislation (which will not appear in 35 U.S.C. §135(b)) only makes the amendments of §135(b) and §374 apply to direct national applications and PCT/US applications that comply with 35 U.S.C. §371 -- i.e., that enter the U.S. national phase. Thus it appears that PCT/US applications that do not enter the U.S. national phase will not trigger the §135(b) one-year deadline.

⁶ 35 U.S.C. is amended to read as follows: "The publication under the ... [Patent Cooperation Treaty] ... of an international application designating the United States shall confer the same rights and shall have the same effect under this title as an application for patent published under section 122(b), except as provided in sections 102(e) and 154(d) of this title."

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Unfortunately, PCT/US applications that undergo international preliminary examination under PCT Chapter II will normally not enter the U.S. national phase until later than one year after their publication. Thus one cannot know until too late whether such applications will trigger the deadline. The conservative approach would be to assume that the deadline is always applicable to PCT/US publications.

d. Reissue

35 U.S.C. §252, first paragraph, is amended to refer to substantially identical claims, rather than identical claims. This appears to be a corollary of the "substantially identical" language relating to the provisional rights to obtain a reasonable royalty on post-publication, pre-issuance activities, and codifies existing reissue law.

12. Further Study

Finally, the application publication legislation also requires that the Comptroller General of the United States shall conduct a three-year study of Applicants who file only in the United States on or after November 29, 2000. The results of that study are to be provided to the Judiciary Committees of the House of Representatives and the Senate. The results of the study will presumably be used to determine whether this legislation should be maintained, repealed, or amended.

Effective Date

All of the legislation relating to publication of patent applications becomes effective one year from today -- i.e., on November 29, 2000. This legislation will apply to all direct national U.S. patent applications filed on or after November 29, 2000. It will apply to all PCT/US applications that comply with 35 U.S.C. §371 and have an international filing date on or after November 29, 2000.

The provisional rights section of this legislation also applies to PCT/US applications with an international filing date on or after November 29, 2000, regardless of compliance with 35 U.S.C. §371 (although the provisional rights will only be effected upon issuance of a U.S. patent). As noted above, however, the amendments to §§102(e), 135(b) and 374 have no application to PCT/US applications that do not enter the U.S. national phase by complying with 35 U.S.C. §371.

The provisional rights and prior art effect sections of the legislation are also stated to apply to certain applications voluntarily published by the Applicant under procedures established by this legislation, and pending on November 29, 2000. This on its face suggests that earlier filed applications may be subject to provisional rights and

prior art effect. However, there do not appear to be any provisions for voluntary publication by Applicants under the legislation, and the reference to which applications might be covered by this special effective date is ambiguous and inconsistent. Thus, it is not yet clear whether the provisional rights and prior art effect sections may apply to some applications filed before, but pending on, November 29, 2000.

C. Optional *Inter Partes* Reexamination Procedures

This section of the legislation establishes two separate reexamination systems. The first reexamination system is the present, substantially *ex parte* system in which a third party might request reexamination, but otherwise not participate in it in any significant way. The second, new system, will permit substantial third-party requester participation throughout the course of the reexamination. The following comments will be mainly limited to this second system. However, a third-party requester may select either of these two systems when requesting reexamination.

1. Identification of the Requester

Unlike current reexamination procedures, the request for an *inter partes* reexamination must identify the real party in interest.

2. Determination on Reexamination Request

Unlike *ex parte* reexamination, an order determining that an *inter partes* reexamination should go forward may also be accompanied by the first PTO Office Action on the merits.

3. Participation by Third Party Requester

In *inter partes* reexamination, as in *ex parte* reexamination, each communication from the PTO and each response from the patent owner will be served on the requester. However, unlike in *ex parte* reexamination, each time that the patent owner files a response to a PTO action on the merits, the third party requester will have one opportunity to file written comments addressing the issues raised by the PTO action or the patent owner's response thereto. Those written comments must be received by the PTO within 30 days after the service of the patent owner's response on the third party requester. In addition, a third party requester in an *inter partes* reexamination may appeal a reexamination decision to the Board of Patent Appeals and Interferences with respect to any final decision favorable to patentability of any original or proposed amended or new claim of the

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patent, and may be a party to any appeal to the Board of Patent Appeals and Interferences taken by the patent owner.

The legislation establishes that the third party requester in an *inter partes* reexamination who files an appeal to the Board of Patent Appeals and Interferences may not appeal the decision of the Board of Patent Appeals and Interferences to a court. Furthermore, while the legislation permits a third party requester to be a party to an appeal taken by the patent owner to the Board of Patent Appeals and Interferences, it does not provide any avenue for appeal by the third party requester from the decision of the Board in that appeal. The legislation does permit any patent owner in a reexamination proceeding (either *ex parte* or *inter partes*) to appeal from the decision of the Board to the Court of Appeals for the Federal Circuit, but not to file a civil action to overturn the Board's decision. The legislation does not provide that the third party requester can be a party to a patent owner's appeal to the Court of Appeals for the Federal Circuit.

4. Estoppels

Significant estoppels apply to third-party requesters of *inter partes* reexamination:

- (1) A third party who successfully requests *inter partes* reexamination will be estopped from asserting at a later time, in any infringement or declaratory judgment litigation, the invalidity of any claim finally determined to be valid and patentable in the reexamination on any grounds which the third-party requester raised or could have raised during the *inter partes* reexamination proceeding.
- (2) When a final decision has been entered in a patent infringement or declaratory judgment action that the third party has not sustained its burden of proving invalidity of any patent claim in suit, or if a final decision in an *inter partes* reexamination proceeding instituted by the third-party requester is favorable to the patentability of any original or proposed amended or new claim of the patent, then neither the third party requester nor its privies may thereafter request an *inter partes* reexamination of any such patent claim on the basis of issues which that party or its privies raised or could have raised in such civil action or *inter partes* reexamination proceeding.
- (3) Any third party who requests an *inter partes* reexamination is estopped from challenging at a later time, in any civil action, any fact

determined during the process of such reexamination.

- (4) Each of the above estoppels is subject to permission of assertions of invalidity based on newly discovered prior art unavailable to the third-party requester and the PTO at the time of the *inter partes* reexamination proceeding (as to items (1) and (2)), or to fact determinations later proved to be erroneous based on information unavailable at the time of the *inter partes* reexamination decision (as to item (3)).
- (5) Once an order for *inter partes* reexamination of a patent has been issued, neither the patent owner nor the third-party requester, nor privies of either, may file a subsequent request for *inter partes* reexamination of the patent until an *inter partes* reexamination certificate is issued.

5. Stay of Litigation

The legislation further establishes that a patent owner may obtain a stay of any pending litigation which involves an issue of patentability of any claims of a patent that are the subject of an *inter partes* reexamination order, unless the court before which the litigation is pending determines that such a stay would not serve the interest of justice. There is no counterpart provision for the requester to obtain such a stay, leaving more discretion in the hands of the court.

6. Unintentional or Unavoidable Delays

The legislation provides for entry of unintentionally delayed responses by the patent owner in reexamination proceedings subject to a \$1210 fee, or for unavoidably delayed responses subject to petition and a \$110 fee.

7. Report to Congress

This aspect of the legislation is also subject to a report to be submitted to Congress no later than five years from today, directed to whether the proceedings established by the legislation are inequitable to any of the parties in interest.

Effective Date

Except for the provision relating to unintentionally or unavoidably delayed responses by the patent owner in reexamination, this aspect of the legislation is immediately effective, and applies to any patent that issues from an original application filed in the United States on or after

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today.⁷ The amendments relating to unintentionally or unavoidably delayed patent owner responses will take effect one year from today -- i.e., on November 29, 2000.

D. Prior User Defense For Business Method Patents

Under the subtitle "First Inventor Defense Act of 1999," the legislation adds new statutory section 35 U.S.C. §273, which creates a "prior user defense" against charges of infringement of patents on methods of doing business, whether or not the prior user has maintained secrecy in the method.

The new defense is a personal defense, limited to patent claims for methods of doing or conducting business.⁸ To assert the defense, the alleged infringer must have, acting in good faith, actually reduced the subject matter to practice at least one year before the effective filing date of the patent and commercially used that subject matter before the effective filing date of the patent.⁹

The legislation imposes a number of limitations and qualifications on the defense, particularly specifying that the person asserting the defense may not have derived the subject method of doing business from the patentee or persons in privity with the patentee. Furthermore, one who has abandoned commercial use of the subject matter may not rely on activities performed before the date of such abandonment to establish the defense with respect to actions taken after the date of abandonment. The statute specifically limits the defense on a claim by claim basis, although permitting variations in quantity or volume of use

⁷ Under 35 U.S.C. §363, this would also appear to apply to patents based on PCT/US applications with an international filing date on or after today.

⁸ Commentary in the legislative history states that "The issue of whether an invention is a method is to be determined based on the underlying nature and not on the technicality of the form of the claims in the patent. For example, a method for doing or conducting business that has been claimed in a patent as a programmed machine, as in the State Street case, is a method for purposes of section 273 if the invention could have as easily been claimed as a method. Form should not rule substance." It is not clear that courts will agree, however, in view of the very clear limitation of the legislation to "methods."

⁹ The "effective filing date" includes, *inter alia*, a convention priority date. "Commercial use" is expressly defined in the context of both businesses and non-profit entities.

of the claimed subject matter and permitting improvements in the claimed subject matter that do not infringe additional specifically claimed subject matter of the patent.

Being a personal defense, the right to assert the defense may be asserted only by the entity that performed the acts necessary to establish the defense. The exception is that the defense may be transferred as an ancillary and subordinate part of a good faith assignment or transfer for other reasons of the entire enterprise or line of business to which the defense relates. The assignee or transferee may not use the subject matter at sites other than those where it was in use as of the later of the effective filing date of the patent or the date of the assignment or transfer.

The burden of proof is on the person asserting the defense, and is a heavy burden of establishing the defense by "clear and convincing evidence." Furthermore, the statute requires that courts "shall find the case exceptional for the purpose of awarding attorney fees under Section 285" if the entity pleading the defense is found to infringe the patent and does not demonstrate a reasonable basis for asserting the defense.

Finally, the statute explicitly states that the patent in question shall not be deemed to be invalid under 35 U.S.C. 102 or 103 solely because the prior user defense is raised or established.

Effective Date

The prior user defense established in new 35 U.S.C. §273 is immediately effective for infringement litigations filed hereafter. It does not apply to any action for infringement that is already pending or to any infringement action in which an adjudication of infringement, including a consent judgment, has already been made.

E. Exclusion Of Commonly Owned §102(e) Prior Art From Obviousness Determinations

The legislation amends 35 U.S.C. §103(c) by adding a reference to 35 U.S.C. §102(e) to the exclusion relating to §§102(f) and (g). Thus, under the revised statute, subject matter which qualifies as prior art only under §§102(e), (f) or (g) may not be applied to establish obviousness under 35 U.S.C. §103 where the subject matter and the claimed invention were, at the time the invention was made, owned by the same entity or subject to an obligation of assignment to the same entity. This change eliminates a substantial amount of otherwise problematical §102(e)/103 prior art. The legislation does not distinguish between new applications and continuing (e.g., continuation, divisional or continuation-in-part) applications. Thus it appears that

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commonly owned §102(e)/103 prior art might be eliminated by the filing of a continuing application after the effective date (i.e., after today).

Effective Date

This change will apply to any patent applications filed on or after today.

F. Extension Of Patent Terms Based On PTO Delays

Under the section of the legislation entitled "Patent Term Guarantee Act of 1999," 35 U.S.C. §154(b) is amended to expand and clarify the bases for automatic extension of patent terms to compensate for PTO delays in examination. Present §154(b) only provides for term extensions relating to delays arising from interferences, secrecy orders and appellate review, up to five years. Newly amended §154(b) expands the bases for patent term extension to include delays at any time during examination of the application from filing through appellate review, and does not include any maximum limitation on the length of an extension.¹⁰ Although not expressly stated in the amended statute, these provisions do not apply to design patents.

1. Patent Examiner Delays

Under amended §154(b)(1)(A), the term of a patent may be extended by one day for each day that the PTO exceeds the following time limitations:

- (1) a first Office Action or Notice of Allowance must be provided within fourteen months of the U.S. filing date of a direct U.S. national application or the §371(c) national phase entry date of the U.S. national phase of a PCT international application;
- (2) a response (e.g., further Office Action or Notice of Allowance) to a reply to an Office Action must be provided within four months after the filing date of that reply;

¹⁰ 35 U.S.C. §156(a)(1) is also amended to make clear that patent term extensions under §156 for inventions that are subject to regulatory review must be filed before expiration of the term of the patent, as extended by §154(b).

- (3) a response to an Appeal must be provided within four months after the date the Appeal was taken;¹¹
- (4) an application in which allowable claims remain pending must be acted upon within four months after the date of a decision by the Board of Patent Appeals and Interferences in an appeal or interference or after a decision of a federal court in an appeal from or civil action to reverse a decision of the PTO in an appeal or interference; and
- (5) a patent must be issued within four months after the date on which the issue fee was paid and all outstanding requirements were satisfied.

2. Overall Pendency Delays

Under amended §154(b)(1)(B), a patent term shall be extended by one day for each day that issuance of an original patent is delayed due to the failure of the PTO to issue a patent within three years after the actual filing date of the application in the United States.¹² This provision excludes any time consumed by continued examination of the application requested by the Applicant under §132(b) (discussed below); time consumed by an interference proceeding, imposition of a secrecy order, or appellate review by the Board of Patent Appeals and Interferences or by a federal court; or any delay requested by the Applicant unless the Applicant makes a showing, prior to issuance of the patent, that the delay was unavoidable.

3. Special Delays

Under amended §154(b)(1)(C), a patent term shall be extended one day for each day of the pendency of any interference, secrecy order or appellate review by the Board of Patent Appeals and Interferences or by a federal court in

¹¹ The statutory language appears to suggest that a response to the Notice of Appeal must be provided by the PTO. However, the PTO does not normally respond to a Notice of Appeal but only to the Appeal Brief, which is normally filed after the date of the Notice of Appeal. This provision will probably be construed to refer to a reply (e.g., Examiner's Answer) to the Appeal Brief.

¹² As stated in the legislative history, this language was intentionally selected to exclude the filing date of a PCT application.

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which the patent issues under a decision in the review reversing an adverse determination of patentability.¹³

4. Overlapping Delays

Some of the above bases for term extension overlap. However, to the extent of such overlap of the causes of delay, the period of any term adjustment granted under §154(b) shall not exceed the actual number of days the issuance of the patent was delayed. Furthermore, the patent term extension will not extend the term of the patent beyond an expiration date specified in any terminal disclaimer filed in connection with the patent.

5. Applicant Delays

In addition, any period of extension of a patent term will be reduced by a period equal to the period of time during which an Applicant failed to engage in reasonable efforts to conclude prosecution of the application. With respect to extensions based on failure of the PTO to issue a patent within three years after its actual filing date, an Applicant will be deemed to have failed to engage in reasonable efforts to conclude processing or examination for the cumulative total of any periods of time in excess of three months that are taken to respond to any PTO notice making any rejection, objection, argument or other request. Otherwise, the PTO will prescribe regulations establishing circumstances that constitute failure of an Applicant to engage in reasonable efforts to conclude processing or examination of an application.

6. Determination of Delays

Unlike current §154(b), which establishes that a patent term shall be extended under certain circumstances, amended §154(b) states that the PTO shall prescribe regulations establishing procedures for the application for and determination of patent term adjustments under §154(b). Thus, it is unclear whether the PTO will make such determinations *sua sponte* or only upon application by the Applicant. A notice of any term adjustment determination is to be provided with the written Notice of Allowance of

the application.¹⁴ The Applicant is provided one opportunity to request reconsideration or may appeal the determination by way of a civil action in the U.S. District Court for the District of Columbia. Any such civil action must be filed within 180 days after issuance of the patent.

Effective Date

The patent term extension provisions take effect six months from today -- i.e., on May 29, 2000, and apply to any application other than a design patent application filed on or after May 29, 2000.

G. Continued Examination Of Patent Applications

In conjunction with the patent term extension amendments to §154(b), the legislation amends 35 U.S.C. §132 by adding §132(b), which provides for continued examination of patent applications at the request of the Applicant. This would generally be used with applications under "final" rejection. Although stated in the effective date provisions of the legislation rather than in the amended statute itself, this provision does not apply to design patent applications. This provision is designed to permit the PTO to provide for continued examination of a pending patent application in place of filing a continuing application such as a Continued Prosecution Application (CPA) under Rule 53(d) (37 C.F.R. §1.53(d)). However, as noted above, the provisions for patent term extensions under §154(b)(1)(B) for patent applications pending for more than three years exclude time consumed by continued examination of the application requested by the Applicant under §132(b). On the other hand, as discussed above, continued examination may extend the period of applicability of provisional royalty rights.

Effective Date

The provisions permitting the PTO to prescribe regulations providing for continued examination of applications do not apply to design patent applications. They take effect six months from today -- i.e., on May 29, 2000 -- with regard to all applications filed under 35 U.S.C. §111(a) on or after June 8, 1995, and to all U.S. national phase applications

¹³ It is not clear when the pendency of an appeal begins for determination of this period of extension. Normally, it would be construed to begin on the day a Notice of Appeal is filed. However, this would generally render moot the provision relating to a response to an appeal. We expect that the PTO will try to clarify this in its forthcoming rulemaking.

¹⁴ The timing of this determination does not appear to take into account the existence of delays in issuing a patent after the Issue Fee is paid, which is expressly taken into account with patent term extensions as discussed above. Hopefully, the PTO rulemaking establishing procedures for application for and determination of patent term adjustments will address this discrepancy.

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that resulted from PCT/US applications filed on or after June 8, 1995.

H. Conformed Term For Filing Regular Applications Based On Provisional Applications

In technical amendments, the legislation permits the conversion of a provisional application to a regular application, notwithstanding the absence of a claim. In addition, the deadline for filing a regular application claiming priority to a provisional application is amended to permit the regular application to be filed on the next succeeding business day where the one-year anniversary of the filing date of the provisional application is on a weekend or holiday.

Effective Date

These revisions are effective immediately, and apply to all provisional applications, except that the time measurement amendments shall have no effect with respect to any patent that is the subject of litigation in an action commenced before today.

I. Limited Reinstatement Of Infringement Remedies Against Medical Practitioners

35 U.S.C. §287(c) prohibits the application of infringement remedies against medical practitioners or related health care entities with respect to performance of certain medical activities. Under §287(c)(4), this prohibition was not applicable to any patent issued before September 30, 1996. The present legislation amends §287(c)(4) to render the prohibition not applicable only to patents having an "earliest effective filing date" prior to September 30, 1996. This leaves infringement remedies available for patents having an earliest effective filing date before, but issued after, September 30, 1996.

J. Patent And Trademark Office Reorganization

In a section of the legislation entitled the "Patent and Trademark Office Efficiency Act," the PTO is established as an agency of the United States, within the Department of Commerce, rather than an office in the Department of Commerce. It is subject to the policy direction of the Secretary of Commerce, but otherwise will retain responsibility for decisions regarding the management and administration of its operations, and obtains the right to exercise independent control of its budget allocations and expenditures, personnel decisions and processes, procurements, and other administrative and management functions. It is permitted to retain and use all of its

revenues and receipts, many of which have in the past been diverted to other government uses. Thus, the PTO becomes a much more independent organization, which is hoped will enhance its efficiency and the quality of its personnel.

The individual in charge of the PTO shall have the title of Undersecretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office, and will be generally referred to as "the Director." He will be assisted by a Deputy Director and by a Commissioner for Patents and a Commissioner for Trademarks. These commissioners shall serve as the chief operating officers for their respective operations of the PTO.

In connection with improvement of PTO personnel, the legislation establishes that the PTO must submit to Congress a proposal to provide an incentive program to retain as employees patent and trademark examiners of the primary examiner grade or higher who are eligible for retirement. These employees are to be retained for the sole purpose of training patent and trademark examiners.

Effective Date

These organizational changes shall take effect four months from today -- i.e., on March 29, 2000.

K. Electronic Filing And Publication

The legislation amends various sections of the patent statutes to permit filing and publication of documents in electronic form in the PTO. This legislation helps open the way for various future developments in electronic filing, maintenance and publication of documents.

L. Clarification Of 35 U.S.C. §102(g)

The legislation amends 35 U.S.C. §102(g) to clarify that inventive acts in WTO and NAFTA countries may be considered in the course of interferences. This amendment does not appear to change the existing state of the law.

M. Study And Report On Biological Deposits

The legislation requires that a study be prepared and submitted to Congress within six months on the potential risks to the United States biotechnology industry relating to the requirement for biological deposits in support of biotechnology patents. The study is to focus on the risk of export and transfer to third parties of biological deposits, particularly with respect to risks posed by the change to 18-month publication. The PTO is required to consider the recommendations of the study in drafting regulations affecting biological deposits (e.g., in modifying 37 C.F.R. §1.801 et seq.).

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N. Priority Claims To Certain Foreign Applications

The legislation permits persons who filed an application for patent first in a WTO member country to claim priority from it in a U.S. application, even if that country does not yet afford similar privileges on the basis of applications filed in the United States.

The legislation also adds new 35 U.S.C. §§ 119(f) and (g) to permit claims to priority benefit to be based on applications for plant breeder rights filed in WTO member countries or in a foreign UPOV Contracting Party (i.e., a member of the International Convention for the Protection of New Varieties of Plants).

O. Regulation of Invention Promotion Services

A significant portion of the patent reform legislation is directed to new regulation of invention promotion services through the addition of 35 U.S.C. § 297. These services have become widely known for deceptive practices, including misleading inventors into giving them large sums of money in return for minimal or no services in promoting the inventions of the individual inventors. These changes go into effect 60 days from today -- i.e., on January 28, 2000. Because they are of little relevance to most of our firm's clientele, they will not be addressed in detail in this Special Report. However, please feel free to contact us if you have any questions about this change in the law.

II. Trademark/Internet Domain Name Law

An important aspect of the legislation is entitled the "Anticybersquatting Consumer Protection Act" and is effected by amendment of Section 43 of the Lanham Act (15 U.S.C. § 1125). This Act is designed to protect rightful owners of trademark or service mark rights from entities that register, use, or buy and sell internet domain names that intentionally interfere with the trademark or service mark owner's rights. The Act imposes civil liability on entities that, with a bad faith intent to profit from a mark,¹⁵ register, traffic in or use a domain name that (1) is identical or confusingly similar to a distinctive mark, (2) is identical to, confusingly similar to, or dilutive of a famous mark, or (3) is a trademark, word or name protected by 18 U.S.C. § 706 (pertaining to the American National Red Cross) or 36 U.S.C. § 220506 (pertaining to the U.S.

Olympic Committee). The Act also provides civil liability for registration of a domain name that consists of, or is substantially and confusingly similar to, the name of another living person without that person's consent with the specific intent to profit by selling the name to that person or any third party.

The civil liability can include injunctive relief and recovery of the defendant's profits, actual damages and costs, or statutory damages of \$1,000-\$100,000 per domain name. In addition to civil liability, a court may order the forfeiture or cancellation, or transfer to the owner of the mark, of the offending domain name.

An entity shall be liable for using a domain name only if that entity is the domain name registrant or the registrant's authorized licensee.¹⁶ However, where there is no personal jurisdiction over such an entity, or the entity could not be found in spite of diligent efforts to find it, an *in rem* action may be filed against the domain name itself if it violates any right of the owner of a mark registered in the U.S. Patent and Trademark Office (PTO) or protected under Sections 43(a) or 43(c) of the Lanham Act (15 U.S.C. § 1125(a) or (c)). The remedies in such an *in rem* action are limited to an order of forfeiture or cancellation of the domain name or transfer of the domain name to the mark's owner. For domain names registered by Network Solutions, Inc. of Herndon, Virginia (the major registry to date), such *in rem* actions could conveniently be brought here in Alexandria in the U.S. District Court for the Eastern District of Virginia.

The Act also provides substantial protections for domain name registries, so long as those registries comply with court orders relating to the legislation. In addition, if a registry cancels or transfers a domain name because a person makes a knowing and material misrepresentation about the domain name conflicting with a mark, that person shall be liable for any resulting damages, including costs and attorney's fees, incurred by the domain name registrant.

Finally, the legislation requires the Department of Commerce to conduct a study and report to Congress within 180 days. The study is required to include recommendations on guidelines and procedures for resolving disputes involving domain name registration or use, where the domain name includes the personal name of another person or a name substantially and confusingly similar thereto.

¹⁵ The Act sets out a number of mitigating and aggravating factors that a court may consider in determining whether an entity has the requisite bad faith intent.

¹⁶ The legislation does not address other users, such as entities that include the domain name in hypertext links, directories or search engines.

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Effective Date

The protection specific to domain names that consist of the name of another living person, or a name substantially and confusingly similar thereto, are effective against domain names registered on or after today. The remaining portions of this legislation apply to all domain names registered before, on or after today, with the limitation that damages under the Act are not available with respect to registration, trafficking in or use of a domain name that occurred before today.

* * * * *

As noted above, the changes being implemented by the Intellectual Property and Communications Omnibus Reform Act of 1999 are extensive, significant and complex. We will continue to study these changes and future related rulemakings, and look forward to responding to your questions about them.

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Oloff & Berridge, PLC is a full-service Intellectual Property law firm based in historic Alexandria, Virginia. The firm specializes in patent, copyright, trademark, and antitrust law and litigation, and represents a large and diverse group of domestic and international clients, including businesses ranging from large multinational corporations to small privately owned companies, major universities, and individual entrepreneurs.

This Special Report is intended to provide information about legal issues of current interest. It is not intended as legal advice and does not constitute an opinion of Oloff & Berridge, PLC. Readers should seek the advice of professional counsel before acting upon any of the information contained herein.

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