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THE IMPACT OF GATT ON THE UNITED STATES PATENT AND TRADEMARK OFFICE

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The General Agreement on Tariffs and Trade (GATT) Uruguay Round Agreements¹ and the legislation implementing this Agreement (the Act)² substantially changed United States patent law and patent practice. These changes became effective on June 8, 1995 and January 1, 1996.³ While many practitioners can detail how GATT and the Uruguay Round Agreements Act impacted their practices, little has been written about the effect of GATT and the Act on the United States Patent and Trademark Office (USPTO).⁴ This Article discusses the major provisions of GATT and the Act, and examines the impact of these provisions on the USPTO.

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¹ General Agreement on Tariffs and Trade, *opened for signature* Oct. 30, 1947, 61 Stat. A3, 55 U.N.T.S. 187 [hereinafter GATT].

² Uruguay Round Agreements Act, Pub. L. No. 103-465, 108 Stat. 4809 (1994) (codified as amended at 19 U.S.C. § 3501 (1995)) [hereinafter the Act].

³ See the Act, *supra* note 2, §§ 531, 108 Stat. at 4982-83 and 534, 108 Stat. at 4990.

⁴ See *Questions and Answers Regarding the GATT Uruguay Round and NAFTA Changes Published by the USPTO*, Feb. 23, 1995, available on INTERNET, USPTO web site [hereinafter *Questions and Answers*]; see also USPTO Press Release PAT 95-22, June 28, 1995, available on INTERNET, USPTO web site. The USPTO has not publicly detailed the full impact of GATT and the Act. *Questions and Answers, supra*; Telephone Interview with Nick Godici, Group Director, Group 2600 (March 14, 1996). Many conversations with Mr. Godici yielded additional, heretofore unpublished, information on the impact of GATT and the Act on the USPTO. *Id.*

I. THE TWENTY YEAR TERM

A. *The GATT "Bubble"*

Prior to the Act, the term of a United States patent was seventeen years from the issue date.⁵ Thus, where a patent application remained pending for many years, upon grant its applicant received the exclusive right for a seventeen-year term. Under the old law, United States patent applications could theoretically remain pending indefinitely through use of the "continuation" procedure of refiling.⁶ The refiling process permitted an applicant to refile patent applications in response to USPTO rejections. Thus, through this continuous refiling process a patent application could be "pending" for several years.

The Act changed the term for patents issued from applications filed on or after June 8, 1995. For these patents, the term begins on the patent issue date and is for twenty years from the date when the earliest U.S. application was filed.⁷ Under the new law where there is a lengthy application process, the term of the patent that is ultimately issued is shortened by the amount of time that has passed from filing to issuance. In addition, if the application has a lineage to earlier applications, that lineage will shorten the term of the patent.

⁵ See 35 U.S.C. § 154 (1988), amended by Pub. L. No. 103-465, 108 Stat. 4809 (1994) (providing rules and requirements for patent process).

⁶ See 35 U.S.C. §§ 120-121 (1995); Rules of Practice in Patent Cases, 37 C.F.R. §§ 1.60, 1.62 (1995). If a patent application is filed before the patenting, abandonment, or termination of proceedings related to a prior application which discloses the invention in accordance with 35 U.S.C. § 112, and the patent application contains or is amended to contain a reference to the prior application, the applicant is entitled to the benefit of the filing date of the prior application. *Id.*; 35 U.S.C. § 120 (1988). An applicant, when faced with rejections, could simply refile to continue prosecution, without any loss of patent term. *Id.* More particularly, the USPTO Rules permit an Examiner to issue a final rejection or action on the second or any subsequent examination of a patent application. *Id.*; 37 C.F.R. § 1.113 (1995). A response to a final rejection is: appeal to the Board of Patent Appeals and Interferences, a response which in the Examiner's discretion is responsive as placing the application into condition for allowance, or refiling the application. *Id.*; see also 37 C.F.R. §§ 1.116, 1.62(b), 1.191 (1995). Thus, an applicant could be faced with having presented a response pursuant to 37 C.F.R. § 1.116 which the Examiner refused to enter into the record of the application. 37 C.F.R. § 1.116 (1995). The 37 C.F.R. § 1.116 response would then not be considered if an appeal was pursued. *Id.* Accordingly, for a better record for an ultimate appeal if a rejection was maintained, the applicant must refile the application, usually pursuant to 37 C.F.R. § 1.62, so as to get the 37 C.F.R. § 1.116 response entered into the record. 37 C.F.R. §§ 1.62, 1.116. Pursuant to this procedure, claims for a particular invention could remain pending through several applications for many years. *Id.*

⁷ See the Act, *supra* note 2, § 532(a)(1), 108 Stat. at 4983-84 (codified as amended at 35 U.S.C. § 154(a)(2) (1995)).

Given this change in the law, June 7, 1995 became the deadline for filing patent applications entitled to the seventeen-year term from date of issue.⁸ As a result, there was a large number of applications filed on or immediately prior to that date. This sudden increase in filings became known as the "GATT Bubble."⁹

According to unpublished sources,¹⁰ the USPTO has successfully met the challenge posed by the increase in patent applications. The majority of the GATT Bubble applications have already passed through pre-examination by the Applications Branch of the USPTO, and are presently being processed by the Examining Corps.¹¹ In order to process the increased number of applications, the USPTO hired over 275 Examiners in 1995 and expects to hire over 300 additional Examiners in 1996.

GATT Bubble filings were not evenly distributed among the various technologies. Patent applications directed to mechanical or electrical inventions have historically been issued sooner than patent applications relating to biotechnology or computer software

⁸ See 35 U.S.C. §§ 154(a)(2), 154(c)(1) (1995). The Act provides that patents granted on applications filed before June 8, 1995, and patents in force on June 8, 1995, will have a term which is the longer of 17 years from the date of grant, or 20 years from the date of filing the original application. 35 U.S.C. § 154(c)(1).

⁹ See *Questions and Answers*, *supra* note 4. The USPTO has not made numerical estimates of the increase in filings. *Id.* However, the USPTO estimated that 28% of application filings were continuing applications. *Id.* The USPTO expected an increase in the number of applications filed before June 8, 1995, to be followed by a proportionate decrease in the filing of applications. *Id.* According to the Office of the Assistant Commissioner for Patents, approximately 221,000 applications were filed during the USPTO's fiscal year 1995, ending October 1, 1995. Telephone Interview with Nick Godici, *supra* note 4. Of these, the pre-June 8, 1995 filings exceeded the USPTO's expectations by approximately 45,000 applications. *Id.*; see also USPTO Press Release PAT 95-22, *supra* note 4.

¹⁰ See Telephone Interview with Nick Godici, *supra* note 4. Mr. Godici directs the telecommunications art unit (Group 2600) at the USPTO which processes about 17,000 applications per year. *Id.* In view of the volume of applications that his art unit handles, Mr. Godici has remarkable experience in implementing USPTO procedures and managing Examiners in view of the GATT Bubble. *Id.*

¹¹ See *id.* The Applications Branch reviews applications for formalities, including the inventor declaration and the proper filing fee, and whether all application pages and drawings that are enclosed. *Id.* Some GATT Bubble applications which failed this formalities review may still be with the Applications Branch or with the Assistant Commissioner's Office. *Id.*

inventions.¹² Accordingly, most of the GATT Bubble applications related to biotechnology and computer software inventions.¹³

B. Transitional Practice

The Act provides for certain transition practices¹⁴ in order to reduce the need for filing continuing applications in certain pre-June 8, 1995 applications.¹⁵ In particular, the Act directs the Commissioner of Patents and Trademarks to prescribe regulations providing for further examination after final rejection of applications pending for two years or longer as of June 8, 1995. In determining whether an application had been pending two years or longer, earlier continuing applications are taken into account.¹⁶ The Act further directs the Commissioner to prescribe regulations to examine more than one independent and distinct invention in an application pending for three years or longer as of June 8, 1995. Again, any earlier continuing applications are taken into consideration.¹⁷ As a result of these directives, the USPTO Rules now include 37 C.F.R. Sections 1.129(a) and 1.129(b).

Under 37 C.F.R. § 1.129(a), in an application pending for two or more years as of June 8, 1995, submissions made after final action such as amendments, new evidence, arguments, or information

¹² See *Questions and Answers*, *supra* note 4. The USPTO represented that the average pendency for all applications is approximately nineteen months, whereas the average pendency for applications in the biotechnology Group 1800 for fiscal year 1994 was approximately twenty-one months. *Id.* As a disclaimer, however, the USPTO stated that "[t]his number is the average pendency per application and does not address how long a given invention may be pending before the Office from initial filing to final disposition where a series of related applications may be filed." *Id.* In the authors' experience, biotechnology patent claims are typically pending for at least three years from the earliest application, and refilings in the form of continuation or continuation-in-part applications are frequently necessary. *Id.*

¹³ See Telephone Interview with Nick Godici, *supra* note 4 (noting percentage of biotechnology and computer software inventions).

¹⁴ See the Act, *supra* note 2, §§ 532(a)(2)(A), 532(a)(2)(B).

¹⁵ See *supra* note 6; see also 37 C.F.R. § 1.142(a) (1995). Under the USPTO Rules, if two or more independent and distinct inventions are claimed in one application, the Examiner can require the applicant to elect the invention to which the claims shall be restricted, known as a restriction requirement. *Id.* To pursue claims to the non-elected invention, the applicant must refile the application, usually under 37 C.F.R. § 1.60(b), and then prosecute applications to each of the inventions. *Id.*; see also 37 C.F.R. § 1.141(b) (1995). For instance, restriction can be required between claims to a product and claims to process for using the product. *Id.* Prior to the Act, an applicant could elect claims to a first invention in a first application, wait until allowance of that first application and, then prior to issuance of the patent from that first application, refile a second divisional application with claims to the previously non-elected invention. *Id.*

¹⁶ See the Act, *supra* note 2, § 532(a)(2)(A).

¹⁷ See the Act, *supra* note 2, § 532(a)(2)(B).

disclosure statements will be entered into the record if such submissions are made prior to or with a notice of appeal, and the requisite fee is paid.¹⁸ Under 37 C.F.R. § 1.116, this information is not required to be entered into the record.¹⁹

An applicant may only avail himself twice of Section 1.129(a). For instance, if in an application pending for two or more years as of June 8, 1995, a first final action is issued, the applicant can employ Section 1.129(a) for entry of a first "after final" submission into the record. The same process is available if a second final action is issued. If a third final action is then issued, however, the applicant cannot use Section 1.129(a), but instead must meet the requirements of Section 1.116.²⁰

In a typical Section 1.116 response in which the applicant is eligible for the Section 1.129(a) transitional provision, the applicant can, if necessary, add a statement indicating that the Section 1.116 response is to be considered under Section 1.129(a), and provide a means for fee collection.²¹ When a response is entered under Section 1.129(a), the Examiner is credited as if entry was denied a response under Section 1.116. Under the transitional provision, however, the response is nonetheless entered and the application remains on the Examiner's docket for further action.

The USPTO reports that Section 1.129(a) is being used by applicants and that procedures are in place to process Section 1.129(a) applications. Approximately fifteen-hundred Section 1.129(a) responses were filed between June 1, 1995 and September 30, 1995.²²

Pursuant to Section 1.129(b), with respect to a restriction requirement²³ made on or after April 8, 1995 in an application pending for three years or more as of June 8, 1995, an applicant may pay a fee to have each independent and distinct invention ex-

¹⁸ The filing fee is currently \$770.00; the same as the filing fee for a patent application for a large entity. 37 C.F.R. § 1.17(c) (1995).

¹⁹ See 37 C.F.R. § 1.116 (1995).

²⁰ See *id.*

²¹ Many practitioners have a "Deposit Account" with the USPTO, analogous to a bank account from which the Commissioner of Patents and Trademarks may withdraw money to cover underpayment of fees or add money to reimburse overpayment of fees. The after final response may authorize the Commissioner to charge a Deposit Account for the fee if it is necessary that the response be considered under 37 C.F.R. § 1.129(a) (1995).

²² See Telephone Interview with Nick Godici, *supra* note 4 (indicating number of §1.116 responses).

²³ See 37 C.F.R. § 1.129(b) (1995).

amined in one application.²⁴ The USPTO prepared in advance for the enactment of Section 1.129(b), implementing an elaborate procedure by which a single application is examined by two or more Examiners, with each independent and distinct invention being examined by a separate Examiner.

Thus, an action being issued by the USPTO on a Section 1.129(b) application is akin to multiple actions being issued simultaneously. The overall examination of the application may take longer because each independent and distinct invention is being examined by separate Examiners. The process requires a single application to be examined two or more times before an action is issued. No problem has yet been encountered, however, because applicants rarely avail themselves of Section 1.129(b).²⁵

C. *Administrative Extensions*

For applications filed on or after June 8, 1995, the Act provides for extensions up to an additional five years from the initial twenty-year term for applications filed on or after June 8, 1995. These extensions are granted to compensate for delays that may result from interference, appellate proceedings or secrecy orders.²⁶ Although no reports have appeared concerning USPTO implementation of these provisions, the USPTO has indicated plans to add staff to the Board of Patent Appeals and Interferences.²⁷

D. *Terminal Disclaimer Practice*

It is possible for two patents to be issued for claims which are obvious variants of each other, so long as a "terminal disclaimer" is filed. A terminal disclaimer states that the applicant agrees to disclaim the terminal portion of the term of the second patent issued. As a result, the two patents expire on the same date. The applicant further agrees that the patents shall be enforceable only so long as they are commonly owned.

²⁴ Currently \$770.00 for each independent and distinct invention to be additionally examined in the one application; the same as the filing fee for a patent application for a large entity 37 C.F.R. § 1.17(s) (1995).

²⁵ See Telephone Interview with Nick Godici, *supra* note 4 (recognizing rare use of §1.129(b)).

²⁶ See the Act, *supra* note 2, § 532(a) (discussing extensions and reasons for which they are granted).

²⁷ See *Questions and Answers*, *supra* note 4 (outlining future plans of USPTO).

Under the twenty-year term, the first aspect of a terminal disclaimer, expiration of the patents on the same date, is no longer necessary because simultaneous expiration occurs by operation of law. The twenty-year term, however, does not address the common ownership aspect of the terminal disclaimer practice. The common ownership requirement prevents the applicant from transferring the patents to two different parties who would have rights to exclude each other, to the public detriment.²⁸ Where there is a double patenting rejection,²⁹ however, common ownership will continue to be a USPTO requirement for applications filed on or after June 8, 1995.

II. PROVISIONAL APPLICATIONS

To provide nationals of the United States parity with nationals of countries such as the United Kingdom, which has a provisional patent application system, the Act created a United States provisional patent application.³⁰ The United States provisional application need only disclose the invention, identify the inventors, and be submitted with the requisite low fee.³¹ The application must be accompanied by a cover sheet identifying it as a provisional application and listing the inventors, the attorney or the agent, the registration number, and a correspondence address. No claims are needed. The application is automatically abandoned after one year.

During that year, the applicant may file foreign applications claiming the protection of both the provisional application and any regular, full utility United States application based on the provision. The twenty-year term runs from the filing of the utility application, thereby providing the applicant with a year of pendency without loss of patent term. It appears that certain defensive and offensive benefits, as well as simplicity and low cost, flow from the provisional application practice.

²⁸ If the two patents are assigned to separate owners and the first owner licenses a third party, the second owner could possibly levy a charge of infringement against the licensee, despite the license from the first owner.

²⁹ See *Questions and Answers*, *supra* note 4 (explaining future requirement of common ownership).

³⁰ See the Act, *supra* note 2, § 532(b).

³¹ The fee for a provisional application is currently \$150.00 for a large entity and \$75.00 for a small entity. 37 C.F.R. § 1.16(k) (1995).

In theory the provisional application seems to address concerns regarding gaining access to the patent system held by many small entities, including universities. The provisional application, however has not proved to be the answer.

First, the provisional application's status under the Paris Convention has been challenged within the World Intellectual Property Organization (WIPO). Those challenging it argue that because the provisional application is automatically abandoned after one year, it does not qualify for priority status. The WIPO and the European Patent Office, however, have opined that a provisional application indeed qualifies as a priority application. The Japanese Patent Office is expected to reach a similar conclusion. These opinions, however, will not be binding upon the national courts of foreign countries. Thus, the question of priority status for provisional applications remains unanswered.

Second, in the United States, an applicant may claim the benefit of a provisional application only for inventions which are fully disclosed in accordance with 35 U.S.C. Section 112. Similarly, in foreign countries, the benefits of a provisional application may be claimed only for inventions which are fully disclosed in accordance with the laws of those countries. To meet Section 112 and foreign disclosure requirements, a provisional application must be as detailed as the disclosure in a regular utility patent application. Therefore, the applicant seeking to use the provisional application practice appears likely to incur the same expenses as when preparing a full, regular utility patent application. An applicant runs a great risk if he files a provisional application without complete disclosure.

Universities believed that the provisional application procedure would allow submission of draft manuscripts prior to publication. Draft manuscripts are typically more narrow in focus and scope than a regular utility patent application based thereon. It appears that such manuscripts may not support claims in regular utility patent applications filed subsequently, if the embodiments of those claims are not fully disclosed in accordance with such provisions as 35 U.S.C. Section 112. Accordingly, while there is no reported USPTO data on the filing of provisional applications,

many corporations and universities do not use provisional applications extensively.³²

III. CONCLUSION

Despite the GATT Bubble, the increased number of applications has not been overwhelming. The majority of GATT Bubble applications are being processed by Examiners. The procedures for extending prosecution of pre-GATT applications have not significantly added to the USPTO's burden because, while Section 129(a) is used extensively by applicants, it is not overwhelming the Examining Corps. In addition, neither Section 129(b) nor the provisional application procedures are being extensively utilized by applicants.

While GATT has significantly changed patent practice, the effect of these changes is likely to be realized more in the future than at present. Further changes are anticipated.³³ The impact upon the USPTO, however, does not appear to be significant.

³² Licensing Executive Society, Inc. (USA and Canada), 1996 Winter Meeting, Salt Lake City, Utah, Friday, March 1, 1996, Gates, E.R., "What Do We Know About Patent Prosecution Nine Months After Gatt? The Use of Provisional Patent Applications," seminar on provisional application practice. Author Kowalski attended this seminar. It is respectfully submitted that this was the view of many attendees of the seminar. Perhaps when foreign national courts indeed rule that United States provisional applications qualify as priority applications under the Paris Convention, provisional applications will be more widely accepted by applicants.

³³ See, e.g., H.R. 1733, 104th Cong., 1st Sess. (1995) (examining publication of applications eighteen months from earliest effective filing or priority date and to length of patent term); see also H.R. 359, 104th Cong., 1st Sess. (1995); S. 1540, 104th Cong., 2d Sess. (1995).

