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## **Legislation: Senate Bill S.507 Comes Out Of Committee, many changes made for the better; still a few to go!**

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S.507 came out of the Senate Judiciary Committee with "unanimous" approval, but in a form of a substantially altered Bill. The committee's changes made to the bill assuredly reflect the views expressed through aggressive communications campaign waged by the independent inventors and small businesses prior to the vote, and certainly reflect the committee's desire to address [some] concerns voiced during this campaign. But as evidenced by Senator Kit Bond's (MO) actions following the vote, there is still more work to be done. Senator Bond is the Chair of the Senate Small Business Committee; he has put a "hold" on S. 507, preventing it from going to the Senate floor for a vote until he releases it.

Independent inventors and small business owners must take note! If Senator Bond feels that this proposed Bill still contains language that could be damaging to you, then you should take a few moments to review the details of the amended sections which follow, and then contact your Senator once again to voice your qualified objection.

Once Senator Bond releases his hold, this Bill could go directly to the Senate floor for a vote - unless there is a strong opposition lodged by the small entities which would be set back by these changes in the U.S. Patent system.

What happens then?

If the Senate passes S. 507, then this Bill, along with HR 400 in the House of Representatives, go together to a conference committee which would be responsible for combining the bills into a single U.S. Patent Reform Bill for presentation to the President. HR 400 is in respectable shape (from the independent inventor's & small business owner's perspective). but S. 507 needs more modification if we are to be confident that the small entity interests are recognized and protected. Now is the time to pull out all of the stops in one final push on the Senate.

### **Synopsis of current revisions: S. 507 - The Omnibus Patent Act of 1997**

#### **TITLE 1. Corporatization of the PTO**

Making the Patent & Trademark Office a Separate Corporation)

If the PTO is Corporatized, then:

(a) The Director of the Patent and Trademark corporation would be subordinate to the Secretary of Commerce in policy making.

(b) The Secretary of Commerce would set the policy regarding PTO regulations and fee setting. Before this provision was amended, S. 507 called for the Director of the PTO to be the policy advisor of the President in patent and trademark matters "through" the Sec. of Commerce).

(c) The director would appoint an Ombudsman to advise on the concerns of independent inventors, small businesses and nonprofit organizations.

(d) There will be a 5 member Advisory Board with one seat reserved for an independent inventor.

(e) The current PTO policy allows it to accept gifts for its library and museum, and to accept donations of time given to the Patent [Examiner] Academy. As amended, S. 507 would limit the PTO's ability to accept gifts, although any and all foreign gifts would be prohibited.

[With the increase in Chinese and other similarly "prohibited" off-shore campaign contributions in the news, it is good to see that S. 507 as amended now will short circuit an intellectual property sell-out at the PTO. Finally, these limited gifts would be subject to criminal bribery statutes.]

## **TITLE 2. 18 Month Patent Application Publication**

(Subject of last week's An Eye On I.P. Commentary)

(a) ANY applicant who does not apply for a patent overseas can elect NOT to have early publication. At the time you file your U.S. patent application you must certify that your application will not be filed abroad.

\* Many inventors may not initially envision significant overseas commercial potential, but if the business focus changes after the application is filed and certification made, and then the company makes a decision to file for foreign patents, what will happen?

(b) Any applicant who voluntarily elects to have early publication may benefit from a fast-track process for patent issuance.

(c) Fast track patent process (only for published applications): Patents may be issued on individual claims in published applications as they are approved rather than waiting for the disposition of all claims contained in the application.

(d) There will be a 3 year study to determine the number and type of inventors who elect to file only in the U.S. and who waive early publication.

[(b), (c), and (d) above are still onerous and overly oppressive for the small entity inventor. "Waiving" early publication suggests that early publication is a right or benefit provided to the small entity inventor, but in fact if you "waive" your early publication (you want to preserve the secrecy of the pending application as has been done for 200 years), then you are restricted from filing an overseas patent. Further, as many inventors know, the strength of a patent is not based on a single claim, but rather the claim(S) as a collection of claims. To issue a patent on a single claim of a published application all but tells foreign competition WHICH CLAIMS you are having trouble with (or which claims they can petition to stall the patent process). It is important to address the removal of restrictions imposed if the small entity inventor chooses to not publish the application early.]

## **TITLE 3. Patent Term Restoration**

(These provisions seem to be not overly oppressive to the small entity)

(a) Any applicant who diligently prosecutes a patent application will receive a full 17 years of patent protection. If an applicant takes more than 3 months to respond to a request from the USPTO, patent term will be deducted by that amount of time the inventor took to respond.

(b) At the time of patent issuance, the Commissioner must state the length of the patent's term. Any appeal of the Commissioner's decision of patent term must be filed with the federal court within 180 days of the date of issuance of the patent.

[This could get expensive just to file in Federal Court, let alone litigate. This action will also take years to find resolution. A 3 member arbitration panel consisting of an independent inventor I.P. attorney, a big business I.P. attorney, and a third party acceptable to both attorneys, may be a low cost solution for the small entity inventor.]

#### **TITLE 4. -- Prior User Rights**

(a) Universities, the U.S. government and non profits can assert the prior use defense when appropriate.

(b) The PROPOSED prior user rights defense of "effective and serious preparation" must now be proven by "actual reduction to practice" in the U.S.

[The CURRENT prior user rights defense is that the the patented technology has been used "in commerce", and that the transaction is logged on the books as a "commercial sale." It must be a sale or other arms-length transaction. The intracompany transfer or sale of the product or technology cannot be used as a defense.

The danger with the proposed language is that a company does not have to prove the sale (easily verifiable), but only prove that it was "reduced to practice" somewhere in the bowels of the company engineering or prototype shops, at sometime before the invention date claimed by the challenged patent. Do companies ever "doctor" history? If the stakes are big enough? Ask your Senator to stick to "proof of sales".]

#### **TITLE 5. -- Reexamination**

(a) Provisions that would have expanded the scope of reexamination are deleted.

(b) Once a third party requester is granted a reexamination, that party is estopped from raising the issues that were raised or could have been raised at the time in future reexamination or suit for infringement. This means that unsuccessful parties are barred from further prosecuting their patentability challenge in any forum.

[On the surface, this sounds like it would reasonable restrict a company from targeting a small company with a rash of reexamination requests, but big companies usually have a large number of divisional companies. Each company is a separate legal entity. Coordination by the parent corporation could assure that many reexamination requests could be made despite this provision. There needs to be added language which precludes this type of activity, and possibly levy anti-trust awards if the reexamination requests were granted but failed to cause the PTO to reverse its granting decision.]

#### **TITLE 6 -- Miscellaneous Provisions**

(a) The PTO is required to develop statewide computer networks with remote library sites to enhance access to information in state patent and trademark depository libraries.

[Sounds like IBM is set up for a BIG services and hardware subcontract on this score. Does IBM have a vested financial interest in passage of Title 6?]

### **Follow The Legislative Process**

We all have an obligation to understand the issues in the proposed legislation, and to voice opposition to those provisions which will hurt the small entity inventor by contacting our congressmen and senators with our views. One way or another, new laws effecting the U.S. Patent system will be voted on and enacted; what is voted in depends on how clearly the inventor's voice is heard.