

**INTELLECTUAL PROPERTY
CLIENT ALERT**

March 22, 1995

**GATT and its Impact on Patents:
Advice to Intellectual Property Owners**

U.S. patent laws have been recently amended by the enactment of the legislation implementing GATT. These changes can affect the rights of patent owners and the strategy that should be followed in procuring patent rights. This SHSL Client Alert discusses these changes and issues that patent owners should consider in light of these changes.

I. What is GATT?

On April 15, 1994, as a result of the Uruguay Round of Multilateral Trade Negotiations under the General Agreement on Trade and Tariffs (GATT), approximately 115 countries signed several free trade agreements. One of the key agreements was the Agreement on Trade-Related Aspects of Intellectual Property Law (TRIPs). TRIPs establishes comprehensive standards for the protection of intellectual property rights in World Trade Organization (WTO) member countries. Legislation implementing the GATT/TRIPs agreement in the United States was passed by Congress and signed by President Clinton on December 8, 1994. As a result, several significant changes in the United States patent law will take effect on June 8, 1995. Other changes will take effect on January 1, 1996.

Patent owners and licensees, and others seeking, or planning to seek, patent rights in the near future should consider these changes in order to maximize the value of those rights. While this Client Alert summarizes the major changes, we encourage you to pursue individualized consultation in order to develop a strategic plan to secure the most valuable intellectual property protection for your business's particular needs.

delayed by interference proceedings, secrecy orders, or adverse determinations of patentability that are reversed on appeal. Extensions for pre-marketing regulatory review will also continue to be available.

B. Provisional Applications

Another significant change in the patent law will be the establishment of a system for filing provisional patent applications. Beginning June 8, 1995, inventors will be able to file a provisional application for a fee of \$150 (\$75 for small entities). The provisional application will establish a filing date for priority purposes but will *not* start the 20-year patent term. After filing the provisional application, the applicant will have 12 months to file a regular patent application claiming priority based on the provisional application. The provisional application will be abandoned after 12 months with no exceptions or extensions.

The provisional application will enable an inventor to preserve a priority date while giving the inventor up to 12 months to seek additional financing, perform product testing, and the like. However, priority will only be available if the invention, the manner of making and using the invention, and the best mode of carrying out the invention are disclosed in such a manner as to enable a person skilled in the art to make and use the invention. As a result, even though provisional applications do not need to contain claims and will not be examined, a provisional application should be as thoroughly and carefully prepared as a regular application.

A provisional application must also name the inventors. However, it may sometimes be difficult to determine who the inventors of the "claimed invention" are, since claims need not be filed. Further, although a provisional cannot claim priority based on an earlier foreign or domestic application, a provisional application is a regular national filing that starts the Paris convention priority year. The provisional may be useful where a filing date needs to be obtained before publication of the subject matter of the patent application, for example. If a company plans to demonstrate the invention at an impending trade show, for example, a provisional may be filed with all of the documentation related to the invention, where the documentation is sufficient to enable the invention. A patent application may be filed within 12 months, claiming priority based on the filing date of the provisional.

C. Date of Invention for Obtaining a Patent

Despite the changes in the patent term, the U.S. has retained its "first to invent" system. Thus, where the same invention has been made by separate inventors, the first inventor will be entitled to the patent as long as he or she has not abandoned, suppressed, or concealed the invention. Prior to NAFTA and GATT/TRIPs, however, the date of invention could only be proven by reference to acts occurring in the U.S.

- patents in force on June 8, 1995; and
- patents issued after June 8, 1995, for applications filed prior to June 8, 1995.

Many patent owners whose patents were about to expire on or after June 8, 1995, will find their patent terms unexpectedly extended. For example, a patent application may have been filed on June 8, 1977, and issued as a patent two years later, on June 8, 1979. The patent term would have been in force 16 years as of June 8, 1995, and would have expired on June 8, 1996 (*i.e.*, after 17 years from issue), before the GATT amendments. However, under the 17/20-year dual term, 20 years after the date of filing will not elapse until June 8, 1997, one year after the 17-year expiration date. Thus, with the enactment of the GATT implementing legislation, the owner of this patent will find that the patent's term has been extended by one year, from June 8, 1996, to June 8, 1997.

Although the term of certain patents may be extended, the remedies of injunction, damages, and attorneys' fees do not apply to acts which became infringing because of the extended term, and that were commenced or for which substantial investment was made *before* June 8, 1995. Thus, these acts may be continued during the extended term by "infringers," effectively under a "compulsory license," upon the payment of "equitable remuneration" to the patent owner.

B. After-Final Practice

Many patent applications will be pending on June 8, 1995, that have been pending for quite some time. Many of these would have eventually matured into patents with 17-year terms, measured from the date of issuance. Before the GATT implementing legislation, this would have been the case even if the prosecution of these pending patent applications would have required the filing of continuations or divisionals. However, if a continuation or divisional is filed *after* June 8, 1995, even if the parent was filed prior to June 8, 1995, a patent that issues from the continuation or divisional will expire 20 years from the filing date of the parent application. This could result in a useful patent term of substantially less than 17 years.

The GATT implementing legislation relaxes PTO practice in these two areas, to reduce the necessity of having to file continuations or divisionals to continue prosecuting the application. The purpose of these transitional provisions is to allow patents that normally would have matured into 17-year patents more of a chance of doing so. Thus, the transitional provisions give the applicant more opportunity to have the application mature into a patent without having to file a divisional or continuation after June 8, 1995, when the new 20-year term would be effective.

The transition after-final practice is available only for patent applications on file as of June 8, 1995, and having a U.S. effective date on or before June 8, 1993. Under

☞ **File Patents Before June 8, 1995.** For patent disclosures or inventions for which patent applications have not yet been filed, patent owners should consider filing before June 8, 1995, to ensure that any patent that issues will have at least a 17-year term. A separate application should be filed for each patentably distinct invention, to avoid having to file divisionals after June 8, 1995 (which would be subject to a term of 20 years from the parent, rather than 17 years from the date of issuance of each patent).

In considering this issue, the probable commercial importance of the patent should be considered. It should also be determined whether or not the (potential) patent's value will be substantial toward the end of any patent term of 17 years or longer. If not, the distinction between a 20 year and 17 year term may be commercially negligible, in which case the extra costs of filing prior to June 8, 1995 (for example, more hastily prepared patent applications, or applications filed before innovative refinements are made to the invention) may not be worth it.

☞ **CIPs.** Patent owners should attempt to avoid filing CIPs on or after June 8, 1995. Rather, new applications should be filed on the new matter claimed instead, where possible, to avoid the possibility of having the 20-year term for some or all claims in the CIP start at the parent's filing date.

☞ **Final Office Actions.** Patent applicants should determine if any of their applications pending on June 8, 1995, and having a U.S. effective date on or before June 8, 1993, have received final office actions. As discussed above, the applicant can respond two more times after final, and continue prosecuting the application, to avoid filing a continuation after June 8, 1995. For applications having a U.S. effective date after June 8, 1993, where a final office action has been received, and the applicant anticipates having to file a continuation, the applicant should consider filing a file-wrapper continuation before June 8, 1995.

☞ **Transitional Restriction Practice.** Patent applicants should also determine if any of their applications that will be pending on June 8, 1995, and having a U.S. effective date on or before June 8, 1992, have received a restriction requirement on or after April 8, 1995. If so, the applicant should consider prosecuting all the "separate and distinct" inventions without filing divisionals.

☞ **Divisionals and Separate and Distinct Inventions.** For patent applications with outstanding restriction requirements made before April 8, 1995, practitioners should strongly consider filing the divisionals prior to June 8, 1995, for all patentably distinct inventions that have not yet been filed as divisionals, to preserve a 17-year term for the divisionals that eventually mature into patents. For other pending applications that

Proposed Rules to implement the legislative changes are found in 59 Fed. Reg. 63951 (Dec. 12, 1994) and in 1170 O.G. 377 (Jan. 3, 1995).

For additional information regarding the GATT and its effect on intellectual property law, please contact William H. Murray at 215-751-2383; or fax number 215-751-2205; or Internet address Bill_Murray@shsl.com.

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