

**Texas Intellectual Property Law Journal**  
Winter, 1992

**HIGHLIGHTS OF SELECTED RECOMMENDATIONS OF THE ADVISORY COMMISSION ON PATENT LAW  
REFORM**

Edward G. Fiorito<sup>a1</sup>

Copyright (c) 1992 by the State Bar of Texas, Intellectual Property Law Section; Edward G. Fiorito

*Table of Contents*

I.	Introduction	13
	<i>A. Harmonization-Related Topics</i>	14
	<i>B. Patent Enforcement-Related Recommendations</i>	14
	<i>C. Unique Issues Facing the Patent System</i>	14
II.	Harmonization-Related Recommendations	14
	<i>A. First-to-File</i>	14
	<i>1. I-A--Provisional Application, Grace Period, Prior User Right</i>	14
	<i>a. First to File</i>	15
	<i>b. Provisional Application</i>	15
	<i>c. Grace Period</i>	15
	<i>d. First-to-Publish</i>	15
	<i>e. Prior User Right</i>	15
	<i>f. Secret Prior Use</i>	15
	<i>g. Comments of the Public and Others</i>	16
	<i>B. Patent Term</i>	16
	<i>1. II-A--20 Year Term</i>	16
	<i>2. II-B--From Earliest-Filed Application</i>	16
	<i>3. II-C--Exceptional Circumstances</i>	16
	<i>a. WIPO Deleted Article on 20-year Patent Term</i>	16
	<i>b. Submarine Patents</i>	17
	<i>c. Continuations</i>	17

<i>C. Publication of Patent Applications</i>	17
1. <i>III-A--24 Months After Priority, Provisional Rights</i>	17
a. <i>24 Months</i>	17
b. <i>Office Action on the Merits</i>	17
<i>D. In re Hilmer</i>	18
1. <i>IV-A--Novelty as of Foreign Filing Date</i>	18
a. <i>WIPO Would Remove In Re Hilmer</i>	18
b. <i>Novelty Only, Not Obviousness</i>	18
III. <i>Patent Enforcement Related Recommendations</i>	18
<i>A. Reduction of the Cost and Complexity of Patent Enforcement</i>	18
1. <i>V-A--Firm Trial Date, Discovery-Case Management, Mandatory Mediation Conferences</i>	18
a. <i>Civil Justice Reform Act</i>	19
b. <i>Discovery</i>	19
c. <i>Delays</i>	19
d. <i>Core Information</i>	19
2. <i>V-B--Magistrates for Discovery</i>	21
3. <i>V-C--Speedy Criminal Trials</i>	22
4. <i>V-D--Experts</i>	22
a. <i>Experts Diminished Role</i>	22
b. <i>Contingent Fee Experts</i>	22
5. <i>V-E--ADR</i>	22
6. <i>V-F--Circuit Patent Court, Special Expertise Judges, Small Claims Court</i>	22
a. <i>U.K. Patent County Court</i>	22
b. <i>Small Claims Court</i>	22
7. <i>V-G--Best Mode, On Sale Bar</i>	23
a. <i>Best Mode Examination</i>	23
b. <i>Benefit of Best Mode</i>	23
c. <i>Offers for Sale</i>	23
d. <i>Benefit of On Sale Bar</i>	23
8. <i>V-H--Counsel Civility</i>	23

9. <i>V-I--Complex Patent Cases</i>	23
10. <i>V-J--Juries</i>	23
<i>a. Special Verdicts</i>	24
<i>b. Patent Validity Jury Issue</i>	24
<i>B. Grounds for Holding Patents Unenforceable</i>	24
1. <i>VI-A--Inequitable Conduct</i>	24
<i>a. Benefit of Inequitable Conduct Defense</i>	24
<i>b. Objective Standard</i>	24
2. <i>VI-B--Standard of Materiality Effective Date</i>	24
<i>a. Reasonable Examiner/Prima Facie Case Election</i>	24
3. <i>VI-C--Antitrust Per Se Presumption</i>	25
<i>C. Reexamination</i>	25
1. <i>VII-A--Section 112 Scope</i>	25
2. <i>VII-B--Third Party Response to First Office Action and Reexamination Order</i>	25
<i>a. Decision Ordering Reexamination</i>	25
<i>b. Third Party Opportunity to Comment</i>	25
3. <i>VII-C--Third Party Interview Participation</i>	25
<i>a. Interviews with Third Party</i>	25
<i>b. Adversarial Process</i>	25
4. <i>VII-D--Third Party Close of Prosecution Comments</i>	26
<i>a. Reexamination Alternative to Litigation</i>	26
<i>b. Burden on the USPTO</i>	26
5. <i>VII-E--Third Party Appeals</i>	26
<i>a. Third Party Can Appeal</i>	26
<i>b. Third Party Waives Right to Litigate</i>	26
6. <i>VII-F--Prior Judgment</i>	27
<i>D. Licensee Challenges to Patent Validity</i>	27
1. <i>VIII-A--Permit Termination, Permit Continued Performance</i>	27
<i>E. Reissue</i>	27

1. IX-A--Eliminate Error Requirement	27
2. IX-B--Permit Recapturing	27
3. IX-C--One Year to Broaden Claims	27
a. Consider Broadening At Any Time	27
b. Two-Year Period	27
F. Federal Protection for Trade Secrets	28
1. X-A--Federal Trade Secret Protection	28
IV. Recommendations on Protection of Computer-Related Inventions	28
A. XI-A--No change	28
1. Sui Generis Protection	28
B. XI-B--No Special Test	28
1. Computer Program-Related Inventions are Patentable	28
2. Infringement by Computer Program-Related Products	28
3. Not Mathematical	28
V. Other Recommendations	28

### **\*13 I. Introduction**

Global harmonization of patent laws has produced an interest in examining the United States patent system to see if it is serving the country well in its present form. Patent litigation has also caused many to focus on the patent system particularly because of the increase in the number of cases and the cost of conducting the litigation for all parties involved. Because of these factors and others, the Secretary of Commerce formed an Advisory Commission, the first one since the 1966 Presidential Commission on the patent system.

Formation of the Advisory Commission was announced in August 1990 by the U.S. Patent and Trademark Office (USPTO). The Commission had a diverse membership of representatives from U.S. businesses, both large and small, universities, the patent Bar and the public. Its purpose is to advise the Secretary of Commerce on the state and the need for any reform of the patent system.

The first meeting of the Advisory Commission was held on March 26, 1991, to develop a list of issues to be considered. On May 16, 1991, the USPTO published a notice soliciting public comment on those issues.<sup>1</sup> The fourth and last meeting of the Advisory Commission was held on April 27, 1992.

On July 30, 1992, the USPTO distributed a 193 page Report<sup>2</sup> for submission to the Secretary of Commerce by August 23, 1992, the expiration date of the Advisory Commission's charter. The Report included 29 pages of Recommendations. This summary incorporates some of the Recommendations of \*14 the Advisory Commission in bold letter form below and notes the Recommendations that have not been incorporated. Most of the incorporated Recommendations are followed by comments directed to patent practitioners and designed to provide a quick overview in brief summary form of the impact on their practice and their clients in the event the Recommendations are implemented.

The Recommendations were grouped by the Commission into three parts as follows:

#### ***A. Harmonization-Related Topics***

The World Intellectual Property Organization (WIPO) has been meeting for over half a dozen years for the purpose of harmonizing the patent laws of countries throughout the world. A diplomatic conference was held at The Hague in June 1991 to discuss a draft "Basic Proposal" for harmonizing some of the patent laws throughout the world. One of the major issues remaining unresolved was the question of whether or not the United States would convert from a first-to-invent system to a first-to-file system. The second part of the WIPO Diplomatic Conference is proposed to be held in Geneva during the period July 12-30, 1993. Also proposed is the deletion of six Articles from the Basic Proposal, including one parroting an Advisory Commission Recommendation on a 20-year patent term.

Intellectual property issues are also being treated in the Trade-related Aspects of Intellectual Property Rights (TRIPS) negotiating group of the General Agreement on Tariffs and Trade (GATT). These talks have been stalled because of agricultural issues in the European community. All of the issues in the six Articles proposed for deletion from the WIPO Basic Proposal were considered to be controversial, and are being considered in the TRIPS negotiations.

Accordingly, the Advisory Commission has taken up a number of issues in Part One relating to harmonization, including first-to-file, which have been the subject of negotiations in either the WIPO or GATT.

### ***B. Patent Enforcement-Related Recommendations***

The Advisory Commission expressed concern about the problems of modern civil litigation and the cost of enforcing patent rights. Recommendations in Part Two are for the purpose of making the litigation process easier, less complicated, and less expensive, from the point of view of enforcement of patent rights, and challenging the validity or scope of the patents.

### ***C. Unique Issues Facing the Patent System***

The issues addressed in Part Three were brought to the attention of the Advisory Commission by concerned members of the public and others who feel that these issues should be considered independent of the outcome of the harmonization talks, and independent of the difficulties in the litigation process.

## **II. Harmonization-Related Recommendations**

### ***A. First-to-File***

#### ***1. I-A--Provisional Application, Grace Period, Prior User Right.--***

Change the U.S. patent system to award patents to the first party to file a patent application, as opposed to the first party to invent, as a necessary part of a global harmonization package which provides, on the whole, advantages to U.S. inventors, subject to the following conditions:

- (i) adoption of a provisional patent application procedure to facilitate early filing at reduced cost, allowing the \*15 inventor to claim a right of priority for a later-filed complete application;
- (ii) provision of a grace period during which public disclosure of an invention by an inventor would not affect the patentability of that invention if claimed in an application filed by that inventor within 12 months of the disclosure; and
- (iii) establishment of a personal right for a third party who develops and/or uses an invention in good faith, before the filing date of an application on which a patent is granted to another, to continue that use under certain conditions ("prior user right").

*a. First to File.--*The change from first to invent to first to file is recommended only in the context of implementing a harmonization treaty. Balancing off this change would be the requirement that the U.S. receive a benefit from the harmonization treaty including the three conditions listed below.

*b. Provisional Application.--*A low-cost, informal "provisional application" would be used to secure the inventor's right to obtain a patent both in the United States and other countries. There would be no necessity to include claims as part of the provisional application. However, it must satisfy § 112 enablement requirements. The applicant would have one year in

which to file a full complete patent application. The term of the patent would run from the filing of the full application.

*c. Grace Period.*--Other countries would have to agree to a grace period of one year. This is not the same type of grace period that currently allows inventors to file Rule 131 affidavits swearing back of a third party's publication. This is a narrow grace period that is only useful for "self-created" prior art. The grace period would also apply to publications by a third party who has derived the invention from the inventor thereby preventing an attempt by the third party to "spoil" the patent rights of the inventor.

*d. First-to-Publish.*--A problem occurs where a third party other than the patent applicant learns of the subject matter of the invention through, for example, a publication by the applicant during the grace period. Thereafter, prior to the filing of the patent application, the third party publishes the information for a second time. This would have the effect of defeating the patent application even though both publications took place during the grace period. To resolve this potential problem, the Advisory Commission recommends that it would be appropriate for the USPTO to presume that the second publication of the same invention was derived from the first, thereby permitting the grant of the patent application. Verification of this presumption would be resolved only in the event that a dispute over the validity of the patent subsequently arises. Since this is a fact intensive issue, the Federal Courts are a more appropriate forum to resolve this inter partes dispute.

*e. Prior User Right.*--The prior user can employ the right for the purpose of avoiding infringement liability provided a number of conditions are met: (1) the activity of the prior user must be in the United States; (2) the activity must be without derivation from the inventor; (3) there must be actual use or substantial preparation for use by the prior user; (4) only the particular scope of activity of the prior user may continue, although the volume of the activity is not limited; (5) the prior user rights are personal in nature; and (6) where equity requires there could be a requirement for the payment of royalties, or there could be an expansion of the scope of the prior user right.

*f. Secret Prior Use.*--In a close 8 to 7 vote, the Advisory Commission elected not to restrict the prior user right by striking another possible limitation that would have required that the prior use must *not* be based upon the *secret* commercial use of an invention, or upon preparations for *secret* commercial \*16 use.

*g. Comments of the Public and Others.*--Some members of the public were concerned about the effect of adopting a first-to-file system since it would invite hastily prepared sketchy disclosures filed before there is an opportunity to explore the commercial value of the invention. Also, the USPTO would be burdened with an increased volume of patent applications making it difficult to conduct a high quality examination of each application.

On the positive side, many feel that there is already a de facto first-to-file system in place, particularly in the case of multinational corporations that have international patent protection programs that require filing in the U.S. before any public divulgence of the invention. Far less than one percent of applications get into interference, and most of the time the senior party wins, but some of the most important inventions wind up in hard-fought priority contests. There is a feeling that first-to-file will eliminate these costly interferences. However, where the second inventor to file feels that the first inventor to file derived or copied from the second inventor, there is a need for an interference type proceeding in the USPTO.

## ***B. Patent Term***

### ***1. II-A--20 Year Term<sup>3</sup>.***--

Change the term of patents from 17 years from the date of grant to a term of 20 years from the date of filing of the complete patent application as part of a first-to-file system.

### ***2. II-B--From Earliest-Filed Application.***--

Where a patent is granted on an application which invokes one or more earlier domestic complete applications, the term of the patent shall be counted from the filing date of the earliest-filed complete application invoked in the subsequent application.

### ***3. II-C--Exceptional Circumstances.***--

Address exceptional circumstances affecting the patent term in the following manner:

(i) provide no extensions for administrative delays, such as appeals, however such proceedings should be handled expeditiously;

(ii) maintain existing provisions for patent term restoration under 35 U.S.C. §§ 154-156 for delays due to the Federal regulatory approval process; and

(iii) permit extension of the term of any patent whose grant has been delayed by the imposition of a secrecy order for a period equal to the period of the delay, up to a maximum of five years, and amend 35 U.S.C. § 183 to provide compensation for the period of delay, if any, which exceeds five years.

*a. WIPO Deleted Article on 20-year Patent Term.*--The World Intellectual Property Organization has proposed that Article 22: Term of Patents, be deleted from the Basic Proposal to be the subject of a diplomatic conference to be held in Geneva during the period from July 12 to 30, 1993. The 20-year term for patents is included in the draft text treated in the Trade-Related Aspects of Intellectual Property Rights negotiating group of the General Agreement on Tariffs and Trade. Whether \*17 or not the Uruguay Round of GATT talks are completed successfully, including the 20-year patent term, there is some support for going to a 20-year term in the United States in any event.

*b. Submarine Patents.*--By measuring the 20-year term from the filing date, instead of the issue date, the problem created by long delays in prosecution should be lessened.

*c. Continuations.*--Continuations and continuation-in-part applications claiming priority to the parent would expire with the parent application.

### ***C. Publication of Patent Applications***

#### ***1. III-A--24 Months After Priority, Provisional Rights<sup>4</sup>.***--

(i) Publish patent applications within 24 months from the earliest priority date claimed by the applicant, including the date of filing a provisional application.

(ii) Publication should take the form of laying open to public inspection of the specification and claims of the patent application, as well as the search report when available, and should be accompanied by publication of an abbreviated format of the application.

(iii) Give patent applicants a claim for compensation from an infringer of published claims which later issue in a patent where the infringer has been given written notice during the period after publication; the claim will entitle the patent owner to compensation for the period from the date of actual notice until issuance of the patent.

(iv) Permit applicants, through the payment of a special fee, to request an accelerated examination by the USPTO and/or publication of the application prior to the 24th month.

(v) Urge the USPTO to issue first actions on the merits on patent applications in time to permit applicants to decide, with that knowledge, whether to abandon their applications without publication or to proceed with prosecution of their applications.

*a. 24 Months.*--The Advisory Commission recommended early publication of patent applications 24 months from the earliest priority date while the Japanese and European patent systems currently provide for publication after 18 months. The WIPO basic proposal requires early publication, but would let the U.S. elect to publish in 24 months instead of 18.

*b. Office Action on the Merits.*--If publication were to take place 18 months after filing, it is unlikely that the USPTO would be able to issue a first Office Action on the merits in time to allow the applicant to make an informed decision on whether or not to proceed with the prosecution of the application or withdraw prior to publication for the purpose of preserving any trade secret protection. This is particularly true where an application is based upon a foreign application so that only 6 months would be available for an examination.

**\*18 D. *In re Hilmer***

***I. IV-A--Novelty as of Foreign Filing Date*<sup>5</sup>--**

(i) If the U.S. retains a first-to-invent system, the “Hilmer rule” should be maintained “as is.” The U.S. should only change the “Hilmer rule” in the context of a global harmonization package.

(ii) If first-to-file is adopted as part of harmonization, U.S. patents and published U.S. applications should be applicable as prior art references for novelty as of their earliest effective filing date (foreign priority date), and for both novelty and obviousness as of their U.S. filing date (including filing date of provisional application).

(iii) Whether or not the U.S. adopts a first-to-file system, if publication of applications is adopted, the applicability of a prior-filed U.S. application as prior art should occur when the U.S. application either issues as a U.S. patent, or is published, whichever occurs first. The earliest U.S. filing date should be the effective date for prior art purposes.

*a. WIPO Would Remove In Re Hilmer.*--The WIPO basic proposal resolves a nagging problem that other countries have with the decision in *In Re Hilmer*, 359 F.2d 859, 149 U.S.P.Q. 480 (C.C.P.A. 1966), which established the case law doctrine in the U.S. that a patent is effective as a prior art reference only as of its United States filing date under 35 U.S.C. § 102(e). Article 13 of the WIPO basic proposal would make the patent a prior art reference as of the earlier priority date in a country outside the U.S. if the U.S. patent was entitled to the benefit of the earlier filing date.

*b. Novelty Only, Not Obviousness.*--The Commission recommends that only as part of a global harmonization package, the foreign filed application be given effect as a prior art reference as of the foreign priority date for purposes of *novelty* rejections. The same foreign filed application can be used in a rejection based upon § 103 *obviousness*, but in that case it is only prior art as of the U.S. filing date. The WIPO basic proposal Article 13 would permit any Contracting Party to have this option of splitting the prior art effect of an earlier-filed application between *novelty* and *obviousness* rejections.

**III. Patent Enforcement Related Recommendations**

***A. Reduction of the Cost and Complexity of Patent Enforcement***

***I. V-A--Firm Trial Date, Discovery-Case Management, Mandatory Mediation Conferences*<sup>6</sup>--**

(i) Encourage implementation by the district courts of differentiated case management plans for cases raising issues of patent validity or infringement, where that plan includes:

(a) the early setting of a firm trial date;

(b) use of a discovery-case management system that requires the court, either through direct intervention of the trial judge, use of a magistrate, or through appointment of a “special master” pursuant to FED. R. CIV. P. 52, to exhibit careful and deliberate monitoring over discovery so as to encourage the limiting of issues by the parties, the range of issues discoverable, and the number and extent of discovery requests;

(c) strict deadlines for filing, hearing and deciding discovery-related motions;

(d) use of a mandatory disclosure procedure for core information having the following elements:

\*19 (1) an automatic protective order that will cover any information provided under the core disclosure requirements which the parties designate, and which the court shall issue prior to the disclosure of such designated core information;

(2) a short time frame to comply with the mandated disclosure requirement;

(3) the use of Rule 11 sanctions for non-compliance with the mandated disclosure provisions; and

(4) a pre-trial conference to define the remaining scope of discovery, to finalize the pleadings, and to limit issues pending in



the action to take place shortly after the mandated disclosure has been completed; where the information to be disclosed will consist only of the information outlined in recommendation III-B, and shall not be the subject to change through actions of the parties or the court;

(e) use of a mandatory mediation conference to resolve some or all issues pending in the action, conducted not by the trial judge but by a person trained in the conduct of mediation, to be held at a time before the final pre-trial conference.

(ii) Provide formal recommendations to the advisory groups of each district on key provisions for inclusion in the district's civil justice expense and delay reduction plan.

(iii) Implement changes to practice in a uniform and consistent manner among the [sic] Federal district courts.

*a. Civil Justice Reform Act.*--The Civil Justice Reform Act<sup>7</sup> was passed by Congress in 1990 providing the framework to reduce costs and delays associated with modern civil litigation. The Advisory Committee's recommendations would supplement the steps taken in that act with procedures specifically tailored for patent cases.

*b. Discovery.*--Excessive and uncontrolled discovery is viewed as the main problem with patent litigation.

*c. Delays.*--Delays and interruptions in the stages of patent litigation are considered to be another significant problem.

*d. Core Information.*--The Commission recommends a procedure to compel automatic disclosure of core information by the parties shortly after the onset of the litigation. A model definition of core information appears in the Advisory Commission's Report and is reproduced below:

**\*20 Model Definition of Core Information**

<b>Information to be disclosed by the patent owner charging infringement</b>	<b>Information to be disclosed by the accused infringer</b>
(a) a copy of the patent in suit and its file history plus the cited prior art references;	(a) a copy of the formula, specifications, or drawings of the article or process accused of infringement;
(b) a copy of any prior art actually considered by the inventor(s), any attorney or agent who assisted in prosecution of the patent application, the current patent owner and the patent owner during prosecution of the patent application;	(b) a complete list of all prior art then known which will be relied upon to challenge the validity of the patent on the basis of lack of novelty or of obviousness;
(c) copies of the following major records reflecting the research and development of the invention of the patent in suit:	(c) a copy of the following major records showing the research and development of the accused article or process:
- laboratory notebook entries,	- laboratory notebook entries,
- weekly or monthly reports,	- weekly or monthly reports,
- project reports,	- project reports,
- invention disclosure forms submitted to in-house patent counsel, where no claim for attorney-client privilege for the documents will be claimed,	- test data or performance data for the invention,
	- evidence of the date of first sale or use;

- test data comparing the performance of the invention to the prior art, and

- test data reflecting the performance of any examples in the patent;

---

(d) information relating to dates of conception and actual reduction to practice of the patented invention;

(d) identification of persons most likely to have significant information regarding

- the research and development of the accused article or process;

- the nature or mechanism or performance of the accused article or process, and

- the decision to make and sell the accused article or process;

---

(e) names and addresses of all witnesses having information to support dates of conception, development, and reduction to practice;

(e) samples of accused products or components, along with specification and test data on the products, either provided to the plaintiff, or allowed to be inspected by the plaintiff;

- the research and development of the accused article or process;

- the nature or mechanism or performance of the accused article or process, and

- the decision to make and sell the accused article or process;

---

(f) a list of claims alleged to be infringed by the accused product or process, with at least one claim applied to the accused product to establish a basis for the infringement accusation.

(f) a statement of whether the defendant intends to claim any affirmative defenses, and whether or not the defendant will deny infringement;

---

(g) names and addresses of all witnesses to be called to support dates of conception, development, and reduction to practice of the accused product or process.

---

**\*21 2. V-B--Magistrates for Discovery<sup>8</sup>--**

Make broad use of magistrates or Special Masters pursuant to Rule 52 in pretrial matters such as discovery and motion practice, provided that such use does not detract or displace the proper role of the trial judge in the litigation.

**\*22 3. V-C--Speedy Criminal Trials<sup>9</sup>--**

Find a solution to address problems created by accommodation of the need for speedy criminal trials which does not disrupt the conduct of complex cases such as patent cases.

**4. V-D--Experts<sup>10</sup>--**

(i) Reduce the use of "experts" to the giving of testimony in areas where expertise is required and diminish their role as advocates.

(ii) Prohibit contingent fees for expert witnesses, and require the disclosure of all fees paid to experts.

*a. Experts Diminished Role.*--The Advisory Commission feels that patent cases contain complex technical and scientific issues which are unlikely to be understood by the average trier of fact. Accordingly, it is more likely in a patent case that the court or jury will place a heavy reliance on the testimony of expert witnesses. Accordingly, the Commission feels that the role of experts should be limited only to areas where expertise is required, and to diminish their role as advocates.

*b. Contingent Fee Experts.*--Contingent fees should be prohibited for experts in patent cases.

#### **5. V-E--ADR<sup>11</sup>.--**

(i) Promote greater awareness and use of alternative dispute resolution (ADR) through mandatory law school programs and through continuing education programs.

(ii) Require courts in each case to identify issues suitable for resolution through voluntary ADR and to assist the parties in designing an appropriate ADR process for those issues.

#### **6. V-F--Circuit Patent Court, Special Expertise Judges, Small Claims Court<sup>12</sup>.--**

Promote study and consideration of special procedures or systems for conducting patent litigation and enforcing patent rights, including:

(i) restriction of patent jurisdiction to one designated court per circuit;

(ii) designation of judges having special expertise in conducting patent litigation in each judicial district and provision of flexible authority over judicial assignments to permit such judges to hear patent cases throughout each district where necessary; and

(iii) implementation of a "small claims" procedure for resolving patent disputes in existing federal district courts.

*a. U.K. Patent County Court.*--The Advisory Commission report includes a discussion of the "Patent County Court" in the U.K. which is staffed by a judge with extensive experience in patent matters. The use of a patent expert as a judge is designed to permit the court to control the proceedings and focus on critical issues without the need for extensive guidance from the parties.

*b. Small Claims Court.*--The small claims patent proceeding would be useful where the bargaining strength or financial posture of the parties is grossly imbalanced, or where the potential \*23 recovery through a conventional patent enforcement action would be less than the cost of the litigation.

#### **7. V-G--Best Mode, On Sale Bar<sup>13</sup>.--**

Remove challenges to patent validity which create a disproportionate effect on costs and delays during patent litigation without providing a corresponding public benefit, specifically:

(i) eliminate the "best mode" requirement of 35 U.S.C. § 112, first paragraph; and

(ii) restrict the application of the "on sale" bar to patentability of 35 U.S.C. § 102(b) to completed sales, where a completed sale is defined as sale plus actual delivery, rather than extending to merely an offer to sell.

*a. Best Mode Examination.*--The USPTO Examiner is not in a good position to evaluate whether or not the applicant has, in fact, disclosed the "best mode" due to the ex parte nature of the proceeding before the USPTO.

*b. Benefit of Best Mode.*--The Advisory Commission questions whether the best mode actually plays a role in insuring high quality patent disclosures in applications filed with the USPTO.

*c. Offers for Sale.*--In practice, it is often difficult for a court to determine when an invention has been “offered” for sale, stemming from the uncertainty in determining to what extent the invention must have been developed at the time of the alleged offer for sale.

*d. Benefit of On Sale Bar.*--The Advisory Commission also questions whether the cost of implementing the “on sale” bar in court proceedings outweighs the benefit of encouraging prompt and widespread disclosures of new inventions to the public by early filing of patent applications in the USPTO.

#### **8. V-H--Counsel Civility<sup>14</sup>.**--

Encourage opposing trial counsel to respect appropriate standards for civility during litigation, including respect of the role of the attorney as an officer of the court, and through cooperation not inconsistent with the role of the attorney as an advocate of his or her client.

#### **9. V-I--Complex Patent Cases<sup>15</sup>.**--

Gather statistically valid data from a representative sample of the federal [sic] judicial district courts to permit determination as to whether or not the trial of patent cases is substantially different from the trial of other complex cases and, if different, in what ways.

#### **10. V-J--Juries<sup>16</sup>.**--

Initiate public debate on the appropriateness of the use of juries to resolve questions of patent validity or infringement in litigation, and in particular:

(i) the applicability of the VIIth [sic] Amendment of the U.S. Constitution to the right to have a jury decide issues of infringement or validity; and

(ii) the extent to which a “complexity exception” can and should be applied to deny a demand for a jury trial.

**\*24 a. Special Verdicts.**--It is recommended that courts require that juries give special verdicts in patent cases so as to permit meaningful review of the trial court’s decision.

*b. Patent Validity Jury Issue.*--The Advisory Commission believes that the issue of patent validity in view of prior art is inappropriate for consideration by the jury.

### **B. Grounds for Holding Patents Unenforceable**

#### **1. VI-A--Inequitable Conduct.**--<sup>17</sup>

Clarify the nature of conduct by a patent rights holder that justifies the use by a defendant to a patent infringement action of the equitable defense of unenforceability consistent with the following guidelines:

(i) continue to hold unenforceable patents in which the applicant, its attorney or its representative during the prosecution of the application for that patent before the Patent and Trademark Office failed to meet the appropriate requirements for disclosure of information within their knowledge having to do with the allowability of presented claims;

(ii) implement a more objective standard for materiality of information than one based upon the perspective of a “reasonable examiner,” and

(iii) create a presumption that the standard of disclosure is satisfied if required information is before the examiner in a timely

manner, regardless of how that information came to the attention of the examiner.

*a. Benefit of Inequitable Conduct Defense.*--The defense of inequitable conduct provides a means for encouraging complete disclosure of information relevant to a particular patent application, and serves to strengthen the presumption of validity of issued patents.

*b. Objective Standard.*--The Advisory Commission feels that a more objective standard than the “reasonable examiner” is required for measuring materiality. The new USPTO Rule 56<sup>18</sup> would provide some measure of improvement, as it seeks to base the question of materiality on familiar evidentiary and claimed construction standards (a prima facie case). Some members of the Advisory Commission favored the “objective but for” standard of materiality.

### **2. VI-B--Standard of Materiality Effective Date.--<sup>19</sup>**

Changes to the standards for judging inequitable conduct before the United States Patent and Trademark Office should not prejudice the rights of patent rights holders, so that in any action to enforce a patent which was granted prior to the effective date of such changes, the patent rights holder should be given the choice of being judged by either the standard used before, or the standard employed after the amendment.

*a. Reasonable Examiner/Prima Facie Case Election.*--The Advisory Commission would like to avoid potential confusion caused by the new Rule 56 change in the standard of materiality. Accordingly, it is recommended by the Commission that litigation which was already in progress at the time of the enactment of the new Rule 56 should continue to be governed by the old “reasonable examiner” standard. On the other hand, where the patent was granted prior to the date of the enactment of the new Rule 56 and there was no pending litigation at that time, then the patentee should be given the choice in any subsequently initiated litigation of defining the standard of materiality to be either the reasonable examiner standard or the prima facie case standard. The patentee should choose the standard of \*25 materiality prior to the commencement of discovery.

### **3. VI-C--Antitrust Per Se Presumption.--<sup>20</sup>**

Enact legislation which establishes that possession of intellectual property rights should not give rise to a per se presumption of market power, in the context of an antitrust proceeding.

## **C. Reexamination**

### **1. VII-A--Section 112 Scope.--<sup>21</sup>**

The basis for and scope of reexamination should include compliance with all aspects of 35 USC § 112 except for best mode.

### **2. VII-B--Third Party Response to First Office Action and Reexamination Order.--<sup>22</sup>**

The order for reexamination and the first office action should be consolidated and any third party requester should be permitted, within strict time deadlines, to submit written comments on the patent owner’s response to the first office action. The third party’s comments should be limited to issues covered by the examiner’s office action and the patent owner’s response.

*a. Decision Ordering Reexamination.*--Under current practice, a third party requestor may only comment on the patent owner’s statement in response to the decision ordering reexamination. In order to deprive the third party of his opportunity to comment, many patent owners do not file a statement, waiting instead for the first Office Action.

*b. Third Party Opportunity to Comment.*--If the examiner decides that reexamination is appropriate, the Advisory Commission recommends that an Office Action would be issued addressing the issues of (i) whether a substantial new question of patentability arises, and also (ii) whether a prima facie case of unpatentability exists. The third party would be given an opportunity to address both issues. This Advisory Commission recommendation is not intended to change the standard used in determining whether to order reexamination.

### **3. VII-C--Third Party Interview Participation.--<sup>23</sup>**

A third party requester should have the right to participate in any examiner interview initiated by the patent owner or by the

examiner. Such an interview should be conducted under controlled conditions before the examiner and a senior USPTO representative. The third party should not be permitted to initiate interviews.

*a. Interviews with Third Party.*--The Advisory Commission feels that interviews present an opportunity for mischief, since the record rarely reflects all that has transpired. Solving this problem by having a transcript of the interview was rejected in favor of recommending that third parties be given an opportunity to participate in the interview.

*b. Adversarial Process.*--Some members of the Advisory Commission feel that this participation will come close to transforming the reexamination process into a full adversarial process \*26 with the attendant delays and costs and may burden the USPTO with adversarial hearings.

#### **4. VII-D--Third Party Close of Prosecution Comments.**--<sup>24</sup>

A third party requester should have the right to submit written comments at the close of prosecution of a patent under reexamination. Such comments, which should be limited to issues raised during *ex parte* reexamination, should be considered by the examiner before any appeal by the patent owner of an adverse decision and before issuance of a Notice of Intent to Issue a Reexamination Certificate. If the third party's comments cause the examiner to change his decision, the examiner should be permitted to reopen prosecution to the extent of issuing a supplemental final action to which the patent owner should be entitled a single response under 37 C.F.R. § 1.116. If, in the single response, the patent owner makes any claim amendment, the third party should be permitted to submit comments limited to the claim amendments. Thereafter no further comments should be received from either the patent owner or a third party. The third party comments should be a part of the record considered on any appeal by the patent owner or the third party.

*a. Reexamination Alternative to Litigation.*--It is recommended that a third party requestor should be given an opportunity to comment upon the outcome of the prosecution before the USPTO. The third party would not have been permitted to participate except for the first Office Action. It is believed that this opportunity will enhance the reexamination process as an alternative to taking up issues during litigation.

*b. Burden on the USPTO.*--This limited form of third party participation in the reexamination proceeding should not unduly complicate the process. The additional administrative burden on the USPTO would produce the benefit of reducing litigation of validity issues by encouraging third parties to use the reexamination process.

#### **5. VII-E--Third Party Appeals.**--<sup>25</sup>

A third party who requested and participated in a reexamination should be permitted to appeal any adverse decision of the Examiner to the Board of Patent Appeals and Interferences and to the Federal Circuit. The third party and the patent owner should be permitted to participate in any appeal by the other. The third party's appeal to the Board and the Federal Circuit should be limited, respectively, to issues raised in the third party's comments after close of prosecution and to issues dealt with by the Board. A third party's right to appeal should be conditioned upon filing of a written waiver by the third party of any right to assert, in any forum, the invalidity of any claim determined to be patentable on appeal on any ground which the third party raised or could have raised during the reexamination.

*a. Third Party Can Appeal.*--A slim majority of the Advisory Commission recommended that a third party who participates in a reexamination should be given the opportunity to appeal any decision adverse to the third party.

*b. Third Party Waives Right to Litigate.*--Several members of the Commission oppose the recommendation that conditions the third party's right to appeal upon a waiver of any right to subsequently litigate the same issues. Those members believe that this requirement of waiver would discourage third party's use of reexamination as an alternative to litigation.

#### **\*27 6. VII-F--Prior Judgment.**--<sup>26</sup>

A reexamination should not be initiated or continued on any patent claim held valid in an entered judgment, or its equivalent, of a district court in an action in which the requesting party or its privies raised or could have raised the same issues.

### **D. Licensee Challenges to Patent Validity**

#### **1. VIII-A--Permit Termination, Permit Continued Performance.**--<sup>27</sup>

Enact legislation to improve the balance between the right of a licensee to challenge the validity of a licensed patent, in

accordance with the holding in *Lear v. Adkins*, and the right of the patent owner to enforce the licensed patent by:

(i) Permitting the parties to agree that either party may terminate the agreement if the licensee has asserted in a court action that the patent is invalid; and,

(ii) Permitting the parties to agree that the licensee will be required to continue performance in accordance with the agreement until either the agreement is terminated or a final determination has been made that the claims practiced by the licensee are invalid.

## ***E. Reissue***

### ***1. IX-A--Eliminate Error Requirement.--***<sup>28</sup>

The concept of “error” as a required condition for reissue should be eliminated.

### ***2. IX-B--Permit Recapturing.--***<sup>29</sup>

The prohibition in reissue practice against “recapturing” subject matter surrendered during the original prosecution should be eliminated.

### ***3. IX-C--One Year to Broaden Claims.--***<sup>30</sup>

The right to seek by reissue claims broader than originally issued should be limited to one year following grant of the original patent.

*a. Consider Broadening At Any Time.--*The Advisory Commission considered the possibility of permitting broadened reissues at any time during the term of the patent. However, it was felt that this would foster too much public uncertainty, notwithstanding that the public interest might be protected by intervening rights.

*b. Two-Year Period.--*The two-year period provided in 35 U.S.C. § 251 for broadening reissues was selected to correspond to the two-year grace period that was in effect at the time the reissue right was created. Since the grace period is now one year, the Advisory Commission felt that a one year period for filing a broadening reissue was adequate to protect the patentee.

## ***\*28 F. Federal Protection for Trade Secrets***

### ***1. X-A--Federal Trade Secret Protection.--***<sup>31</sup>

Protection of trade secrets is adequate under state laws.

## **IV. Recommendations on Protection of Computer-Related Inventions**

### ***A. XI-A--No change***<sup>32</sup>

The current framework of laws protecting computer program-related inventions should be maintained.

*1. Sui Generis Protection.--*The Advisory Commission did not find persuasive evidence that the existing laws are inadequate for the protection of a computer program-related inventions requiring a need for sui generis protection. The patent laws have successfully adapted to new technologies for over 200 years, and in each instance have fulfilled their role in promoting the technological innovation and commercial application of such technologies. Federal laws for patents, copyrights, trademarks, and mask works, and state laws for trade secrets and contracts, make up the current framework of laws protecting computer program-related technology.

### ***B. XI-B--No Special Test***<sup>33</sup>

(i) Patent protection should continue to be available for computer program-related inventions.

(ii) No special test or interpretation of the law should be applied to computer program-related patent applications.

(iii) The patent examination process should be improved as specified in Recommendations XI-E through XI-H.

1. *Computer Program-Related Inventions are Patentable.*--The Advisory Commission finds no justification for excluding computer program-related inventions from the broad category of patentable subject matter.

2. *Infringement by Computer Program-Related Products.*--While some viewpoints suggest that the development, distribution or use of a computer program should never be held to infringe a patent, the Advisory Commission concluded that there should continue to be a uniform application of the laws of patent infringement to computer program-related products.

3. *Not Mathematical.*--The Advisory commission believes that computer program-related inventions are not inherently mathematical and therefore should not be excluded automatically from patent protection as preempting abstract ideas, mental operations, or mathematics itself.

## V. Other Recommendations

The rest of the Recommendations of the Advisory Commission have been omitted and generally deal with the following subjects:

\*29 Recommendations XI-C thru XI-J--Computer Related Inventions

Recommendations XII-A thru XII-D--Secrecy Order Program

Recommendations XIII-A thru XIII-C--Assignee Filing

Recommendation XIV-A--Deferred Examination

Recommendations XV-A thru XV-I--U.S. Patent and Trademark Office Funding

## Footnotes

<sup>a1</sup> Dresser Industries, Inc.

<sup>1</sup> Fed. Reg. 22,702; 42 PAT. TRADEMARK & COPYRIGHT J. (BNA) 97, 113 (1991).

<sup>2</sup> THE ADVISORY COMMISSION ON PATENT LAW REFORM, A REPORT TO THE SECRETARY OF COMMERCE (1992) [hereinafter ADVISORY COMMISSION REPORT].

<sup>3</sup> ADVISORY COMMISSION REPORT, *supra* note 2, at 22, 58.

<sup>4</sup> ADVISORY COMMISSION REPORT, *supra* note 2, at 23, 61.

<sup>5</sup> ADVISORY COMMISSION REPORT, *supra* note 2, at 24, 65.

<sup>6</sup> ADVISORY COMMISSION REPORT, *supra* note 2, at 25, 84--85.

<sup>7</sup> The Civil Justice Reform Act of 1990, Pub. L. No. 101--650, 104 Stat. 5089 (codified as amended in scattered sections of 28 U.S.C.).



8       ADVISORY COMMISSION REPORT, *supra* note 2, at 25, 93.

9       ADVISORY COMMISSION REPORT, *supra* note 2, at 26, 94.

10       ADVISORY COMMISSION REPORT, *supra* note 2, at 26, 95.

11       ADVISORY COMMISSION REPORT, *supra* note 2, at 26, 96.

12       ADVISORY COMMISSION REPORT, *supra* note 2, at 26, 97.

13       ADVISORY COMMISSION REPORT, *supra* note 2, at 26, 100.

14       ADVISORY COMMISSION REPORT, *supra* note 2, at 26, 105.

15       ADVISORY COMMISSION REPORT, *supra* note 2, at 26, 106.

16       ADVISORY COMMISSION REPORT, *supra* note 2, at 27, 107.

17       ADVISORY COMMISSION REPORT, *supra* note 2, at 28, 113.

18       Patent and Trademark Office, Rules of practice in patent cases, 37 C.F.R. § 1.56 (1991).

19       ADVISORY COMMISSION REPORT, *supra* note 2, at 28, 115.

20       *Id.*

21       *Id.* at 29, 118.

22       *Id.* at 29, 119.

23       *Id.* at 29, 120.

24       ADVISORY COMMISSION REPORT, *supra* note 2, at 29, 120.

25       *Id.* at 29, 121.

26       *Id.* at 29, 122.

27       *Id.* at 30, 126.

28       *Id.* at 31, 129.

<sup>29</sup> ADVISORY COMMISSION REPORT, *supra* note 2, at 31, 129.

<sup>30</sup> *Id.* at 31, 130.

<sup>31</sup> *Id.* at 32, 132.

<sup>32</sup> *Id.* at 33, 148.

<sup>33</sup> *Id.* at 33, 152.