



# Significant Changes in U.S. Patent Laws

Intellectual Property Update 2000

By [John T. McNelis](mailto:jmcnelis@fenwick.com) ( [jmcnelis@fenwick.com](mailto:jmcnelis@fenwick.com) )

On November 29, 1999 President Clinton signed the Intellectual Property and Communications Omnibus Reform Act of 1999 (the "Act"). The Act significantly modified the patent laws of the United States by (1) mandating publication of certain applications, (2) expanding the number of situations in which a patent term is extended, (3) adding a first inventor defense to patent infringement claims for methods of doing and conducting business, and (4) allowing for increased third party participation in reexamination proceedings. Some of these modifications become effective for applications filed on or after November 29, 2000 while some of these modifications are already effective. This article summarizes these modifications and identifies some factors that should be accounted for when forming a strategic patent plan.

## I. 18 Month Publication of Some Patent Applications

A common complaint of the patent system in the United States is that, because pending applications are not available to the public, a company that introduces a product or develops a technology may discover several years later that another company's patent was pending at the time of such a product introduction which may result in an expensive redesign or payment of a licensing fee to the patentee.

The Act reduces this threat by requiring that many utility patent applications filed on or after November 29, 2000 be published 18 months after the application's earliest priority date. The U.S. Patent and Trademark Office ("PTO") has published proposed rules implementing the Act that permits public access to the application as published, and also permits public access to the prosecution history of the application. Therefore, a competitor of the applicant can review the modifications of the claims and potential estoppel arguments set forth by the applicant within days after such modifications and arguments are filed with the PTO.

This unfettered access to the prosecution history of pending applications provides competitors with a new product clearance strategy option. Instead of waiting until a patent issues, the competitor can now aggressively analyze pending applications to determine the likely scope of the claims. Although the claims may later be broadened, the information gleaned by reviewing the prosecution history provides the competitor with a better understanding of the risks of its own product development.

### A. Applicant Can Opt-out of the Publication Requirement

Although this publication requirement improves the ability of competitors to learn about pending applications, there are some

significant limitations. First, an application may be pending for 18 months before it is published so there is still a period of time that the competitor will not be able to review the application. Second, the applicant can opt-out of the publication process if he certifies that the invention disclosed in the application has not and will not be filed in any country that requires publication 18 months after filing. Essentially, the applicant can prevent the application from being published in the U.S. if the invention claimed and disclosed in the U.S. application is not included in a patent application filed internationally.

To opt-out of the publication the applicant must make a request for non-publication and file a certification that the invention disclosed in the application has not and will not be filed in any country that requires publication 18 months after filing *at the time of filing*. Failure to opt-out at the time of filing will cause the application to be published unless the application is affirmatively abandoned several months prior to the publication date.

Patent applicants are encouraged to file such a request and certification with all applications unless the applicant is sure that the invention disclosed in the application will be, or has been, filed internationally. This strategy preserves all of the applicant's options since, if he later decides to file an international application, the applicant is permitted to rescind a non-publication request at any time prior to 45 days after such an international filing. Failure to meet this 45 day deadline may result in the abandonment of the application.

### B. Provisional Rights

If an application is published, the Act provides provisional rights to the applicant. These provisional rights give the applicant the right to a reasonable royalty against one who makes, uses, offers for sale or sells in the United States the invention as claimed in the published application, subject to the following conditions. First, the right to a reasonable royalty applies only to a published claim that is "substantially identical" to an issued claim. The meaning of "substantially identical" is not defined in the statute. It may be that modification of a published claim that substantively changes its scope will not be considered to be substantially identical with an issued claim. In order to maximize the potential provisional rights, applicants should attempt to have a range of claims be part of the published application, *e.g.*, the range of claims should include claims having a broad scope and claims having a narrow scope. This will provide the applicant with a better chance of having some of the published claims be substantially identical to an issued claim since a published narrow

claim may issue without modification even when a published broad claim requires substantial modification.

The second condition that must be met in order for provisional rights to be available is that the accused infringer must be given “actual notice” of the published application. What is required to provide “actual notice” is not defined in the Act. However, the legislative history suggests that the “actual notice” requirement are similar to the actual notice requirement under 35 USC §287(a) that the Federal Circuit has held requires that the patent owner provide an affirmative communication of a specific charge of infringement by a specific accused product or device. Therefore it is unlikely that merely sending a copy of the published application, without more, would satisfy the actual notice requirement of the Act.

The third condition is that the infringement action must be brought within six years after the patent issued. This is consistent with 35 USC §286 that prevents the recovery of damages for any infringement that was committed more than six years prior to the filing of the claim for infringement. Since the provisional rights mature only when the patent issues, the ability to enforce these rights lasts for six years which is similar to the right to obtain damages for a particular infringement.

### **C. Redaction of Published Application**

The Act permits applicants to redact portions of an application for publishing. This enables an applicant to prevent publication of material that will not be published internationally. However, the PTO has made the procedures for taking advantage of the redaction provisions difficult and expensive to implement. After filing the original application, the applicant must file a redacted copy of the application within 16 months after the earliest claimed priority date. Both the originally filed application and the redacted copy must be filed electronically using the PTO’s new electronic filing system (EFS). Concurrently with the filing of the redacted copy, the applicant must submit the following (on paper): (1) a certified copy of each foreign-filed application that corresponds to the application for which a redacted copy is submitted; (2) a translation of each foreign-filed application that is in a language other than English along with a statement that the translation is accurate; (3) a marked-up copy of the originally filed application showing the redactions in brackets; and (4) a certification that the redacted copy of the application eliminates only a part or description of the invention that is not contained in any application filed in a foreign country. An applicant who wants to take advantage of the Act’s redaction provision should decide to do so as early as possible in order to permit enough time to satisfy all of the above requirements.

### **D. Publication Logistics**

The PTO has stated that they will inform the applicant of the anticipated publication date on the filing receipt and will send an additional notice if the publication date is modified by more than two weeks. Applications will be published every Thursday. The PTO is still in the process of determining the procedures for publication but it is anticipated that the applications will not be physically published, that is, the PTO will not publish the applications in an Official Gazette. Instead, the applications will be available electronically over the Internet.

## **II. Patent Term Extension**

Another provision of the Act increases the number of situations in which the term of a patent can be extended. The Act has provisions that require a day-for-day extension of the patent term based upon a delay by the USPTO where a delay is defined as (1) failing to provide a notification under §132 (*e.g.*, an office action or a notice of allowance) within 14 months of the filing date or entry into the national phase, (2) failing to respond to a reply or an appeal within four months, (3) failing to act on an application within four months after a decision by the Board of Patent Appeals and Interferences or by a federal court, or (4) failing to issue a patent within four months after the issue fee has been paid and all other requirements have been met by the applicant.

The Act also guarantees a three year pendency of a patent application by providing an extension for any delay beyond three years except for (1) any time consumed by a continuation application, (2) any delay requested by the applicant, and (3) any time consumed by an interference, an imposition of a secrecy order, or an appellate review. This section reduces the effect of the 1995 law implementing the GATT-TRIPs agreement which modified the patent term from 17 years after the date of issuance to 20 years after the earliest priority date. One reason why the 1995 law modified the patent term calculation was to prevent “submarine” patents. That is, a patent that issued many years after its original priority date (during which time the application is not publicly available) because the applicant repeatedly filed continuation applications in order to delay the issuance of a patent until a relevant market became more “mature.” Under the pre-1995 law, the patent term was 17 years from the date the patent issued, regardless of how many continuation applications were filed. The Act addresses the problem of “submarine” patents by restarting the accumulation of any patent term extensions for any continuation applications filed under 37 CFR 1.53. This includes continuing prosecution applications (CPA), continuation applications and divisional applications.

### **A. RCE vs. CPA**

The Act provides for a new continuation procedure under newly added 37 CFR 1.114 in which an applicant may file a request for continued examination (RCE). The RCE is not a new application. Instead it is a

request to continue prosecuting the already filed application. An RCE differs from a CPA in a variety of ways, including: (1) an RCE is a continuation of the same application while a CPA is a continuing new application; (2) an RCE can be filed for any utility or plant application filed on or after June 8, 1995 while a CPA applies to design applications filed anytime but only to utility and plant applications originally filed before May 29, 2000; (3) when filing an RCE the fee must be submitted with the request and no additional fee is necessary for previously paid claims exceeding 3 independent and 20 total (3/20), in contrast to a CPA in which the filing fee does not need to be paid concurrently with the filing and any claim exceeding 3/20 must be paid for even if they were previously paid for in the parent application; (4) an RCE must include a bona fide submission (reply) to the last correspondence from the PTO while no submission is necessary for a CPA; and (5) the patent term adjustments already accumulated are maintained and additional adjustments can be accumulated for all patent term provisions except for the 3 year pendency provision for an RCE, while all patent term adjustments accumulated in the parent application are forfeited when a CPA is filed.

One strategy for deciding whether to file an RCE or a CPA application is to file a CPA for all applications having a filing date before May 29, 2000 and after June 5, 1995 (a separate provision exists for applications having a filing date before June 5, 1995) and to file an RCE for all applications having a filing date on or after May 29, 2000. Filing a CPA for applications having a filing date before May 29, 2000 enables the new CPA application to have a filing date that can take advantage of the patent term extension provisions of the Act. Once an application has a filing date on or after May 29, 2000 then the filing of an RCE preserves any patent term adjustment already accumulated. In addition, the patent office will not accept any CPA applications for parent applications having a filing date on or after May 29, 2000 and instead will treat the CPA as a request for a RCE. This may cause problems since an RCE must include payment of the fee and a bona fide submission as described above. The result of this is that without a bona fide submission and the fee the patent office will likely deny the request for continued application thereby resulting in the abandonment of the patent application. To avoid this result, ensure that CPAs are filed only when the parent application has a filing date before May 29, 2000.

The Act also provides for extensions of a patent term for delays due to interferences, secrecy orders and successful appeals while eliminating the pre-Act ten year cap on any such extension. The Act does limit the term extension by (1) not counting any overlapping delays, (2) excluding any delay that would extend the term of a patent beyond a date identified in a terminal disclaimer, and (3) reducing the period of

extension for all periods of time in which the applicant fails to engage in “reasonable” efforts to conclude prosecution of the application. The Act states that the period of no reasonable effort is the cumulative total of any periods of time in excess of three months that the applicant takes in responding to a notice from the USPTO. The above patent term extensions are available for all utility applications filed on or after May 29, 2000.

### **B. Patent Term Adjustment Logistics**

The patent office will determine the patent term adjustment period based upon the above identified criteria and will notify the applicant of its determination in the notice of allowance. The applicant will have one opportunity to request reconsideration. If the applicant disagrees with the PTO’s reconsidered determination the patent will proceed to issuance (since the controversy pertains to the end of the patent term) and the applicant may file an appeal within 180 days of the patent grant.

### **III. First Inventor Defense**

The Act also adds a first inventor defense which protects users who would otherwise infringe certain method claims. The Act states that it is a defense to infringement of a method claim (a “method of doing or conducting business”) if a person acting in good faith independently and actually reduces the claimed subject matter to practice at least one year before the effective filing date of the patent and the subject matter was commercially used before the effective filing date. There are a number of ambiguities about this section most notable what is a “method of doing or conducting business?” It is unclear whether this applies to non-method claims that are part of a programmed machine as in *State Street Bank and Trust Co. v. Signature Financial Group*, 149 F.3d 1368, 47 USPQ2d 1596 (Fed. Cir. 1998, cert. denied, 119 S.Ct. 851 (U.S. 1999)). Although the congressional record does state that “whether an invention is a method is to be determined based upon its underlying nature and not on the technicality of the form of the claims in the patent” it is unclear what weight this statement will be given in a civil litigation. This defense is available for all patents except those involved in a patent infringement action or any subject matter for which an adjudication of infringement has been made as of November 29, 1999.

### **IV. Third Party Participation in Reexamination Proceedings**

The *ex parte* reexamination practice provides patent owners with the opportunity to request that the PTO resolve questions of validity of a patent over prior art that was not previously considered by the PTO. The *ex parte* reexamination does not permit any significant involvement of third parties, *i.e.*, parties not in privity with the patent owner. The Act added a new type of proceeding, an *inter partes* reexamination, that permits greater participation by third parties. An

*Inter partes* reexamination (IPR) can be filed for any patent that issues from an application filed on or after November 29, 1999. Some of the significant features of the new law include: (1) the examiner selection criteria; (2) the unavailability of examiner interviews; (3) the appeal process; and (4) the estoppel effects.

In contrast to *ex parte* reexaminations, the IPR will typically not be conducted by an examiner who issued the patent or whose decision to deny the request for the IPR was overturned. The IPR rules do not permit either the patent owner or the third party requester to request or participate in any interview with the examiner regarding the merits of the reexamination. The PTO's rationale is (1) to avoid the time delay inherent in an adversarial interview; (2) based upon its recognition that memorializing an interview involving adverse parties will be a difficult task; (3) to provide fairness to both parties (thus neither party can conduct an interview); and (4) to eliminate the significant increase in cost that would occur if interviews were permitted. Overall the PTO believes that the proceeding is more expedient and efficient when all arguments are made on paper.

The third party requester does enjoy some benefits in an *inter partes* reexamination as compared to a third party in an *ex parte* reexamination. Specifically, in addition to having the ability to submit prior art, the third party requester has the ability to submit written comments and arguments to the PTO both at the time of the initial request and in response to every filing of patent owner.

Once the examiner renders a decision in the reexamination either the patent owner or the third party requester may appeal the examiner's decision to the Board of Patent Appeals and Interferences (Board). However, a decision by the Board can only be appealed by the patent owner and can only be appealed to the Court of Appeals for the Federal Circuit (CAFC).

In addition to the third party requester's inability to appeal a decision by the Board, the third party requester is estopped from asserting the invalidity of any claim finally determined to be valid and patentable on any ground that the third party requester raised or could have raised during the IPR. The estoppel prevents such assertions by the third party requester in any civil action and in any subsequent IPR.

The inability of the third party requester to appeal a decision by the Board in combination with the estoppel provisions of the Act makes the IPR a risky avenue for many third parties and will likely prove to be significant obstacles for wide scale utilization of the *inter partes* reexamination provisions of the Act.

## **V. Other Modifications**

The Act also provides protections for inventors against invention promotion firms by requiring such firms to disclose information relating to the invention promotion firm's business to the inventors in writing. In addition the Act decreased certain fees (including patent application filing fees).

## **VI. Conclusion**

The Act has significantly modified many aspects of the U.S. patent law by requiring publication of many applications, expanding the number of situations that trigger a patent term extension, adding a first inventor defense for methods of doing or conducting business and creating an *inter partes* reexamination proceeding that permits increased third party participation in reexamination proceedings.