Statement of

The Honorable Patrick Leahy

United States Senator
Vermont
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Statement of Senator Leahy Chairman, Senate Judiciary Committee Hearing on "Process Patents"

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A few weeks ago, I joined with Senator Hatch and other Senators, and with Chairman Berman and Representative Smith from the House Judiciary Committee, to introduce sweeping bipartisan, bicameral patent reform legislation. We are working to update our patent laws to provide much-needed reform for patent seekers and patent holders. The Supreme Court is also more engaged in patent law decisions than it has been in decades, having decided three important cases already this term. In two decisions released just yesterday, the Supreme Court ventured first into the fundamental issue of the standard for "obviousness" that would prevent patentability, and second spoke to the extraterritorial effect of U.S. patent laws.

In the process of drafting our patent reform legislation, we heard a good deal about another issue involving U.S. patents and overseas manufacturing -- the issues surrounding products produced overseas using processes patented in the United States. One of those issues is the importation of these products. Today, we turn to the debate about what defenses should be available to a party accused of importing products manufactured abroad by infringing a U.S. process patent. Those who work in this area refer to this issue as the "271(g) question."

It is often the case that litigation brings important issues to our attention in Congress. It should always be the case that we do not intend to interfere with that litigation. Well aware that private parties are interested, the Committee proceeds today careful to limit the considerations of this issue to those of public policy.

Prior to Congress's amending the patent laws in 1988, a company holding a U.S. process patent could sue for infringement of that patent only if the infringement took place within the United States. If the infringement took place overseas, the patent holder's only recourse was to the International Trade Commission (ITC) to exclude the product from the U.S. market. In 1988, Congress amended the law to permit patent holders to sue in federal court for patent infringement when a product, produced abroad using a process patented in the U.S., is imported or offered for sale in the U.S. This action, however, was subject to defenses created for patent infringement cases in which the product being imported was substantially altered.

The ITC has held that these "271(g)" defenses are not available in ITC exclusion proceedings because the plain language of the statute, confirmed by legislative history, applies them only to

patent infringement claims being considered in federal court pursuant to the 1988 amendment. The issue we consider today is whether this distinction should remain.

I have heard from those who argue that the defenses were never intended to be limited to infringement claims, and the law should be changed to harmonize ITC and district court litigation. Others argue that the purposes of an ITC exclusion proceeding and district court patent infringement litigation are simply different. If we permit products to enter the United States that were made abroad by a process patented here - where creation of the product would itself be an act of infringement if it occurred here - we are doing nothing less than outsourcing infringement and offshoring jobs.

This may seem like is a very narrow legal issue but the policy that will animate our decision can have a very wide reach. Congress should be fully informed. I look forward to the testimony of our witnesses today, and appreciate their assistance as we try to find the best way forward.

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