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AMENDING THE PATENT AND TRADEMARK LAWS

SEPTEMBER 9, 1980.—Ordered to be printed

Mr. KASTENMEIER, from the Committee on the Judiciary, submitted the following

REPORT

[To accompany H.R. 6933]

[Including cost estimate and comparison of the Congressional Budget Office]

The Committee on the Judiciary to whom was referred the bill (H.R. 6933) entitled: "To amend the patent and trademark laws", having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendment to the text of the bill is a complete substitute therefor and appears in italic type in the reported bill.

The title of the bill is amended to reflect the amendment to the text of the bill.

STATEMENT

THE NEED FOR THE LEGISLATION

Many analysts of the U.S. economy have warned that the roots of the current recession lie in a longer term economic malaise which arises out of a failure of American industry to keep pace with the increased productivity of foreign competitors.[1]

According to the Committee for Economic Development, "the slowing of productivity improvement during the past few years parallels the discouraging decline in the rate of investment in plant and equipment." [2] The rate of investment as a proportion of GNP has averaged about one half the rate for France and Germany and about one third the rate for Japan. Further, the situation does not

[1] Report of the President's advisory Committee on Industrial Innovation, Sept. 1979.
[2] *Stimulating Technological Progress.* A statement by the Research and Policy Committee of the Committee for Economic Development, Jan. 1980. pp. 2-7.

mittee on the Judiciary and are embodied in H.R. 6933 and H.R. 3806.

H.R. 6933 has three major thrusts. First, it strengthens investor confidence in the certainty of patent rights by creating a system of administrative reexamination of doubtful patents. Secondly, it strengthens the financial resources of the Patent Office to provide fast and accurate processing of patent applications by revising the fee structure of the Office. Finally, the existing melange of 26 different agency policies on vesting of patent rights in government funded research is replaced by a single, uniform national policy designed to cut down on bureaucracy and encourage private industry to utilize government funded inventions through the commitment of the risk capital necessary to develop such inventions to the point of commercial application.

H.R. 3806 embodies another recommendation of the Advisory Committee and the President. It grants jurisdiction over appeals in patent cases to a single court of appeals—ending the current legal confusion created by 11 different appellate forums, all generating different interpretations of the patent law. The new court will do a great deal to improve investors' confidence in patented technology.

In addition to the three broad areas already outlined, H.R. 6933 addresses the special needs of Universities and small businesses when they attempt to deal with patent issues arising out of government contracts. Both of these groups lack the resources to cope with the bewildering regulatory and bureaucratic problems associated with transfer of patent rights pursuant to government contracts; and the university sector in particular is an important link to the private sector.

The Subcommittee on Courts, Civil Liberties and the Administration of Justice held seven days of hearings on H.R. 6933 and related patent law proposals. In all, over thirty witnesses from Government, the private Bar, industry, education, small business, and the judiciary offered testimony on the various legislative proposals before the subcommittee. Hearings were followed by four days of markup, during which H.R. 3806, creating a new Court of Appeals for the Federal Circuit, H.R. 6933, containing reforms in patent policy and procedures, and H.R. 6934, clarifying the law of copyright of computer programs, were reported favorably. Each bill was reported unanimously. The unanimous votes, particularly on H.R. 6933, were cast only after careful examination of the legislation in light of the criticisms made during the hearings and after consultation with members of the Committee on Science and Technology, which shares jurisdictional interest. During the course of markup H.R. 6933 was amended substantially to respond to criticisms raised during the hearing.

Summary of the Bill

H.R. 6933, as amended, addresses four major issues. Section 1 provides for a system of administrative reexamination of patents within the patent office. This new procedure will permit any party to petition the patent office to review the efficacy of a patent, subsequent to its issuance, on the basis of new information about preexisting technology which may have escaped review at the time of the initial examination of the patent application. Reexamination

Should the invention prove to have no commercial value, the inventor has the option of permitting the patent to lapse, thus avoiding all further fees.

Section 6 of H.R. 6933 provides for a uniform policy governing the disposition of patent rights in government funded research. This would replace the 26 different agency policies now in effect. There are two patent policies provided in this section. Non-profit research institutions and small businesses are given preferential treatment. The legislation establishes a presumption that ownership of all patent rights in government funded research will vest in any contractor who is a non-profit research institution or a small business. This portion of H.R. 6933 substantially incorporates legislation separately introduced, H.R. 2414 (S. 414), entitled the University, Small Business Patent Policy Act.

Large businesses are governed by a separate policy. They receive exclusive licenses for specific uses they intend to commercialize. As with small business and universities, here too the presumption lies with the granting of exclusive rights to the Contractor.

Critics of the bill testified that it would be impossible for a contractor to determine in good faith his ability to commercialize in a particular field of use at the time of disclosure of the invention.

As a result and for the purposes of foreign patent rights, the subcommittee approved an amendment which grants temporary title to a contractor for up to four and one half years before requiring him to specify his fields of use. This provides for more flexibility for the contractor while at the same time protecting the taxpaying public because:

1. The government, not the contractor, will obtain ownership of patent rights to contract inventions.
2. The government will permit contractors to obtain exclusive licenses but only for fields of use in which they intend to commercialize a patented invention.
3. The government has the right to deny the transfer of exclusive rights for any field of use within 90 days of the contractor's disclosure of a field or fields of use he intends to commercialize.
4. Public interest antitrust and national security standards are to be applied by the government in making such determination whether to deny an exclusive license.

From a contractor point of view, the amendment offers many of the advantages of patent ownership, including full title abroad and the right to sublicense domestically.

From an innovation point of view, the requirement that exclusive licenses be limited to specified fields of use that the contractor intends to commercialize should prevent sitting on technology, and spur innovation.

Some contractors, particularly in the defense area, will lose some rights which they presently receive through full waiver. However, the overwhelming number of contractors will receive faster, more efficient treatment under these provisions. For example, delays in acting on patent right waiver requests, which now take on the average a year and a half in agencies like the Department of Energy, will be eliminated. Contractors will know their rights with certainty within 90 days of identifying a specific field of use under a patent to a government financed invention.

termination. Further, it would permit the Commissioner to initiate reexamination without a request upon a determination that a substantial new question of patentability is raised by patents or publications discovered by him or cited under the provisions of section 301. This authority to initiate reexamination without a request is not intended to abrogate in any way the right of the United States to sue to cancel a patent obtained by fraudulent means.

This "substantial new question" requirement would protect patentees from having to respond to, or participate in unjustified reexaminations. Further, it would act to bar reconsideration of any argument already decided by the Office, whether during the original examination or an earlier reexamination.

Subsection 303(b) requires that the Commissioner's determination be recorded in the file of the patent and a copy promptly sent to the patent owner and the person requesting the reexamination.

Subsection 303(c) makes final and nonappealable a decision by the Commissioner not to conduct reexamination. In such a case, however, a portion of the reexamination fee could be returned.

No one would be deprived of any legal right by a denial by the Commissioner of a request for reexamination. A party to a reexamination proceeding could still argue in any subsequent litigation that the PTO erred and that the patent is invalid on the basis of the cited prior art.

Section 304. Reexamination order by Commissioner

Section 304 specifies the initial steps to be taken where the Commissioner determines that reexamination should be ordered. Upon issuance of a determination ordering reexamination, the patent owner would be given the opportunity to file a statement with the Office and, if he wishes, to propose an amendment to the specification or claims of his patent as well as a new claim or claims in response to the Commissioner's determination. The patent owner would be required to serve a copy of any such statement and any proposed amendment on the person requesting reexamination, who would be permitted to file a reply with the Office, with service required on the patent owner.

Section 305. Conduct of reexamination proceedings

Section 305 governs the conduct of the actual reexamination proceeding. Section 305 specifies that after the initial exchange permitted under section 304, the PTO will utilize the same procedures it uses for the initial examination of patent applications under patent law sections 132 and 133. The patent owner could propose an amendment to his patent specification or claims, as well as propose a new claim or claims, to distinguish his invention from the prior art cited under section 301. However, the bill would prohibit the Commissioner from granting during reexamination any amended or new claim that enlarges the scope of a claim of the original patent. Also, the bill would require reexamination to be promptly handled, so as to make it as helpful as possible.

Section 306. Appeal

Section 306 grants a patent owner the right to pursue the same appeal routes available to patent applicants. An adverse decision on reexamination by the primary examiner could be appealed to

fees, the cost of the patent examiners and their clerical support, as well as quality review, appeals, interferences, and patent printing including internal PTO printing costs. Also, "actual" is intended to exclude from such costs the acquisition or replacement of equipment where such acquisition or replacement involves substantial capital outlays. Such expenditures would be paid from the Patent and Trademark Office's appropriation. The cost of data and document retrieval systems, however, to the extent that these expenditures goes toward the reclassification of the patent search file, should be borne 50 percent by the public. These are the actual costs of processing patent applications, an activity which confers certain direct benefits on private persons.

The committee notes that the PTO furnishes to the public copies of issued patents for a fee. The costs to the PTO of such copies should be charged to applicants.

The trademark examiners and their clerical support, the trial and appeal process, and trademark printing should be paid for to the extent of 50 percent by applicants for the registration of trademarks.

Some of the cost of operating the PTO confers no direct benefit to the general public, but rather goes to providing services to private parties. The cost of customer services such as providing copies should be recovered 100 percent in fees. Also, in the patent process, drafting and assignments should be self-supporting.

ILLUSTRATIVE EXAMPLE OF PTO RECOVERY POLICY—BASED ON FISCAL YEAR 1981 BUDGET

I. Government 100 percent: Commissioner (includes Office of Information Services); Office of Legislation and International Affairs; Management planning; Administrative services; Automatic data processing; and Search room.

II. Government 50 percent/users 50 percent: Examination—professional staff; Quality review; Clerical force; Appeals; Interferences; Patent printing; Solicitor; Data and document retrieval; publication services; Examination of trademarks; Trademark trial and appeal; and Trademark printing.

III. Users 100 percent: Customer services; drafting; and assignment.

Section 41. Patent fees

Subsection 41(a) authorizes the Secretary of Commerce to set fees administratively for processing a patent application, for maintaining a patent in force, and for providing all other patent services and materials.

Subsection 41(b) requires the Secretary of Commerce to establish fees for processing patent applications, from filing to disposition by issuance or abandonment, equal in aggregate to 25 percent of the estimated average cost of actually processing an application. As fee revenues and costs change, the Secretary would adjust fees to achieve the specified recovery rate once every three years. These fees are those of the type now specified in paragraphs 1, 2, 3, and 6 of existing subsection 41(a) of the patent laws. The Secretary would have authority to eliminate or change the amounts of any of the present fees and establish others, so long as a fee charged directly

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Subsection 42(c) makes fee revenues credited to the PTO Appropriation Account available to the Secretary of Commerce to carry out the activities of the Patent and Trademark Office. Budgetary control is maintained since the PTO would continue to receive appropriations and the use of fee revenues would be limited "to the extent provided for in an appropriations Acts."

Subsection 42(d) authorizes the Secretary to refund any fee paid by mistake or any account paid in excess of that required. This authority is found in existing section 42.

TECHNICAL AMENDMENT

Section 4 of the bill is a technical amendment to section 154 of the patent laws necessitated by creation of the maintenance fee system.

TRADEMARK FEES

Section 5 of the bill amends existing section 31 of the Trademark Act of 1946 as amended (15 U.S.C. 1113) to modernize the trademark fee system. The present statutory fees specified in this section would be replaced by fees established by the Secretary.

Section 31. Fees

Subsection 31(a) permits the Secretary to eliminate or vary some present fees and to establish others. Fees for trademark examination and processing, as well as for products and services provided in connection with trademarks, would be required to recover 50 percent of all costs of these products and services. Fees could be changed only once every three years.

Subsection (b) permits the Commissioner to waive the payment of any fee in connection with an occasional request from another government agency, and provides that no fee shall be charged to the Indian Arts and Crafts Board to register government trademarks of genuineness and quality for Indian products or for products of particular Indian tribes and groups.

GOVERNMENT PATENT POLICY

Section 6 of the bill amends title 35 of the United States Code by adding after chapter 37 a new chapter 38, entitled the Government Patent Policy Act of 1980, to establish a uniform federal system for the commercialization and allocation of rights in inventions resulting from federally sponsored or supported research and development. Chapter 38 is divided into four subchapters which together add thirty-one new sections to title 35.

Section 381. Title

Section 381 provides for the chapter to be known as the Government Patent Policy Act of 1980.

Commercialization or marketing of products or processes embodying an invention may initially be accomplished by a contractor prior to reporting his field of use selection to the Government, which is a prerequisite to obtaining an exclusive license under section 384(b) and (c), if the contractor elects to initially commercialize or market such products or processes pursuant to the non-exclusive license provisions of section 385. Upon the contractor thereafter filing the field of use list or lists for such processes or products, such non-exclusive license shall become an exclusive license for the selected fields of use upon the expiration of the 90-day period provided in subsection (c) unless the Government notifies the contractor within such 90-day period of a contrary determination made under subsection (d).

Subsection (b) provides for the contractor to receive an exclusive license in each described field of use if it fields a United states patent application within a reasonable time. The contractor's license is subject to the Government's minumum rights under section 386 and march-in rights under section 387.

Subsection (c) profides that the contractor will automatically acquire an exclusive license for each described field of use by operation of law ninety days after providing the responsible agency with the field of use report required by subsection (a) of section 384 unless the agency earlier notifies the contractor of a contrary determination under subsection (d) of this section with respect to such field of use. In that case, the contractor would acquire an exclusive license by operation of law in all other selected fields of use, if any. The Committee believes that expedition and predictability are two essential ingredients of achieving commercialization of Government funded inventions and therefore intends that the 90-day period be a maximum time not subject to extension even by consent of the Contractor. Also for this reason, it is the Committee's intent that there be a prsumption in favor of the contractor receiving such exclusive license, and the Committee intends that contractors shall receive such exclusive licenses except in the most extraordinary of circumstances.

Subsection (d) sets forth the basis for an agency determination that a contractor will not receive an exclusive license in a selected field of use.

> The contractor will not acquire an exclusive license in any field of use if the responsible agency determines that the contractor's possession of such license: (1) would impair national security; or (2) would create or maintain a situation inconsistent with the antitrust laws.

Subsection (b) is intended to be permissive and is not intended to result in the creation of special sections or the hiring of additional personnel for its administration. An agency is not required to undertake any determination, perhaps preferring except in extraordinary cases, to await actual experience under the exclusive license to see whether circumstances then justify exercise of a march-in right reserved by section 387. Further, to reduce administrative burdens and to increase the security of the contractor in its knowledge that it will receive exclusive rights in the invention, the scope of the agency's inquiry underlying this determination is limited. The agency's review should focus on those unforseen antitrust and

ganization and to existing licensees who the contractor is obligated to license or to assure freedom from infringement liability.

Section 386. Minimum Government rights

Subsection (a) sets forth the minimum rights the Government has in every contract invention, unless waived under the authority of section 388. These minimum righs included:

(1) "The right to require from the contractor written reports on the use of the invention if patented;

(2) A royalty-free worldwide license to practice the invention or have it practiced for the Government; and

(3) The right to license or sublicense state and local governments to practice the invention or have it practiced for them, if the agency determines at the time of contracting that acquisition of this right would serve the national interest."

Subsection (b) requires that whenever the Government has rights in a contract invention, notice to that effect shall be included in each United States patent application and patent on the invention.

Sec. 387. March-in rights.

Section 387 sets forth the basis on which the responsible agency may terminate the contractor's title or exclusive rights with respect to one or more fields of use in any patent on a contract invention; may require the contractor to grant appropriate license or sublicense to responsible applicants; or, if necessary, may grant such licenses or sublicenses itself.

Subsection (a) sets forth the grounds for exercise of the Government's march-in rights:

(1) If the contractor has not taken and is not expected to take timely and effective action to achieve practical application of the invention in one or more of the fields of use selected;

(2) If necessary to protect the national security;

(3) If necessary to meet requirements for public use specified by Federal regulation;

(4) If continuation of the contractor's rights in the invention would create or maintain a situation inconsistent with the antitrust laws; or

(5) If the contractor has failed to comply with the reporting requirements of this Act with respect to such invention.

The Government may march in only in a field of use which gives rise to one or more of the situations described in the above five paragraphs. The fact that a contractor's behavior does not give rise to such a situation with respect to some fields of use will not prevent the Government from marching in in another field of use.

This section is intended to continue existing practice and the Committee intends that agencies continue to use the march-in provisions in as a restrained and judicious manner as in the past.

Subsection (b) permits the responsible agency to exercise its march-in rights either on its own initiative or in response to a petition from an interested person justifying such action. Agency failure to initiate a march-in proceeding in response to a petition is not a determination appealable to the United States Court of Customs and Patent Appeals under section 407.

agency. The Government is prohibited from publishing or releasing these reports until the earlier of one year after their receipt or the final disposition of rights under this subchapter.

Section 393. Criteria for the allocation of rights

Section 393 establishes the criteria for allocation of invention rights between the Government and its employee-inventor. Basically, the allocation depends upon the relationship of the invention to the employee's work and the use of Government resources.

Paragraph (1) provides for Government acquisition of all invention rights if the invention bears a direct relation to the duties of the employee-inventor or was made in consequence of the employee's employment.

Paragraph (2) provides that, where the invention neither bears a direct relation to the employee's duties nor was made in consequence of the employee's employment, but was made with a contribution of Federal resources, the employee may receive all rights in the invention subject to a nonexclusive royalty-free worldwide license to the Government to practice the invention or have it practiced for the Government as well as to sublicense State, local, or foreign governments if acquisition of this right would serve the national interest.

Paragraph (3) permits the Government to waive to the employee its rights under paragraph (1) of this section , subject to the Government license described in paragraph (2) of this section.

Paragraph (4) requires the Government to acquire all rights in any invention if the national security might be impaired should the employee-inventor receive rights to it, notwithstanding the provisions of paragraphs (2) or (3) of this section.

Paragraph (5) entitles an employee-inventor to all rights in an invention made by the employee not covered by paragraphs (1), (2), or (3) of this section.

Paragraph (6) permits the Government to enter into agreements allocating rights in inventions resulting from research and development to which other parties have contributed substantially, notwithstanding paragraph (1) of this section.

Section 394. Presumptions

Section 304 establishes rebuttable presumptions for the application of the criteria set forth in section 393.

Subsection (a) sets out employee duties which establish a rebuttable presumption that an invention falls within the criteria of paragraph (1) of section 393. Thus, for example, if an employee is assigned to conduct research and development work, it is presumed that the Government will have the right to title in any invention made.

Subsection (b) establishes a rebuttable presumption that an invention made by an employee whose duties fall outside those listed in paragraph (a) of this section falls within the criteria of paragraph (2) of section 393, reserving to the employee title to an employee-invention subject to certain license rights in the Government.

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or after exercise of the march-in provisions. However it does not apply to licenses established by the other sections of subchapter I.

Section 401. Exclusive or partially exclusive licenses

Section 401 sets out terms and conditions under which a Federal agency may grant an exclusive or partially exclusive license.

Subsection (a) provides that an exclusive or partially exclusive domestic license not automatically granted under section 384 may be granted only after public notice and opportunity for filing written objections and only if the responsible agency determines that such licensing is necessary to achieve practical application of the invention and that the scope of proposed exclusivity is not greater than reasonably necessary.

Subsection (b) provides that an exclusive or partially exclusive foreign license may be granted only after public notice and opportunity for filing written objections and after a determination whether the interests of the Government or of United States industry in foreign commerce will be enhanced.

Subsection (c) prohibits the granting of a license under this section if the responsible agency determines that the grant would create or maintain a situation inconsistent with the antitrust laws.

Subsection (d) requires Federal agencies to maintain publicly available, periodically updated records of their determinations to grant exclusive or partially exclusive licenses.

Section 402. Minimum Government rights

Section 402 sets forth the minimum rights the Government is to have in every exclusive or partially exclusive license. These minimum rights include:

(1) "The right to require from the licensee written reports on the use of the invention;

(2) A royalty-free, worldwide right to practice the invention or have it practiced for the Government; and

(3) The right to license State and local, to practice the invention or have it practiced for them if the agency determines that reservation of this right would serve the national interest."

Section 403. March-in rights

Section 403 sets forth the basis on which the responsible agency may terminate an exclusive or partially exclusive license.

Subsection (a) sets forth the grounds for such termination.

(1) "If the licensee has not taken and is not expected to take timely and effective action to achieve practical application of the invention in the fields of use affected;

(2) If necessary to protect national security;

(3) If necessary to meet requirements for public use specified by Federal regulation;

(4) Continuation of licensee's rights in the invention would create or maintain a situation inconsistent with the antitrust laws; or

(5) If the licensee has failed to comply with the terms of the license."

Subsection (b) permits the responsible agency to exercise its march-in rights either on its own initiative or in response to a petition from an interested person.

which the United States, any agency, and any interested person may participate.

Subsection (b) permits the United States or an adversely affected participant to appeal a subsection (a) determination to the United States Court of Customs and Patent Appeals within sixty days after it is issued. The Court of Customs and Patent Appeals is given exclusive jurisdiction to determine the matter de novo, affirming, reversing, or modifying the agency determination. The burden of proof shall rest with the agency.

Section 408. Relationship to other laws

Section 408 is intended to remove any implication that the act provides immunity from the antitrust laws.

Section 409. Authority of Federal agencies

Subsections (a), (b), (c), (d), (e), and (f) set forth the authority of Federal agencies to protect patent rights at home and abroad in—"any invention in which the Government has an interest in order to promote the use of inventions having significant commercial potential or otherwise advance the national interest"—to license federally-owned patent rights; to transfer patent rights to and accept transfers of patent rights from other agencies without regard to the property transfer procedures required by the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 471); to withhold publication or release of information disclosing any invention long enough for patent applications to be filed; to promote the licensing of federally-owned patent rights; and to enter into contracts to accomplish the purpose of this section.

Section 410. Responsibilities of the Secretary of Commerce

Section 410 provides the authorities necessary for the Department of Commerce effectively to assist other Federal agencies administer the licensing of federally-owned inventions. Paragraph (a)(2) authorizes the Secretary of Commerce to coordinate a program to help agencies carry out their authorities under section 409.

Paragraph (a)(6) authorizes the Secretary to publish notices of all federally-owned patent rights available for licensing.

Paragraph (a)(3) authorizes the Secretary to evaluate inventions referred to it by Federal agencies in order to identify those inventions with the greatest commercial potential.

Paragraph (a)(5) authorizes the Secretary to develop and manage a government-wide program, with private sector participation, to stimulate transfer to the private sector of potentially valuable federally-owned technology through the dissemination of information about the technology.

Paragraph (a)(4) authorizes the Secretary to assist the Federal agencies in seeking and maintaining patent protection in any country, including the payment of fees and costs.

Paragraph (a)(1) authorizes the Secretary to consult with the Federal agencies about areas of science and technology with commercial potential.

Paragraph (a)(7) requires the Secretary, seven years after the date of enactment of the Act, to report on its operative effect to the Congress.

Subsection 8(c) provides that the authority to credit fee revenues to the Office's Appropriation Account take effect as of the first day of the first fiscal year beginning one calendar year after enactment. Thus, at least one year would be available to obtain needed administrative approval and implement an appropriate accounting system. However, until section 3 takes effect, the Secretary, in order to pay reexamination costs, may credit the Patent and Trademark Office Appropriation Account with the revenues from collected reexamination fees.

Subsection 8(d) continues existing fees until new fees are established.

Subsection 8(e) provides that maintenance fees shall not be applicable to patents applied for prior to the day of enactment of this Act.

Subsection 8(f) provides that sections 6 and 7 of this bill which establish a uniform patent policy and make necessary conforming amendments to existing laws take effect six months after enactment.

STUDY OF THE PATENT, TRADEMARK, AND COPYRIGHT SYSTEMS

Section (a) provides that, on or before July 1, 1981, the Comptroller General will report to the Congress and the President with respect to the Patent and Trademark Office, the Copyright Office, and the Copyright Royalty Tribunal with a view toward the desirability of of merging them.

COMPUTERIZATION OF THE PATENT SEARCH FILE

Subsection 10(a) requires the Commissioner of Patents and Trademarks to report to the Congress, within six months of the effective date of the Act, on computerized data and retrieval state of the art systems for all aspects of operations of the Office.

Subsection (b) requires the Commissioner to submit additional reports to the Congress every six months until such a plan is fully implemented.

CREATION OF AN INDEPENDENT PATENT OFFICE

Section 11 creates the Patent and Trademark Office as an independent agency, separate from the Department of Commerce, of which it is now a part.

COPYRIGHTABILITY OF COMPUTER PROGRAMS

Section 12 embodies the recommendations of the Commission on new Technological Uses of Copyrighted Works with respect to clarifying the law of copyright of computer software.

During the course of Committee consideration the question was raised as to whether the bill would restrict remedies for protection of computer software under state law, especially unfair competition and trade secret laws. The Committee consulted the Copyright Office for its opinion as to whether section 301 of the 1976 Copyright Act in any way pre-empted these and other forms of state law protection for computer software. On the basis of this advice and

3. Bill status: As ordered reported by the House Committee on the Judiciary on August 20, 1980.

4. Bill purpose: The bill would establish the Patent and Trademark Office (PTO) as an independent agency, removing it from the Department of Commerce (DOC). It would provide for a system of administrative reexaminations, establish a new fee structure, and create a uniform government policy regarding patent rights. H.R. 6933 would require the General Accounting Office (GAO) to report on the desirability of merging the PTO with the Copyright Office and the Copyright Royalty Tribunal. The PTO would also be required to report every six months on the progress being made towards implementation of a computerized data and retrieval system. Finally, H.R. 6933 repeals section 117 of the 1976 Copyright Act to clarify copyright laws regarding computer programs.

5. Cost estimate: The table below reflects the budget impact resulting from a change proposed by H.R. 6933 in the classification of the fees received by the PTO.

[By fiscal years, in millions of dollars]

	1981	1982	1983	1984	1985
Revenue reduction	1.8	23.2	23.8	24.3	24.8
Net spending reduction:					
Estimated authorization level	1.5	23.7	24.7	25.6	31.6
Estimated outlays	2.0	24.6	24.7	25.6	31.6
Net budget impact [1]	−0.2	−1.4	−0.9	−1.3	−6.8

[1] Negative sign indicates increased surplus or decreased deficit.

The costs of this bill fall primarily within budget subfunction 376.

6. Basis of estimate: For purposes of this estimate, it is assumed that this bill will be enacted around October 1, 1980.

Reexamination of patents

H.R. 6933 would allow any party to petition the PTO to reexamine a patent for validity. The cost of reexamination would be paid by the party based on a fee structure established by the Commissioner of Patents. It is anticipated that the number of patent applications for reexaminations will be limited by the cost involved and the potential for commercial development. Based on rates currently available in foreign countries for similar procedures, as well as estimates provided by the PTO, it is estimated that the number of appeals will be approximately 500 in fiscal year 1981, increasing to 2,000 by 1982, and remain relatively stable thereafter.

Although the bill does not specifically authorize funding for this purpose, it is assumed that additional staff will be required to handle the reexamination procedures. Based on PTO data, it is estimated that the average cost per employee, including overhead and benefits, would be approximately $40,000 in fiscal year 1981. Assuming approximately 30 hours per reexamination, plus clerical support, it is estimated that approximately 55 appeals could be reviewed annually by a professional staff member. It is estimated that the cost of this procedure would be approximately $0.4 million in fiscal year 1981, which reflects six months' activity. Costs are es-

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Government patent policy

H.R. 6933 would establish a uniform federal system for the commercialization and allocation of rights in inventions resulting from federally sponsored or supported research and development. The bill would allow contractors from small businesses and non-profit institutions to acquire title to inventions resulting from government funded research. Other contractors could receive exclusive licenses for specific uses. The bill directs the Office of Federal Procurement Policy (OFPP) to issue regulations to implement these policy changes. According to the OFPP, the cost of revising existing regulations would be minimal. It is estimated implementation of these changes in the various federal agencies, including training, would cost approximately $650,000 in fiscal year 1981. Outlays are estimated to be 90 percent the first year and 10 percent the second year.

H.R. 6933 would revise the criteria for allocation of invention rights between the federal government and employees who produce inventions. To stimulate innovation, the bill would establish an incentive cash awards program to federal employee-inventors. The award are to be paid from funds from royalities or agency appropriations; consequently, it is estimated that this provision would result in no additional cost to the government.

The bill also authorizes federal agencies to share income from licensing the government's patent rights with the employee-inventor. It is not possible at this time to estimate the extent to which royalties will be generated or shared with employee-inventors.

Establish an indepenant PTO

H.R. 6933 would create an independent PTO, which is currently an agency within DOC. Based on data provided by the PTO, it is estimated that the net additional cost of this reorganization would be approximately $130,000 in fiscal year 1981. Adjusted for inflation, it is estimated that the cost would increase to approximately $190,000 by fiscal year 1985.

GAO Study

The GAO estimates that the cost of analyzing the feasibility of merging the PTO with the Copyright Office and the Copyright Royalty Tribunal would be approximately $250,000 in fiscal year 1981.

Other

The bill would repeal section 117 of the 1976 Copyright Act, which disclaims any intent to modify the pre-existing copyright law for computer programs. This has the effect of clearly applying the 1976 law to computer programs, which is not expected to have a cost impact upon the federal government.

In addition, H.R. 6933 outlines the responsibilities of the Secretary of Commerce to assist agencies and others in promoting access to patent information. Currently these activities are being performed by the National Technical Information Service (NTIS), created in 1970. The President is requesting approximately $740,000 for these activities in fiscal year 1981, which is about the same level of funding in the current fiscal year. The bill would authorize the appropriation of such sums as may be necessary for these activities. Since current law authorizes these activities it is estimated

dream. If he is successful, the government gives him highly profitable monopoly rights over the product; and, if he fails, well, he hasn't lost anything. There is simply not sufficient evidence to support the creation of another welfare fund for private business which can only serve as a disincentive for private investment.

EMPHASIS ON PROFIT RATHER THAN PUBLIC PURPOSE

The policies and objectives of government funding of research and development should be determined on the basis of what is in the best interest of the public. They should not be legislated to parallel the policies and practices followed by commercial establishments. To do this would change the direction of Federal research and development from a process of intellectual and technological innovation for the general welfare of the people to one which emphasizes the profit incentive underlying commercialization in the marketplace. When a grant or contract determination for research and development includes an automatic concession of exclusive rights to commercialize any resulting invention, technological innovation will be of concern to the contractor only to the extent it contributes to the production of a profitable product.

REIMBURSEMENT PROVISIONS INSUFFICIENT

While there are provisions in the bill for recovery of government-funded research and development costs in certain instances, the exceptions for reimbursement have a tendency to render the provisions meaningless. Section 390(c)(2) permits exemptions from reimbursement where the Federal government's contribution to the technology as licensed or utilized is insubstantial compared with private investment made or to be made. The private investment "to be made" is highly speculative at best. Any good accountant should be able to show that the government's investment is minimal compared to what the marketer "expects" to spend.

Section 390(c)(4) permits waiver of reimbursement where the government funding of the technology with the contractor is less than $1 million, a clearly arbitrary exclusion.

Section 390(c)(5) permits foregoing payment when it would place the contractor at a competitive disadvantage or would stifle commercial utilization of the technology. How repayment of research and development costs would place a contractor at a competitive disadvantage is not quite clear where an exclusive license precludes competition.

Subsection 6 permits exemption from payment when "it is otherwise in the best interest of the government and the general public." It is hard to imagine a taxpayer who, having funded the cost and borne the risk of the research and development of a product, would conclude that it is in his best interests not to be reimbursed from the proceeds accruing to the contractor.

INDEPENDENT PATENT OFFICE

The bill as amended will take the Patent Office out of the Department of Commerce, where it has been for many years. This action will require more funds and will not provide the benefits claimed.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

TITLE 35, UNITED STATES CODE

* * * * * * *

PART I—PATENT AND TRADEMARK OFFICE

* * * * * * *

CHAPTER 1—ESTABLISHMENT, OFFICERS, FUNCTIONS

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§ 1. Establishment

[The Patent and Trademark Office shall continue as an office in the Department of Commerce, where records, books, drawings, specifications, and other papers and things pertaining to patents and to trademark registrations shall be kept and preserved, except as otherwise provided by law.]

§ 1. Establishment

The Patent and Trademark Office, referred to in this chapter as the "Office," shall be an independent agency, where records, books, drawings, specifications, and other papers and things pertaining to patents and to trademark registrations shall be kept and preserved, except as otherwise provided by law.

* * * * * * *

§ 3. Officers and employees

(a) There shall be in the Patent and Trademark Office a Commissioner of Patents and Trademarks, a Deputy Commissioner, two Assistant Ccommissioners, and not more than fifteen examiners-in-chief. The Deputy Commissioner, or, in the event of a vacancy in that office, the Assistant Commissioner senior in date of appointment shall fill the office of Commissioner during a vacancy in that office until the Commissioner is appointed and takes office. The Commissioner of Patents and Trademarks, the Deputy Commissioner, and the Assistant Commissioners shall be appointed by the President, by and with the advice and consent of the Senate. [The Secretary of Commerce, upon the nomination of the Commissioner, in accordance with law shall appoint all other officers and employees.] *The Commissioner shall be the Chief Officer of the Office and shall be a person knowledgeable in patent and trademark matters. The Commissioner shall be appointed for a fixed term of six years and shall be removable from office by the President for good cause. The Commissioner shall appoint all other officers and employees of the Office.*

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§ 7. Board of Appeals

The examiners-in-chief shall be persons of competent legal knowledge and scientific ability, who shall be appointed under the classified civil service. The Commissioner, the deputy commissioner, the assistant commissioners, and the examiners-in-chief shall constitute a Board of Appeals, which on written appeal of the applicant, shall review adverse decisions of examiners upon applications for patents. Each appeal shall be herd by at least three members of the Board of Appeals, the members hearing such appeal to be designated by the Commissioner. The Board of Appeals has sole power to grant rehearings.

Whenever the Commissioner considers it necessary to maintain the work of the Board of Appeals current, he may designate any patent examiner of the primary examiner grade or higher, having the requisite ability, to serve as examiner-in-chief for periods not exceeding six months each. An examiner so designated shall be qualified to act as a member of the Board of Appeals. Not more than one such primary examiner shall be a member of the Board of Appeals hearing an appeal. The [Secretary of Commerce] *Commissioner* is authorized to fix the per annum rate of basic compensation of each designated examiner-in-chief in the Patent and Trademark Office at not in excess of the maximum scheduled rate provided for positions in grade 16 of the General Schedule of the Classification Act of 1949, as amended. The per annum rate of basic compensation of each designated examiner-in-chief shall be adjusted, at the close of the period for which he was designated to act as examiner-in-chief, to the per annum rate of basic compensation which he would have been receiving at the close of such period if such designation had not been made.

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CHAPTER 3—PRACTICE BEFORE PATENT AND TRADEMARK OFFICE

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§ 31. Regulations for agents and attorneys

The Commissioner[, subject to the approval of the Secretary of Commerce,] may prescribe regulations governing the recognition and conduct of agents, attorneys, or other persons representing applicants or other parties before the Patent and Trademark Office and may require them, before being recognized as representatives of applicants or other persons, to show that they are of good moral character and reputation and are possessed of the necessary qualifications to render to applicants or other persons valuable service, advice, and assistance in the presentation or prosecution of their applications or other business before the Office.

* * * * * * *

CHAPTER 4—PATENT FEES

Sec.
41. Patent fees.
42. Payment of patent fees; return of excess amounts.

[(b) The Commissioner may establish charges for copies of records, publications, or services furnished by the Patent and Trademark Office, not specified above.

[(c) The fees prescribed by or under this section shall apply to any other Government department or agency, or officer thereof, except that the Commissioner may waive the payment of any fee for services or materials in cases of occasional or incidental requests by a Government department or agency, or officer thereof.]

§ 41. Patent fees

(a) The Commissioner of Patents will establish fees for the processing of an application for a patent, from filing through disposition by issuance or abandonment, for maintaining a patent in force, and for providing all other services and materials related to patents. No fee will be established for maintaining a design patent in force.

(b) By the first day of the first fiscal year beginning on or after one calendar year after enactment of this Act, fees for the actual processing of an application for a patent, other than for a design patent, from filing through disposition by issuance or abandonment, will recover in aggregate 25 per centum of the estimated average cost to the Office of such processing. By the first day of the first fiscal year beginning on or after one calendar year after enactment, fees for the processing of an application for a design patent, from filing through disposition by issuance or abandonment, will recover in aggregate 50 per centum of the estimated average cost to the Office of such processing.

(c) By the fifteenth fiscal year following the date of enactment of this Act, fees for maintaining patents in force will recover 25 per centum of the estimated cost to the Office, for the year in which such maintenance fees are received, of the actual processing all applications for patents, other than for design patents, from filing through disposition by issuance or abandonment. Fees for maintaining a patent in force will be due three years and six months, seven years and six months, and eleven years and six months after the grant of the patent. Unless payment of the applicable maintenance fee is received in the Patent and Trademark Office on or before the date the fee is due or within a grace period of six months thereafter, the patent will expire as of the end of such grace period. The Commissioner may require the payment of a surcharge as a condition of accepting within such six-month grace period the late payment of an applicable maintenance fee.

(d) By the first day of the first fiscal year beginning on or after one calendar year after enactment, fees for all other services or materials related to patents will recover the estimated average cost to the Office of performing the service or furnishing the material. The yearly fee for providing a library specified in section 13 of this title with uncertified printed copies of the specifications and drawings for all patents issued in that year will be $50.

(e) The Commissioner may waive the payment of any fee for any service or material related to patents in connection with an occasional or incidental request made by a department or agency of the Government, or any officer thereof. The Commissioner may provide any applicant issued a notice under section 132 of this title with a

CHAPTER 17—SECRECY OF CERTAIN INVENTIONS AND FILING APPLICATIONS IN FOREIGN COUNTRY

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§ 181. Secrecy of certain inventions and withholding of patent

Whenever publication or disclosure by the grant of a patent on an invention in which the Government has a property interest might, in the opinion of the head of the interested Government agency, be detrimental to the national security, the Commissioner upon being so notified shall order that the invention be kept secret and shall withhold the grant of a patent therefor under the conditions set forth hereinafter.

Whenever the publication or disclosure of an invention by the granting of a patent, in which the Government does not have a property interest, might, in the opinion of the Commissioner, be detrimental to the national security, he shall make the application for patent in which such invention is disclosed available for inspection to the Atomic Energy Commission, the Secretary of Defense, and the chief officer of any other department or agency of the Government designated by the President as a defense agency of the United States.

Each individual to whom the application is disclosed shall sign a dated acknowledgment thereof, which acknowledgment shall be entered in the file of the application. If, in the opinion of the Atomic Energy Commission, the Secretary of a Defense Department, or the chief officer of another department or agency so designated, the publication or disclosure of the invention by the granting of a patent therefor would be detrimental to the national security, the Atomic Energy Commission, the Secretary of a Defense Department, or such other chief officer shall notify the Commissioner and the Commissioner shall order that the invention be kept secret and shall withhold the grant of a patent for such period as the national interest requires, and notify the applicant thereof. Upon proper showing by the head of the department or agency who caused the secrecy order to be issued that the examination of the application might jeopardize the national interest, the Commissioner shall thereupon maintain the application in a sealed condition and notify the applicant thereof. The owner of an application which has been placed under a secrecy order shall have [a right to appeal from the order to the Secretary of Commerce] *a right to appeal from the order under rules prescribed by the Commissioner* under rules prescribed by him.

An invention shall not be ordered kept secret and the grant of a patent withheld for a period of more than one year. The Commissioner shall renew the order at the end thereof, or at the end of any renewal period, for additional periods of one year upon notification by the head of the department or the chief officer of the agency who caused the order to be issued that an affirmative determination has been made that the national interest continues so to require. An order in effect, or issued, during a time when the United States is at war, shall remain in effect for the duration of hostilities and one year following cessation of hostilities. An order in effect, or issued, during a national emergency declared by the President shall remain in effect for the duration of the national

missioner will determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request, with or without consideration of other patents or printed publications. On his own initiative, and at any time, the Commissioner may determine whether a substantial new question of patentability is raised by patents and publications discovered by him or cited under the provisions of section 301 of this title.

(b) A record of the Commissioner's determination under subsection (a) of this section will be placed in the official file of the patent, and a copy promptly will be given or mailed to the owner of record of the patent and to the person requesting reexamination, if any.

(c) A determination by the Commissioner pursuant to subsection (a) of this section that no substantial new question of patentability has been raised will be final and nonappealable. Upon such a determination, the Commissioner may refund a portion of the reexamination fee required under section 302 of this title.

§ 304. Reexamination order by Commissioner

If, in a determination made under the provisions of subsection 303(a) of this title, the Commissioner finds that a substantial new question of patentability affecting any claim of a patent is raised, the determination will include an order for reexamination of the patent for resolution of the question. The patent owner will be given a reasonable period, not less than two months from the date a copy of the determination is given or mailed to him, within which he may file a statement on such question, including any amendment to his patent and new claim or claims he may wish to propose, for consideration in the reexamination. If the patent owner files such a statement, he promptly will serve a copy of it on the person who has requested reexamination under the provisions of section 302 of this title. Within a period of two months from the date of service, that person may file and have considered in the reexamination a reply to any statement filed by the patent owner. That person promptly will serve on the patent owner a copy of any reply filed.

§ 305. Conduct of reexamination proceedings

After the times for filing the statement and reply provided for by section 304 of this title have expired, reexamination will be conducted according to the procedures established for initial examination under the provisions of sections 132 and 133 of this title. In any reexamination proceeding under this chapter, the patent owner will be permitted to propose any amendment to his patent and a new claim or claims thereto, in order to distinguish the invention as claimed from the prior art cited under the provisions of section 301 of this title, or in response to a decision adverse to the patentability of a claim of a patent. No proposed amended or new claim enlarging the scope of a claim of the patent will be permitted in a reexamination proceeding under this chapter. All reexamination proceedings under this section, including any appeal to the Board of Appeals, will be conducted with special dispatch within the Office.

§ 306. Appeal

The patent owner involved in a reexamination proceeding under this chapter may appeal under the provisions of section 134 of this title, and may seek court review under the provisions of sections 141

Sec. 402. Minimum Government rights.
Sec. 403. March-in rights.
Sec. 404. Regulations.

SUBCHAPTER IV—MISCELLANEOUS

Sec. 405. Patent enforcement suits and right of intervention.
Sec. 406. Background rights.
Sec. 407. Notice, hearing, and judicial review.
Sec. 408. Relationship to other laws.
Sec. 409. Authority of Federal agencies.
Sec. 410. Responsibilities of the Secretary of Commerce.
Sec. 411. Definitions.

SEC. 381. This chapter will be known as the "Government Patent Policy Act of 1980".

SUBCHAPTER I—CONTRACT INVENTIONS

§ 382. Contract inventions; reporting

(a) This title applies to "contract inventions", which in this Act are inventions made in the course of or under Federal contracts.

(b) Every contractor will provide the responsible agency with timely written reports on each contract invention containing:

(1) a comprehensive technical disclosure of the invention, and

(2) a list of each country, if any, in which the contractor elects to file a patent application on the invention;

The Government neither will publish nor release these reports until the contractor or the Government has had a reasonable time to file patent applications or one year has passed since receipt of the disclosure required by subsection (b)(1) of this section, whichever is earlier, the Government also will so withhold such disclosure from other reports or records.

(c) If the responsible agency determines that the contractor has unreasonably failed to file reports as required by subsection (b) of this section as to a contract invention, the contractor may be deprived of any or all the rights it otherwise would have under this subchapter pertaining to such contract invention.

§ 383. Allocation of rights—small businesses and nonprofit organizations

(a) A contractor that is a small business or a nonprofit organization will acquire title to its contract invention in each country it lists under section 382(b)(2) in which it files a patent application within a reasonable time. However, title will be subject to the Government's minimum rights under section 386 and march-in rights under section 387.

(b) The Government will have the right to acquire title to any patent on a contract invention in each country in which the contractor elects not to file a patent application or fails to file within a reasonable time.

§ 384. Allocation of rights—other contractors

(a) A contractor that is not a small business or a nonprofit organization shall provide to the responsible agency, within four and one-half years from the filing under section 382(b) of a report disclosing a contract invention, a list or lists of each field of use in which the contractor intends to commercialize the invention or otherwise

that the national interest would be affected adversely. However, title will be subject to the Government's minimum rights under section 386 and march-in rights under section 387. The Government will have the right to acquire title to any patent on a contract invention in each country in which the contractor elects not to file a patent application or fails to file within a reasonable time.

§ 385. Contractor license

Any contractor that complies with section 382(b) automatically will receive by operation of law nonexclusive, royalty-free licenses to practice the contract invention in all countries where it does not receive title under section 383 or 384 and in all fields of use in the United States in which it does not hold an exclusive license under section 384. These nonexclusive licenses may be revoked only to the extent necessary to allow the Government to grant exclusive licenses under subchapter III.

§ 386. Minimum Government rights

(a) The Government will have the following minimum rights in any contract invention:

(1) the right to require from the contractor written reports on the use of the invention, if patented,

(2) a royalty-free worldwide right or license to practice the invention or have it practiced for the Government, and

(3) the right to license or sublicense State and local governments to practice the invention or have it practiced for them, if the agency determines at the time of contracting that acquisition of this right would serve the national interest.

(b) Whenever the Government has rights in any invention under this title, each United States patent application and patent on the invention will include a statement that the invention was made with Government sponsorship or support and that the Government has rights in the patent.

§ 387. March-in rights

(a) In any field of use, the Government may wholly or partly terminate the contractor's title or exclusive rights in any patent on a contract invention; may require the contractor to grant appropriate licenses or sublicenses to responsible applicants; or, if necessary, may grant such licenses or sublicenses itself. The Government may take such actions only—

(1) if the contractor has not taken and is not expected to take timely and effective action to achieve practical application of the invention in one or more of the selected fields of use;

(2) if necessary to protect the national security;

(3) if necessary to meet requirements for public use specified by Federal regulation;

(4) if continuation of the contractor's rights in the invention would create or maintain a situation inconsistent with the antitrust laws; or

(5) if the contractor has failed to comply with the reporting requirements of this Act with respect to such invention.

(b) These march-in rights may be exercised by the responsible agency on its own initiative or on a petition from an interested person justifying such action.

(2) the Federal Government's contribution to the technology as licensed or utilized is insubstantial compared with private investment made or to be made in technology; or

(3) the contractor is a small business, educational institution, or nonprofit organization; or

(4) the total Government funding of the technology with the contractor is less than $1,000,000; or

(5) the payment would place the contractor at a competitive disadvantage or would stifle commercial utilization of the technology; or

(6) it is otherwise in the best interests of the Government and the general public.

(d) Such regulations shall be promulgated within twelve months of enactment of this section. Until they become effective, each agency shall obtain payment on behalf of the Federal Government for its research and development activities on a contract-by-contract basis in a manner consistent with the provisions of this section.

SUBCHAPTER II—INVENTIONS OF FEDERAL EMPLOYEES

§ 391. Employee inventions

This subchapter applies to "employment inventions", which in this Act are inventions made by Federal employees.

§ 392. Reporting of inventions

(a) Federal employees will file timely written reports on any inventions they make. Such reports will be made to the employee's agency and will contain complete technical information concerning the invention. The Government neither will publish nor release a report until there has been a reasonable time to file patent applications or until one year has passed since the final disposition of rights under this subchapter, whichever is earlier.

(b) If the responsible agency determines that the employee-inventor unreasonably has failed to file a report as required by subsection (a) of this section, the employee may be deprived of any or all of the rights he otherwise would have under this subchapter.

§ 393. Criteria for allocation of rights

The responsible agency will determine the rights of the Government and of Federal employee-inventors in any inventions made by employee-inventors through the use of the following criteria:

(1) If the invention bears a direct relation to the duties of the employee-inventor or was made in consequence of his employment, the Government will acquire all rights in the invention.

(2) If the invention neither bears a direct relation to the duties of the employee-inventor nor was made in consequence of his employment, but was made with a contribution from Federal funds, facilities, equipment, materials, or information not generally available to the public, or from services of other Federal employees on official duty, the employee-inventor will receive all rights in the invention, except as provided in paragraph (4) of this section. However, these rights will be subject to a nonexclusive, royalty-free, worldwide license to the Govern-

§ 397. Incentive awards program

(a) Agencies may monetarily reward and otherwise recognize employee-inventors as an incentive to promote employee inventions and the production and disclosure of employee inventions. For this purpose agencies may make awards under the Federal incentive awards system (5 U.S.C. ch. 45, 10 U.S.C. ch. 57, and implementing regulations), as modified by this section.

(b) The amount of an award for an invention will be based on—

(1) the extent to which the invention advances the state of the art;

(2) the scope of application of the invention;

(3) the value of the invention to the Government or the public; and

(4) the extent to which the invention has come into public use.

(c) Awards for an invention of up to $10,000 may be made by the head of an agency.

(d) Awards of over $10,000 but less than $35,000 may be made by the head of an agency to—

(1) civilian employees, with the approval of the Office of Personnel Management;

(2) members of the Armed Forces, with the approval of the Secretary of Defense;

(3) members of the United States Coast Guard when not operating as a service in the Navy, with the approval of the Secretary of Transportation;

(4) members of the Commissioned Corps of the United States Public Health Service, with the approval of the Secretary of Health and Human Services; and

(5) members of the Commissioned Corps of the National Oceanic and Atmospheric Administration, with the approval of the Secretary of Commerce.

(e) Awards of more than $35,000 may be made to employee-inventors by the President upon recommendation of the head of an agency.

(f) Acceptance of a cash award under this section constitutes an agreement that any Government use of an invention for which the award is made forms no basis for further claims against the Government by the recipient, his heirs, or his assigns.

(g) Any cash award or expense for honorary recognition of an employee-inventor will be paid from the fund or appropriation of the agency receiving the invention's primary benefit.

§ 398. Income sharing from patent licenses

In addition to awards as provided in section 397, an agency may share income received from any patent license with the employee-inventor.

§ 399. Regulations

(a) The Commissioner of Patents shall issue regulations to implement this title.

(b) Any determination of an appointing official under subsection 208(b) of title 18, United States Code, that relates to promotion of an employee invention by the employee-inventor will be subject to regulations prescribed by the Secretary of Commerce with concurrence of the Office of Government Ethics and the Attorney General.

(4) if the continuation of the licensee's rights in the invention would create or maintain a situation inconsistent with the anti-trust laws; or

(5) if the licensee has failed to comply with the terms of the license.

(b) These march-in rights may be exercised by the responsible agency on its own initiative or on a petition from an interested person justifying such action.

§ 404. Regulations

The Office of Federal Procurement Policy will direct the issuance of regulations specifying the terms and conditions upon which federally owned patent rights may be licensed. An agency may deviate from such regulations on a class basis unless prohibited by the Office of Federal Procurement Policy.

SUBCHAPTER IV—MISCELLANEOUS

§ 405. Patent enforcement suits and right of intervention

(a) Any exclusive licensee under this chapter may enforce its exclusive rights under the licensed patent by bringing suit without joining the United States or any other exclusive licensee as a party. However, the licensee will give prompt notice of the suit, or, of any suit filed against it respecting the patent, to the Attorney General and the agency that granted the license, and all parties will serve copies of papers on the Attorney General and the responsible agency as though they were parties to the suit.

(b) When the responsible agency is informed of any suit filed by an exclusive licensee, by the Government, or by any other person respecting a patent subject to the provisions of this chapter, it promptly will give notice to all its licensees under the patent. Any exclusive licensee will be entitled to intervene as a party in such a suit in which the validity or scope of the license patent is, or is likely to be, placed in issue.

§ 406. Background rights

Nothing contained in this chapter will be construed to deprive the owner of any background patent or of rights under such a patent.

§ 407. Notice, hearing, and judicial review

(a) Agency determinations under sections 382, 387(a), and 387(c), and 403 will be made after public notice and opportunity for a hearing in which the United States, any agency, or any interested person may participate, and will include written reasons for the determination.

(b) The United States or any participant that may be adversely affected by an agency determination covered by subsection (a) of this section may appeal the determination to the United States Court of Customs and Patent Appeals within sixty days after the determination is issued. That court will have exclusive jurisdiction to determine the matter de novo and to affirm, reverse, or modify the agency determination.

(1) "Agency" means an "executive agency" of the Federal Government, as defined by section 105 of title 5, United States Code, and the military departments defined by section 102 of title 5, United States Code. "Responsible agency" means the agency which is party to a contract for the performance of research or development, has received patent rights from another agency, or has administrative jurisdiction over an employee-inventor. The Tennessee Valley Authority shall not be considered an "agency" for the purposes of this chapter; and this chapter shall not apply to its patent rights, contracts, and employees.

(2) "Antitrust laws" means the laws included within the definition of the term "Antitrust laws" in section 1 of the Clayton Act (15 U.S.C. 12), as amended.

(3) "Contract" means any Federal contract, cooperative agreement, or grant that provides for performance of research or development substantially funded by the Government. It covers any assignment, substitution of parties, or subcontract of the same type under such a contract. It does not cover Federal price or purchase supports, or Federal loans or loan guarantees.

(4) "Contractor" means any person other than an agency that is a party to a contract.

(5) "Federal employee" means any civil service employee as defined in section 2105 of title 5, United States Code, and any member of the uniformed services.

(6) "Invention" means any invention that is or may be patentable under the laws of the United States. "Contract invention" is defined by section 382. "Employee invention" is defined by section 391.

(7) "Made" when used in relation to any invention means conceived or first actually reduced to practice.

(8) "Nonprofit organization" means universities and other institutions of higher education or an organization of the type described in section 501(c)(3) of the Internal Revenue Code of 1954 (26 U.S.C. 501(c)) and exempt from taxation under section 501(a) of the Internal Revenue Code (26 U.S.C. 501(a)) or any nonprofit scientific or educational organization qualified under a State nonprofit organization statute.

(9) "Patent rights" means patents and patent licenses and sublicenses.

(10) "Practical application" means manufacture of a machine, composition, or product, or practice of a process or system, under conditions which establish that the invention is being worked and its benefits are available to the public on reasonable terms.

(11) "Small business" means a small business concern, as defined in section 2 of Public Law 85-536 (15 U.S.C. 632) and implementing regulations of the Administrator of the Small Business Administration.

(12) "State" means a State or territory of the United States, the District of Columbia, or the Commonwealth of Puerto Rico. "Local" refers to any domestic county, municipality, or other governmental entity.

(13) "Will", except as the context otherwise requires, has the same meaning as "shall".

SECTION 12 OF THE ACT OF FEBRUARY 14, 1903

BUREAUS IN DEPARTMENT

SEC. 12. The following named bureaus, administrations, services, offices, and programs of the public services, and all that pertains thereto, shall be under the jurisdiction and subject to the control of the Secretary of Commerce:

(a) * * *

* * * * * * *

[(e) Patent Office;]

* * * * * * *

SECTION 3 OF THE ACT OF APRIL 5, 1944

An Act Authorizing the construction and operation of demonstration plants to produce synthetic liquid fuels from coal, oil shales, agricultural and forestry products, and other substances, in order to aid the prosecution of the war, to conserve and increase the oil resources of the Nation, and for other purposes.

* * * * * * *

[SEC. 3. The Secretary of the Interior is authorized to grant, on such terms as he may consider appropriate but subject to section 207 of the Federal Property and Administrative Services Act of 1949, licenses under patent rights acquired under this Act: *Provided,* That such licenses are consistent with the terms of the agreements by which such patent rights are acquired. No patent acquired by the Secretary of the Interior under this Act shall prevent any citizen of the United States, or corporation created under the laws of the United States or any State thereof, from using any invention, discovery, or process covered by such patent, or restrict such use by any such citizen or corporation, or be the basis of any claim against any such person or corporation on account of such use.]

RESOURCES CONSERVATION AND RECOVERY ACT OF 1976

* * * * * * *

SUBTITLE H—RESEARCH, DEVELOPMENT, DEMONSTRATION, AND INFORMATION

RESEARCH, DEMONSTRATIONS, TRAINING, AND OTHER ACTIVITIES

SEC. 8001. (a) GENERAL AUTHORITY.—* * *

* * * * * * *

(c) AUTHORITIES.—(1) In carrying out subsection (a) of this section respecting solid waste research, studies, development, and demonstration, except as otherwise specifically provided in section

§ 408. Relationship to other laws

Nothing in this chapter creates any immunities or defenses to actions under the antitrust laws.

§ 409. Authority of Federal agencies

(a) Agencies may apply for, obtain, maintain, and protect patent rights in the United States and in foreign countries on any invention in which the Government has an interest in order to promote the use of inventions having significant commercial potential or otherwise advance the national interest.

(b) Agencies may license federally owned patent rights on terms and conditions consistent with subchapter III.

(c) Agencies may transfer patent rights to other agencies and accept them from other agencies, in whole or in part, without regard to the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 471).

(d) Agencies may withhold publication or release of information disclosing any invention long enough for patent applications to be filed.

(e) Agencies may promote licensing of federally owned patent rights by making market surveys, acquiring technical information, or otherwise enhancing the marketability of the inventions.

(f) Agencies may enter into contracts necessary and appropriate to accomplish the purposes of this section.

§ 410. Responsibilities of the Secretary of Commerce

(a) The Commissioner of Patents will—

(1) consult with other agencies about areas of science and technology with potential for commercial development.

(2) coordinate a program to help agencies in exercising the authority given by section 409.

(3) evaluate inventions referred by agencies to identify those with the greatest commercial potential and to promote their public use;

(4) help agencies seek and maintain patents in the United States and in foreign countries by paying fees and costs and by other means;

(5) develop and manage a Government-wide program, with appropriate private sector participation, to stimulate transfer to the private sector of potentially valuable federally-owned technology through dissemination of information about the technology;

(6) publish notice of all federally-owned patent rights that are available for licensing; and

(7) seven years after the date of enactment of this Act, submit to the President and Congress a report describing the operation of this chapter and containing recommendations, if any, for further amendments to promote industrial innovation in the United States.

(b) There is authorized to be appropriated to the Commissioner of Patents such sums as may be necessary to enable the Commissioner to carry out responsibilities under this section.

§ 411. Definitions

As used in this chapter—

SUBCHAPTER III—LICENSING OF FEDERALLY OWNED INVENTIONS

§ 400. Covered inventions

This subchapter applies to the licensing of all federally owned patent rights, including licenses or sublicenses granted or required to be granted by the Government under section 387. However, it does not apply to licenses established by the other sections of subchapter I of this chapter.

§ 401. Exclusive or partially exclusive licenses

(a) An agency may grant exclusive or partially exclusive domestic licenses under federally owned patent rights not automatically licensed under section 384 only if, after public notice and opportunity for filing written objections, it determines that—

(1) the desired practical application is not likely to be achieved under a nonexclusive license; and

(2) the scope of proposed exclusivity is not greater than reasonably necessary.

(b) An agency may grant exclusive or partially exclusive foreign licenses under federally owned patent rights after public notice and opportunity for filing written objections and after determining whether the interests of the Government or of United States industry in foreign commerce will be enhanced.

(c) An agency will not grant a license under this section if it determines that such a grant would create or maintain a situation inconsistent with the antitrust laws.

(d) Agencies will maintain periodically updated records of determinations to grant exclusive or partially exclusive licenses. These records will be publicly available.

§ 402. Minimum Government rights

Each license granted under section 401 will contain such terms and conditions as the agency finds appropriate to protect the interests of the Government and the public, including provisions reserving to the Government:

(1) The right to require from the licensee written reports on the use of the invention,

(2) A royalty-free, worldwide right to practice the invention or have it practiced for the Government, and

(3) The right to license State and local governments to practice the invention or have it practiced for them if the agency determines that reservation of this right would serve the national interest.

§ 403. March-in rights

(a) The Government will have the right to terminate any license granted under section 401 in whole or in part, but only—

(1) if the licensee has not taken and is not expected to take timely and effective action to achieve practical application of the invention in each of the fields of use affected;

(2) if necessary to protect national security;

(3) if necessary to meet requirements for public use specified by Federal regulation;

ment to practice the invention or have it practiced for the Government.

(3) If the agency finds insufficient interest in an invention to justify exercising its rights under paragraph (1) of this section, it may permit the employee-inventor to receive any or all of those rights, subject to the Government's rights as described in paragraph (2) of this section. However, nothing in this paragraph will prevent the agency from publishing the invention or otherwise dedicating it to the public.

(4) If the agency determines that national security might be impaired if the employee-inventor were to receive rights in an invention under paragraphs (2) or (3) of this section, the Government will acquire all rights in the invention.

(5) The Government will claim no rights under this Act in any employee-invention not covered by paragraphs (1) or (2) of this section.

(6) Notwithstanding paragraph (1) of this section, an agency may enter into agreements providing for appropriate allocation of rights in inventions that result from research or development to which other parties have substantially contributed.

§ 394. Presumptions

(a) There will be a rebuttable presumption that an employee invention falls within the criteria of section 393(1) if it was made by a Federal employee who is employed or assigned to—

(1) invent, improve, or perfect any art, machine, manufacture, or composition of matter;

(2) conduct or perform research or development work;

(3) supervise, direct, coordinate, or review federally sponsored or supported research or development work; or

(4) act as liaison among agencies or individuals engaged in the work specified in paragraphs (1), (2), or (3) of this subsection.

(b) There will be a rebuttable presumption that an invention falls within the criteria of section 393(2) if it was made by any other Federal employee.

§ 395. Review of agency determinations

Agency determinations under sections 392 and 393 will be reviewed whenever—

(1) the agency determines not to acquire all rights in an invention, or

(2) an aggrieved employee-inventor requests a review.

Standards and procedures for this review will be prescribed in the regulations issued under section 399.

§ 396. Reassignment of rights

If an agency finds on the basis of new evidence that it has acquired rights in an invention greater than those to which the Government was entitled under the criteria of section 393, it will grant the employee-inventor such rights as may be necessary to correct the error.

(c) Whenever under this section an agency requires a contractor to grant a license or sublicense, it may specify reasonable terms, including the royalties to be charged, if any; the duration of the license or sublicense; the scope of exclusivity; and the fields of use to be covered.

§ 388. Deviation and waiver

(a) An agency may deviate from the allocation of patent rights in contract inventions provided for in any standard patent rights clause established under section 390 acquiring more or fewer rights in the inventions, to further the agency's mission and the public interest. It may so deviate on a class basis only in accordance with regulations issued either under section 390 or, unless prohibited by those regulations, by the agency. Case-by-case deviations must be authorized by the head of the agency or his designee, and described in the Federal Register.

(b) The national security and antitrust march-in rights reserved by sections 387(a)(2), 387(a)(4), and 387(c) may not be waived under any circumstances.

(c) Rights reserved by sections 384 and 387(a)(1) may be waived only:

(1) in contracts involving cosponsored, cost-sharing, or joint-venture research or development to which the contractor makes a substantial contribution of funds, facilities, technology, or equipment; or

(2) in contracts with a contractor whose participation is necessary for the successful accomplishment of the agency's mission but cannot be obtained under the standard patent rights clause.

§ 389. Transfer of rights to contractor employees

The contractor's employee-inventor may receive some or all of the contractor's rights under this subchapter with the permission of the contractor and the approval of the responsible agency. The corresponding obligations of the contractor under this subchapter then will become obligations of the employee-inventor.

§ 390. Regulations and standard patent rights clause

(a) The Office of Federal Procurement Policy will direct the issuance of regulations to implement this title. The regulations will establish a standard patent right clause or clauses, to be included in each Federal contract except as provided in section 388.

(b) Such regulations shall provide payment to the Government for Federal funding of research and development activities through the sharing of royalties and/or revenues with the contractor. Such regulations shall provide, to the extent appropriate, a standard contractual clause to be included in all Federal research and development contracts.

(c) Such regulations may allow the agency to waive all or part of the payment set forth in subsection (a) of this section at the time of contracting or at the request of the contractor where the agency determines that—

(1) the probable administrative costs are likely to be greater than the expected amount of payment; or

achieve public use of the invention; but no such list shall be required for contract inventions on which the contractor did not elect to file any patent application. During such four and one-half year period the contractor shall hold temporary title to the contract invention, subject to the rights of the Government provided elsewhere in this Act. Each field will be described with sufficient particularity to allow the Government to identify those fields of use not encompassed by the described field. Upon the filing of such a completed list, or at the end of the four and one-half year period, whichever is earlier, the Government will acquire from the contractor title to all United States patents on such inventions. Neither the contractor nor any sublicensee may market or use commercially any product or process embodying the patented invention, except under the nonexclusive license granted pursuant to section 385, unless the contractor has described a field of use which embraces the product or process and has reported the field of use to the responsible agency pursuant to this section; but failure to file a field of use list prior to marketing or prior to using commercially any product or process embodying an invention shall be excused if such failure resulted from inadvertance, mistake, or excusable neglect.

(b) If such contractor has filed a United States patent application within a reasonable time after it has disclosed an invention under section 382(b)(1), it will receive an exclusive license in each described field of use, with the exclusive right to sublicense, under each United States patent or patent application transferred to the Government under subsection (a) of this section 384. However, its license will be subject to the Government's minimum rights under section 386 and march-in rights under section 387.

(c) The contractor automatically will acquire by operation of law the right to receive an exclusive license, pursuant to subsection (b) of this section in each described field of use, ninety days after it provides the responsible agency with a description of such fields of use pursuant to subsection (a), except that it will not acquire the right to receive an exclusive license in any field of use as to which the agency notifies the contractor within the ninety-day period that it has made a determination under subsection (d) of this section.

(d) The contractor will not acquire an exclusive license in any field of use if the responsible agency determines that the contractor's possession of such a license—

(1) would impair national security; or

(2) would create or maintain a situation inconsistent with the antitrust laws.

(e) An agency determination under subsection (d) of this section will include written reasons for the determination. The contractor may appeal the determination to the United States Court of Customs and Patent Appeals within sixty days after the contractor has been notified of the determination. That court will have exclusive jurisdiction to determine the matter de novo and to affirm, reverse, or modify the agency determination, specifically including authority to require that the contractor receive any exclusive license provided for by this section.

(f) A contractor that is not a small business or a nonprofit organization will acquire title to its contract invention in each foreign country it lists under section 382(b)(2) in which it files a patent application within a reasonable time unless the agency determines

to 145 of this title, with respect to any decision adverse to the patentability of any original or proposed amended or new claim of the patent.

§ 307. Certificate of patentability, unpatentability, and claim cancellation

(a) In a reexamination proceeding under this chapter, when the time for appeal has expired or any appeal proceeding has terminated, the Commissioner will issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent any proposed amended or new claim determined to be patentable.

(b) Any proposed amended or new claim determined to be patentable and incorporated into a patent following a reexamination proceeding will have the same effect as that specified in section 252 of this title for reissued patents on the right of any person who made, purchased, or used anything patented by such proposed amended or new claim, or who made substantial preparation for the same, prior to issuance of a certificate under the provisions of subsection (a) of this section.

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PART IV—PATENT COOPERATION TREATY

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CHAPTER 38—THE GOVERNMENT PATENT POLICY ACT OF 1980

Sec. 381. Title.

SUBCHAPTER I—CONTRACT INVENTIONS

Sec. 382. Contract inventions; reporting.
Sec. 383. Allocation of rights—small businesses and nonprofit organizations.
Sec. 384. Allocation of rights—other contractors.
Sec. 385. Contractor license.
Sec. 386. Minimum Government rights.
Sec. 387. March-in rights.
Sec. 388. Deviation and waiver.
Sec. 389. Transfer of rights to contractor employees.
Sec. 390. Regulations and standard patent rights clause.

SUBCHAPTER II—INVENTIONS OF FEDERAL EMPLOYEES

Sec. 391. Employee inventions.
Sec. 392. Reporting of inventions.
Sec. 393. Criteria for the allocation of rights.
Sec. 394. Presumptions.
Sec. 395. Review of agency determinations.
Sec. 396. Reassignment of rights.
Sec. 397. Incentive awards program.
Sec. 398. Income sharing from patent licenses.
Sec. 399. Regulations.

SUBCHAPTER III—LICENSING OF FEDERALLY-OWNED INVENTIONS

Sec. 400. Covered inventions.
Sec. 401. Exclusive or partially exclusive licenses.

emergency and six months thereafter. The Commissioner may rescind any order upon notification by the heads of the departments and the chief officers of the agencies who caused the order to be issued that the publication or disclosure of the invention is no longer deemed detrimental to the national security.

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§ 188. Rules and regulations, delegation of power

The Atomic Energy Commission, the Secretary of a defense department, the chief officer of any other department or agency of the Government designated by the President as a defense agency of the United States, and the [Secretary of Commerce] *Commissioner of Patents and Trademarks,* may separately issue rules and regulations to enable the respective department or agency to carry out the provisions of this chapter, and may delegate any power conferred by this chapter.

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CHAPTER 30—PRIOR ART CITATIONS TO OFFICE AND REEXAMINATION OF PATENTS

Sec. 301. Citation of prior art.
Sec. 302. Request for reexamination.
Sec. 303. Determination of issue by Commissioner.
Sec. 304. Reexamination order by Commissioner.
Sec. 305. Conduct of reexamination proceedings.
Sec. 306. Appeal.
Sec. 307. Certificate of patentability, unpatentability, and claim cancellation.

§ 301. Citation of prior art

Any person at any time may cite to the Office in writing prior art consisting of patents or printed publications which that person believes to have a bearing on the patentability of any claim of a particular patent. If the person explains in writing the pertinency and manner of applying such prior art to at least one claim of the patent, the citation of such prior art and the explanation thereof will become a part of the official file of the patent. At the written request of the person citing the prior art, his or her identity will be excluded from the patent file and kept confidential.

§ 302. Request for reexamination

Any person at any time may file a request for reexamination by the Office of any claim of a patent on the basis of any prior art cited under the provisions of section 301 of this title. The request must be in writing and must be accompanied by payment of a reexamination fee established by the Commissioner of Patents pursuant to the provisions of section 41 of this title. The request must set forth the pertinency and manner of applying cited prior art to every claim for which reexamination is requested. Unless the requesting person is the owner of the patent, the Commissioner promptly will send a copy of the request to the owner of record of the patent.

§ 303. Determination of issue by Commissioner

(a) Within three months following the filing of a request for reexamination under the provisions of section 302 of this title, the Com-

copy of the specifications and drawings for all patents referred to in that notice without charge.

(f) Fees will be adjusted by the Commissioner to achieve the levels of recovery specified in this section; however, no patent application processing fee or fee for maintaining a patent in force will be adjusted more than once every three years.

(g) No fee established by the Commissioner under this section will take effect prior to sixty days following notice in the Federal Register.

[§ 42. Payment of patent fees; return of excess amounts

[All patent fees shall be paid to the Commissioner who, except as provided in sections 361(b) and 376(b) of this title, shall deposit the same in the Treasury of the United States in such manner as the Secretary of the Treasury directs, and the Commissioner may refund any sum paid by mistake or in excess of the fee required by law.]

§ 42. Patent and Trademark Office funding

(a) All fees for services performed by or materials furnished by the Patent and Trademark Office will be payable to the Commissioner.

(b) All fees paid to the Commissioner and all appropriations for defraying the costs of the activities of the Patent and Trademark Office will be credited to the Patent and Trademark Office Appropriation Account in the Treasury of the United States, the provisions of section 725e of title 31, United States Code, notwithstanding.

(c) Revenues from fees will be available to the Commissioner of Patents to carry out, to the extent provided for in appropriation Acts, the activities of the Patent and Trademark Office.

(d) The Commissioner may refund any fee paid by mistake or any amount paid in excess of that required.

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PART II—PATENTABILITY OF INVENTIONS AND GRANT OF PATENTS

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CHAPTER 14—ISSUE OF PATENT

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§ 154. Contents and term of patent

Every patent shall contain a short title of the invention and a grant to the patentee, his heirs or assigns, for the term of seventeen years, subject to the payment of [issue] fees as provided for in this title, of the right to exclude others from making, using, or selling the invention throughout the United States, referring to the specification for the particulars thereof. A copy of the specification and drawings shall be annexed to the patent and be a part thereof.

* * * * * * *

[§ 41. Patent fees

[(a) The Commissioner shall charge the following fees:

[1. On filing each application for an original patent, except in design cases, $65; in addition on filing or on presentation at any other time, $10 for each claim in independent form which is in excess of one, and $2, for each claim (whether independent or dependent) which is in excess of ten. For the purpose of computing fees, a multiple dependent claim as referred to in section 112 of this title or any claim depending therefrom shall be considered as separate dependent claims in accordance with the number of claims to which reference is made. Errors in payment of the additional fees may be rectified in accordance with regulations of the Commissioner.

[2. For issuing each original or reissue patent, except in design cases, $100; in addition, $10 for each page (or portion thereof) of specification as printed, and $2 for each sheet of drawing.

[3. In design cases:

[a. On filing each design application, $20.

[b. On issuing each design patent: For three years and six months, $10; for seven years, $20; and for fourteen years, $30.

[4. On filing each application for the reissue of a patent, $65; in addition, on filing or on presentation at any other time, $10 for each claim in independent form which is in excess of the number of independent claims of the original patent, and $2 for each claim (whether independent or dependent) which is in excess of ten and also in excess of the number of claims of the original patent. Errors in payment of the additional fees may be rectified in accordance with regulations of the Commissioner.

[5. On filing each disclaimer, $15.

[6. On appeal for the first time from the examiner to the Board of Appeals, $50; in addition, on filing a brief in support of the appeal, $50.

[7. On filing each petition for the revival of an abandoned application for a patent or for the delayed payment of the fee for issuing each patent, $15.

[8. For certificate under section 255 or under section 256 of this title, $15.

[9. As available and if in print: For uncertified printed copies of specifications and drawings of patents (except design patents), 50 cents per copy; for design patents, 20 cents per copy; the Commissioner may establish a charge not to exceed $1 per copy for patents in excess of twenty-five pages of drawings and specifications and for plant patents printed in color; special rates for libraries specified in section 13 of this title, $50 for patents issued in one year. The Commissioner may, without charge, provide applicants with copies of specifications and drawings of patents when referred to in a notice under section 132.

[10. For recording every assignment, agreement, or other paper relating to the property in a patent or application, $20; where the document relates to more than one patent or application, $3 for each additional item.

[11. For each certificate, $1.

[(b) The Secretary of Commerce may vest in himself the functions of the Patent and Trademark Office and its officers and employees specified in this title and may from time to time authorize their performance by any other officer or employee.]

[(c)] (b) The [Secretary of Commerce] *Commissioner* is authorized to fix the per annum rate of basic compensation of each examiner-in-chief in the Patent and Trademark Office at not in excess of the maximum scheduled rate provided for positions in grade 17 of the General Schedule of the Classification Act of 1949, as amended.

* * * * * * *

§ 6. Duties of Commissioner

(a) The Commissioner[, under the direction of the Secretary of Commerce,] shall superintend or perform all duties required by law respecting the granting and issuing of patents and the registration of trademarks; shall have the authority to carry on studies and programs regarding domestic and international patent and trademark law; and shall have charge of property belonging to the Patent and Trademark Office. He may[, subject to the approval of the Secretary of Commerce,] establish regulations, not inconsistent with law, for the conduct of proceedings in the Patent and Trademark Office.

(b) The Commissioner[, under the direction of the Secretary of Commerce,] may, in coordination with the Department of State, carry on programs and studies cooperatively with foreign patent offices and international intergovernmental organizations, or may authorize such programs and studies to be carried on, in connection with the performance of duties stated in subsection (a) of this section.

(c) The Commissioner[, under the direction of the Secretary of Commerce,] may, with the concurrence of the Secretary of State, transfer funds appropriated to the Patent and Trademark Office, not to exceed $100,000 in any year, to the Department of State for the purpose of making special payments to international intergovernmental organizations for studies and programs for advancing international cooperation concerning patents, trademarks, and related matters. These special payments may be in addition to any other payments or contributions to the international organization and shall not be subject to any limitations imposed by law on the amounts of such other payments or contributions by the Government of the United States.

(d) The Commissioner[, under the direction of the secretary of Commerce,] may, with the concurrence of the Secretary of State, allocate funds appropriated to the Patent Office, to the Department of State for the purpose of payment of the share on the part of the United States to the working capital fund established under the Patent Cooperation Treaty. Contributions to cover the share on the part of the United States of any operating deficits of the International Bureau under the Patent Cooperation Treaty shall be included in the annual budget of the Patent Office and may be transferred by the Commissioner[, under the direction of the Secretary of Commerce,] to the Department of State for the purpose of making payments thereof to the International Bureau.

It has been said that an independent Patent Office would have only a small additional cost. This is illusory. Setting up an independent office with its own administrative hierarchy, which must make available the facilities and services that are now being provided by the Department of Commerce, will be a very costly operation. I speak from some experience because the Committee on Government Operations has been called upon to create numerous independent agencies and offices over the years. Many of these have been established for good purposes, but with hardly an exception they required substantial extra expenditures.

Taking the Patent Office out of Commerce will not necessarily enhance its efficiency or improve its services to the business community and the public. This shift may require a realignment of procedures which could as well be done within the Department of Commerce. Inevitably, any reorganization requires a temporary slowdown in operations and procedures until the new organization has been put into effect and had its shakedown cruise. This could take months or even years and could have, at the very least, a temporary deleterious effect on Patent Office services.

I cannot see how the creation of an independent agency will necessarily add to the amount of funding available to the Patent Office or bring about an increase in the number of patent examiners. The doubts about the need for larger appropriations will exist whether or not the Patent Office is in Commerce or outside. The budget will still have to go through the Office of Management and Budget and be subject to the Administration's overall policy and will still have to run the gauntlet of the Appropriations Committees and of the Congress.

Basically, our objective is to increase productivity in the United States and make ourselves more competitive with the technological inventiveness and ingenuity of foreign nations. Certainly this is an urgent matter which needs serious attention and attack. But a removal of the Patent Office from the agency in which it is currently housed would only be cosmetic and in no way alleviate the root causes of the problem. Let us undertake the difficult steps that are needed but not fool ourselves and the American public by making changes that will have little or no effect.

CONCLUSION

I agree wholeheartedly with the establishment of a U.S. patent policy that encourages the development and production of new products, that will reward those who take risks, and that will inspire increased confidence in our economy. My comments above deal only with the very special issue of government-funded research and development activities.

The Federal government has the equivalent of a fiduciary responsibility to the taxpayers of this country. Property acquired with public funds should belong to the public. Deviations from that fundamental principle should be allowed only where a compelling justification can be shown and where the voice of the public can be heard in protest. This legislation stands that principle on its head by automatically conveying title or the exclusive right to use public property to private entities and placing the burden on the Federal government to demonstrate that a retrieval of those rights is in the public interest.

JACK BROOKS.

that this organizational realignment will result in any increase in efficiency in the operations of the Patent Office or in any increase in productivity in U.S. industrial output. On the other hand, there is every reason to believe it will result in increased expenditures and further fragmentation of government management. Also, its inclusion in this bill raises a serious jurisdictional problem as government reorganizations are matters within the jurisdiction of the Committee on Government Operations.

COMPETITION VS. MONOPOLY

Proponents of this legislation allege that assigning title or automatic exclusive licensing rights to government contractors and grantees will result in greater productivity. In fact, the opposite result may occur. By granting an exclusive license to the developer of a government-funded patent, the number of potential producers and marketers may be substantially restricted. Open competition has long been the basic element of our economic system. Providing patent rights inherently grants a type of monopoly privilege. Such privileges can be justified when a private individual or entity has risked considerable sums on the research and development of the product, costs which the developer should be able to recapture upon commercialization. A quite different situation exists, however, when the financial risk has been borne by the taxpayer. In that case, the justification for the granting of anti-competitive patent rights does not exist.

UNIFORMITY OF PATENT POLICIES:

Currently, there are about 26 agencies with regulations governing patent rights on government-funded inventions. The proponents of this legislation argue that uniformity in patent policy is badly needed. I would agree that uniformity is, in all probability, desirable, but not at the cost of giving away title and exclusive licenses in public property.

Furthermore, this bill does not achieve uniformity in patent policy. This bill will establish three different policies for handling government-funded patents. The applicable policy will not be determined by the nature of the patent or the public good, but rather by the nature and size of the contractor or grantee. One policy assigns automatic title to the contract invention where the contractor is a small business or nonprofit organization; another policy assigns automatic exclusive licenses to other contractors; and a third policy provides criteria for granting exclusive or partially exclusive licenses in all other cases. Where is the uniformity this legislation was supposed to provide?

POTENTIAL DECREASE IN PRIVATE RESEARCH FUNDS

The Federal government presently pays for well-over half the cost of research and development in the U.S. to the tune of $30 billion a year. Under this legislation, the percentage of government-funded research may become even greater. It would make no sense for a company to spend its own money on the research and development of new products and technology when the government will carry the costs and bear the risk for them. It is an entrepreneur's

that no additional costs would be incurred as a result of enactment of this legislation.

Finally the PTO would be required to report regularly on the status of a computerized data retrieval system. Since the PTO is already planning to study and evaluate the feasibility of such a system, it is assumed that any significant costs incurred as a result of analyzing or implementing such a system would not be a direct result of the legislation. Consequently, no cost has been estimated for this provision.

7. Estimate Comparison: The Commissioner of Patents has estimated that approximately 1,000 to 3,000 requests for reexaminations would be made annually, requiring from 25 to 100 additional staff members, at a cost of between $1 million and $4.5 million annually. CBO estimates approximately 500 applications will be processed beginning in fiscal year 1981 because a later date of enactment is assumed.

8. Previous CBO estimate: On February 27, 1980, the Congressional Budget Office prepared a cost estimate for S. 1679, the Patent Law Amendments of 1979, as ordered reported by the Senate Committee on the Judiciary on February 19, 1980. The costs of S. 1679 and the costs attributed to reexamination in this bill are the same, with adjustments assumed for date of enactment.

On December 4, 1979, CBO prepared a cost estimate on S. 414, the University and Small Business Patent Procedures Act, as ordered reported by the Senate Committee on the Judiciary on November 20, 1979. The CBO estimated that no significant cost would be incurred by the government if a uniform patent procedure for small businesses and nonprofit organizations performing government-supported research and development were established.

9. Estimate prepared by: Mary Maginniss.

10. Estimate approved by: C. G. Nuckols (for James L. Blum, Assistant Director for Budget Analysis.)

INFLATIONARY IMPACT STATEMENT

H.R. 6933 will have no forseeable inflationary impact on prices or costs in the operation of the national economy.

COMMITTEE VOTE

H.R. 6933 was approved by the Committee on the Judiciary on August 20, 1980, by a voice vote.

timated to be $1.4 million in fiscal year 1982, increasing to $2.5 million by fiscal year 1985. It is assumed, however, that the full amount required by the PTO for salaries and expenses would be recovered by fees set at the beginning of the fiscal year and adjusted annually for inflation and anticipated workload. It is assumed that fees would be included with the request for reexamination and reflected as a reimbursable to the agency, resulting in a net outlay of around zero in each fiscal year.

Revision of fee structure

H.R. 6933 would restructure the current fee structure for patents and trademarks. Currently, the PTO recovers approximately 20 percent of the cost of processing patents and approximately 30 percent of the cost of issuing trademarks. These fees are deposited in the general fund of the Treasury.

The bill would allow the PTO to recover up to 25 percent of the average processing costs and 25 percent of the maintenance costs for patents, the latter fee collected in four installments over the life of the patent. In addition, the PTO would be allowed to recover a maximum of 50 percent of the cost of issuing trademarks. All fees for patents and trademarks could be adjusted no more than once every three years and would be credited to the PTO as a reimbursable to the agency, rather than as a revenue to the Treasury.

It is assumed that the revised fee structure for trademarks would be implemented early in the second quarter of fiscal year 1981, and for patents beginning in fiscal year 1982. It is assumed that the agency costs for processing patents and trademarks from which recovery could be made would be approximately $84 million in fiscal year 1982, increasing to approximately $109 million by fiscal year 1985. It is assumed that an average recovery rate of 25 and 50 percent, adjusted every third year, would be established for processing fees for patents and for trademarks, respectively. Patent maintenance fees would be collected three times in a patent's life—around the fourth, eighth, and twelfth year. Since the first payment would not be made until fiscal year 1986, it is not reflected in the table below.

[By fiscal years, in millions of dollars]

	1981	1982	1983	1984	1985
Existing fee structure—Estimated revenues:					
Patents	20.3	20.8	21.3	21.8	22.2
Trademarks	2.4	2.4	2.5	2.5	2.6
Total	22.7	23.2	23.8	24.3	24.8
Proposed fee structure in H.R. 6933—Estimated collections:					
Patents[1]	[2] 20.3	21.2	21.2	21.2	27.2
Trademarks	3.6	3.6	3.6	4.6	4.6
Total	23.6	24.8	24.8	25.8	31.8
Net budget impact	−0.9	−1.6	−1.0	−1.5	−7.0

[1] Maintenance fees would be collected beginning in fiscal year 1986, and by fiscal year 1994 would result in revenues approximately twice those estimated for processing.

[2] The current fee structure for patents remains in effect throught fiscal year 1981.

advice of its own counsel the Committee concluded that state remedies for protection of computer software are not limited by this bill.

OVERSIGHT STATEMENT

Oversight of the Patent and Trademark Office is the responsibility of the Committee on the Judiciary. During the First Session of the 96th Congress the subcommittee on Courts, Civil Liberties and the Administration of Justice held hearings entitled, "General Oversight on the Patent, Trademark and Copyright Systems." They have been published as serial No. 15, Ninety-sixth Congress. The Committee and its subcommittee intend to continue this oversight into the next Congress.

No oversight statement has been received from the Committee on Government Operations regarding H.R. 6933.

NEW BUDGET AUTHORITY

In regard to clause 2(1)(3)(B) of rule XI of the House of Representatives, H.R. 6933 creates no new budget authority.

STATEMENT OF THE BUDGET COMMITTEE

No statement on H.R. 6933 has been received from the Committee on the Budget.

ESTIMATED COST OF THE LEGISLATION

It is estimated that there will be no additional costs to the United States due to the provisions of H.R. 6933. As the statement of the Congressional Budget Office indicates, there will be a substantial savings to the United States as a result of the legislation.

STATEMENT OF THE CONGRESSIONAL BUDGET OFFICE

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., August 28, 1980.

Hon. PETER W. RODINO, Jr.,
Chairman, Committee on the Judiciary,
U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has prepared the attached cost estimate for H.R. 6933, a bill to amend the patent and trademark laws.

Should the Committee so desire, we would be pleased to provide further details on this estimate.

Sincerely,

JAMES BLUM
(For Alice M. Rivlin, Director).

CONGRESSIONAL BUDGET OFFICE—COST ESTIMATE, AUGUST 28, 1980

1. Bill number: H.R. 6933.
2. Bill title: A bill to amend the patent and trademark laws.

Subsection (b) authorizes the appropriation to the Secretary of Commerce of such sums as thereafter may be necessary to enable the Secretary to carry out responsibilities under this section.

Section 411. Definitions

Section 411 sets out the definitions, for purposes of the Act for the terms "Agency," "Responsible agency," "antitrust laws," "contract," "contractor," "Federal employee," " invention," "made," "nonprofit organization," "patent rights," "practical application," "small business," "state," "local," and "will."

CONFORMING PATENT POLICY AMENDMENTS

Section 7 amends or repeals parts of other acts as necessary to implement the provisions of new chapter 38 of title 35, United States Code. Acts amended or repealed in part are:

Title 7, U.S.C. 427(i).
Title 7, U.S.C. 1624(a).
The Federal Coal Mine Health and Safety act of 1969.
The National Traffic and Motor Vehicle Safety Act of 1966.
The National Science Foundation Act of 1950.
The Atomic Energy Act of 1954.
The National Aeronautics and Space Act of 1958.
The Coal Research and Development Act of 1960.
The Helium Act Amendments of 1960.
The Arms Control and Disarmament Act of 1961.
The Appalachian Regional Development Act of 1965.
The Federal Nonnuclear Energy Research and Development Act of 1974.
The Tennessee Valley Authority Act of 1933.
The Consumer Product Safety Act.
Title 30, U.S.C. 323.
The Resources Conservation and Recovery Act of 1976.
The Electric and Hybrid Vehicle Research, Development, and Demonstration Act of 1976.
Public Law 95-39.
The Water Research and Development Act of 1978.

TRANSITIONAL PROVISIONS

Section 8. Effective date

Section 8 provides for the taking effect of the bill's various provisions.

Section 8(a) specified and that the fee setting authority provisions of the bill and the conforming technical amendment take effect upon enactment. Nevertheless, these fees need not be set to recover the levels specified in the bill (25 percent recovery for patent processing and full recovery for providing materials and services in patent and trademark cases) until the first day of the first fiscal year beginning one calendar year after enactment. This will provide at least a year to determine the amounts and natures of fees needed.

Subsection 8(b) provides that the reexamination provisions of this bill take effect six months after enactment and apply to patents then in force or issued thereafter.

Section 404. Regulations

Section 404 makes the Office of Federal Procurement Policy responsible for directing the issuance of regulations specifying the terms and conditions upon which federally-owned patent rights may be licensed. Agencies are permitted to deviate from such regulations on a class basis unless prohibited by the Office of Federal Procurement Policy.

Subchapter IV—Miscellaneous

Section 405. Patent enforcement suits and right of intervention

Subsection 405(a) provides for enforcement of an exclusive license under the chapter by an exclusive licensee without the necessity of joining the United States or any other exclusive licensee as a party. The intention is to make the exclusive license the functional equivalent of title within the specified fields of use. However, the Attorney General and the agency that granted the license must be given prompt notice of the suit and served copies of papers as though they were parties to the suit.

Subsection (b) requires the responsible agency to notify all of its exclusive licensees of any suit by an exclusive licensee, the Government, or another person. One intention of section 405 is to provide for the adjudication of the infringement and validity of a Government-owned patent subject to this Act without the necessity of the United States appearing before the court as a party.

Section 406. Background rights

"Background rights" refer to patent rights on non-contract inventions, those inventions which did not result from federally funded research but which may relate to the work object of a funding agreement. The committee does not contemplate that funding agreements may require the contractor to license such invention (not developed with Federal funds) to third parties. Moreover retention of background rights by Federal agencies is not considered by your committee to be consistent with the intent of this bill.

The problem of "background rights" has seriously disadvantaged certain businesses, primarily small businesses, which bid on government research and development contracts. Background rights refer to patent rights on non-contract inventions, those inventions which did not result from federally funded research, but which may relate to the work object of a funding agreement. Background rights constitute valuable property to many businesses, particularly to small firms; however, some agencies have routinely and unnecessarily required that contractors sign away their exclusive rights to background inventions as a cost of doing business with the Government. The retention of background rights by Federal agencies must be curbed unless such use is clearly justified by a national need.

Section 407. Notice, hearing, and judicial review

Subsection (a) requires that agency determinations under sections 382, 387(a) and 387(c), and 403, must have written reasons and be preceded by public notice and an opportunity for a hearing in

Section 395. Review of agency determinations

Section 395 provides for the review of Federal agency determinations regarding the respective rights of the Government and a Federal employee-inventor in situations in which the agency determines not to acquire all rights in an invention or where an aggrieved employee-inventor requests review. The review is to be conducted according to regulations issued under section 399.

Section 396. Reassignment of rights

Section 396 establishes a right in the Government to adjust the rights acquired from a Federal employee-inventor on the basis of evidence that the granting of greater rights to the employee-inventor is necessary to correct an inequitable allocation of rights.

Section 397. Incentive awards program

Subsection (a) provides Federal agencies the right to establish an incentive awards program which is intended to monetarily recognize Federal employee-inventors, stimulate innovative creativeness, and encourage disclosures of inventions which in turn will enhance the possibility of utilization through the Federal licensing program established under subchapter III.

Subsection (b) sets forth the criteria for making an award.

Subsection (c), (d), and (e) establish the procedures for making awards of different amounts.

Subsection (f) provides that acceptance of a cash reward constitutes an agreement by the employee-inventor that any use by the Government of an invention for which an award is made does not form the basis of a further claim of any nature against the Government by the recipient, his heirs, or assigns.

Subsection (g) requires that an award should be paid from the fund or appropriation of the agency primarily benefitting.

Section 398. Income sharing from patent licenses

Section 398 authorizes Federal agencies to share income from licensing the Government's patent rights with the employee-inventor.

Section 399. Regulations

Subsection (a) makes the Secretary of Commerce responsible for issuing regulations to implement subchapter II.

Subsection (b) provides that determination concerning a Federal employee's promotion of the employee's invention is subject to regulations to be prescribed by the Secretary of Commerce with the concurrence of the Office of Government Ethics and the Attorney General. The intention is to ensure that a Federal employee will not be prohibited from promoting his own invention if consistent with conflict of interests regulations.

Subchapter III—Licensing of Federally Owned Inventions

Section 400. Covered inventions

Section 400 provides that subchapter III applies to all federally-owned patent rights, including licenses or sublicenses granted or required to be granted by the Government under section 387, upon

Subsection (c) enables an agency to specify reasonable licensing terms whenever, in exercise of its march-in rights, it requires a contractor to grant a license or sublicense.

Section 388. Deviation and waiver

Section 388 permits Federal agencies, to further an agency's mission and the public interest, to deviate from any standard patent rights clause issued under section 390 acquiring more or fewer rights to a contract invention.

Subsection (a) authorizes deviations either on a class basis in accordance with regulations to be issued under section 390, or, unless prohibited by those regulations, under regulations issued by an agency itself. Case-by-case deviations are permitted when authorized by the head of an agency or a designee, and described in the Federal Register. The Committee intends that agencies normally will not deviate and especially so in respect of contracts dealing with the development of defense related technology.

Subsection (b) forbids waiver under any circumstances of the national security and antitrust march-in rights reserved by sections 387(a)(2), 387(a)(4), and 387(c).

Subsection (c) forbids waiver of rights reserved by sections 384(a), and 387(a)(1), (1) in contracts involving co-sponsored, costsharing, or joint venture research to which the Contractor makes a substantial contribution of funds, technology, facilities, or equipment; or (2) in contracts with a contractor whose participation is necessary for the successful accomplishment of an agency mission and such contract cannot be obtained under the standard patent rights clause.

Section 389. Transfer of rights to contractor employees

Section 389 authorized a contractor's employee-inventor to receive some or all of the contractor's rights to a contract invention if the responsible agency and the contractor approve. The corresponding obligations of the contractor under subchapter I then become the obligations of the employee.

Section 390. Regulations and standard patent rights clause

Subsection 390(a) requires the Office of Federal Procurement Policy to direct the issuance of regulations implementing subchapter I, including the establishment of a standard patent rights clause or clauses.

Subsections (b), (c) and (d) require a sharing of the royalties and/or revenues with the Government to pay the Government for Federal funding of research and development. Regulations to be developed may permit waiver of some or all of this payment.

Subchapter II—Inventions of Federal Employees

Section 391. Employee inventions

Section 391 defines "employee inventions" as inventions made by Federal employees.

Section 392. Reporting of inventions

Section 392(a) requires that a Federal employee report to the employee's agency all inventions made while an employee of that

national security circumstances of which it has become aware since the time of contracting that might now require it to deny the contractor an exclusive license in a particular field of use. The contractor should not be denied an exclusive license solely on the basis of facts that were known or reasonably foreseeable by the agency at the time of contracting, the agency normally will deviate from the standard patent rights clause so that the contractor will know at that time that it will not receive an exclusive license to practice a forthcoming invention in a particular field of use.

The antitrust provision of subsection (d)(2) and similar provisions throughout the bill are intended to encompass existing judicial interpretations of activities prohibited by the antitrust laws. This provision does not authorize each agency to create its own body of antitrust law or policy.; but in applying this provision each agency has the authority, subject to court review, to determine whether questionable conduct does or does not violate existing antitrust laws as judicially interpreted.

Subsection (e) provides that, whenever an agency determines that a contractor will not receive an exclusive license in any field of use, it must include in its determination written reasons, and that the contractor has the right of appeal de novo to the United States Court of Customs and Patent Appeals within sixty days after the determination is issued. the Court of Customs and Patent Appeals is given exclusive jurisdiction to affirm, reverse, or modify the agency determination. The burden of proof rests with the agency. Specifically included is the authority for the court to order the responsible agency to issue an exclusive license to the contractor.

Subsection (f) permits the contractor to obtain title to any contract invention in any foreign country in which the contractor agrees to file a patent application, unless the responsible agency determines that the national interest would be affected adversely, which should not occur except in extraordinary circumstances. However, title will be subject to the Government minimum rights under section 386 and march-in rights under section 387. If the contractor does not file a patent application within a reasonable time, then the Government may acquire title to patents on the contract invention.

Section 385. Contractor license

Subsection 385 automatically grants a nonexclusive, royalty free license to each contractor complying with subsection (b) of section 382 to practice the contract invention in all countries in which it neither receives title under subsection (a) of section 383 nor has an exclusive license under subsection (b) of section 384. This nonexclusive contractor license may be revoked by the Government only to the extent necessary to grant an exclusive license under subchapter III. It is expected that, so long as the contractor is pursuing commercialization of the invention under its nonexclusive license, there would be no occasion to grant an exclusive license, and, therefore, no need to revoke the contractor's non-exclusive license. It is also expected that the contractor's license to practice the invention shall include the right to grant sublicenses of the same scope, and on reasonable terms and conditions, to subsidiaries and affiliates within the corporate structure of the contractor's or-

Subchapter I—Contract Inventions

Section 382. "Contract inventions"; reporting

Section 382 defines "contract inventions" and sets forth a contractor's responsibility with regard to a contract invention.

Subsection (a) defines "contract inventions" as "inventions made in the course of or under Federal contracts."

Subsection (b) requires that all contractors provide the responsible Federal agency with timely reports on each contract invention containing sufficient technical information to inform the Government as to the nature of the invention and a list of each country, if any, in which the contractor elects to file a patent application.

The Government is prohibited from publishing or releasing these reports until the earlier of one year from receipt of the invention disclosure or the contractor has had a reasonable time to file a patent application; the Government also must withhold such information from other records or reports. The temporary prohibition on publishing or releasing contractor reports or information is necessary in order to avoid the possible forfeiture of patent protection in some countries. Subsection (c) provides that the responsible agency may deprive a contractor who unreasonably fails to file the reports required by subsection (b) of any or all of the rights it otherwise would have under subchapter I pertaining to the contract invention for which such report has been unreasonably withheld.

Section 383. Allocation of rights—Small businesses and nonprofit organizations

Subsection (a) provides for the acquisition of title to contract inventions by contractors which are either a small business or a nonprofit organization. They would acquire title in each country listed under section (b)(2) of section 382 in which they filed a patent application within a reasonable time; their title would be subject to the Government's minimum rights under section 386 and to march-in rights under section 387.

Subsection (b) provides for acquisition of title to contract inventions by the Government in each country in which a small business or nonprofit organization elects not to file a patent application or fails to file within a reasonable time.

Section 384. Allocation of rights—Other contractors

Subsection (a) provides that a contractor that is not a small business or nonprofit organization will have four and one-half years from the filing of an invention report under section 382(b) to select one or more fields of use which it intends to commercialize or otherwise achieve public use under an exclusive license; an example of such is making the invention available to others for licensing on reasonable terms and conditions. During the four and one-half year period the contractor will have temporary title to the invention, subject to the Government's right under the Act.

Contractors are encouraged to file field of use lists from time to time, and not wait until the end of the 4½ year period. Each filing will be separately reviewed, and title to the patents in question will not pass to the Government until the filing of the final field of use list, or 4½ years, whichever is earlier.

relates to the actual processing of patent applications and the aggregate fees for an application effect the specified 25 percent recovery rate.

Subsection 41(b) would treat design patent processing fees differently than fees for other types of patents. Since the costs to the Office of processing design patent applications are significantly lower and maintenance fees will not be imposed, design patent applicants would be charged fees equal in aggregate to 50 percent of the estimated cost of processing such an application.

Subsection 41(c) requires the payment of maintenance fees three times in a patent's life—six months prior to the fourth, eighth and twelfth anniversaries of the patent's seventeen-year term. As required by the Paris Convention for the Protection of Industrial Property, subsection 41(c) permits late payment during a six-month grace period. Failure to pay an applicable maintenance fee by the end of the grace period would result in expiration of the patent on the date the grace period ends.

Subsection 41(c) also requires the Secretary to establish maintenance fees at levels that recover 30 percent of the costs to the Office for the year in which such maintenance fees are received of processing all applications for patents other than design patents, from filing through disposition by issuance or abandonment, by the fifteenth year following enactment of the Act.

Subsection 41(d) requires the Secretary to establish fees for all other patent-related services and materials at levels which will recover the full costs to the Office of performing those services or providing those materials. Fees would be adjusted as costs vary. Subsection 41(d), however, would maintain the existing subsection 41(a)(9) fee of $50 for providing a depository library with uncertified printed copies of the specifications and drawings for all patents issued in a year.

Subsection 41(e) allows the Commissioner to waive any fee for a service or product provided to a government agency. This authority now is provided in existing subsection 41(c).

Subsection 41(f) limits the adjustment of patent application processing fees and maintenance fees to once every three years.

Subsection 41(g) imposes a notice requirement on effective date of new or adjusted fees.

CREDITING OF FEE REVENUE TO THE PTO APPROPRIATION ACCOUNT

Section 3 of this bill would amend section 41 of title 35, United States Code, by completely rewriting it.

Section 42. Patent and Trademark Office funding

Subsection 42(a) makes all fees for Patent and Trademark Office services and materials payable to the Commissioner of Patents and Trademarks. This provision is carried over from existing section 42.

Subsection 42(b) requires all fee revenues and all Patent and Trademark Office appropriations to be credited to the Patent and Trademark Office Appropriation Account in the Treasury of the United States. At present, Patent and Trademark Office fee revenues are deposited in the general fund of the Treasury and are unavailable for directly funding PTO activities.

the Board of Appeals. Adverse final decisions on reexamination by the Board of Appeals or by the Commissioner could be appealed to the U.S. Court of Customs and Patent Appeals or de novo review of the reexamination decision could be sought in the United States District Court for the District of Columbia.

Section 307. Certificate of patentability, unpatentability, and claim cancellation

Section 307(a) requires the Commissioner at the conclusion of reexamination to cancel any patent claim found to be unpatentable, confirm any patent claim found to be patentable, and add any amended or new claims found to be patentable.

Subsection 307(b) provides intervening rights similar to those provided by patent law section 252 with respect to reissued patents. Thus, a person practicing a patented invention would not be considered an infringer for the period between issuance of an invalid patent and its conversion through reexamination to a valid patent.

It ordinarily is in the interests of both parties to expedite the disposition of patent litigation. A party discovering new prior art on which reexamination might be conducted ordinarily will reveal it promptly to the patent owner. If he does not, the court may exercise its equity power by allowing the patent owner to request reexamination later in the trial, or precluding the party from relying on such prior art or by other appropriate measures.

ADMINSTRATIVE FEE SETTING

Section 2 of the bill would restructure and modernize completely section 41 of title 35, United States Code—the basic fee provision of the patent laws.

The committee recognizes that the PTO, in issuing patents and registering trademarks, performs a significant public service in implementing the Federal patent and trademark laws and also confers benefit on private persons who seek to protect their intellectual property. The Committee, therefore, supports the premise that patent applicants and those seeking to register trademarks should bear a significant share of the cost of operating the PTO by the payment of fees. However, the Committee has made certain amendments to the formula which empowers the Commissioner to set these fees. Certain costs of operating the PTO confer no direct benefit on applicants but rather go to meet the responsibility of the Federal Government to have a PTO in order to execute the law. For example, the cost of executive direction and administration of the office, including the Office of the Commissioner and certain agency offices involved with public information, legislation, international affairs and technology assessment. Maintaining the public search room confers a general public benefit, as does the maintenance of the patent files in depository libraries. The contribution to the World Intellectual Property Organization relative to the Patent Cooperation Treaty is a treaty obligation. These costs should be paid for entirely from appropriated funds.

The committee inserted the word "actual" in this legislation to describe those costs which should be assumed 50 percent by applicants. Patent applicants should bear through the payment of fees, 25 percent in processing of fees, and 25 percent in maintenance

In developing the amendment to this section, it should be noted that the subcommittee worked closely with the Science and Technology Committee, and it is particularly grateful to members of that Committee for their contributions.

Finally, sections 9 and 10 of the bill, as reported by the subcommittee, reflect amendments which are designed to respond to the criticism of witnesses who argued both that the Patent Office ought to be independent of the Department of Commerce and that the present search files of the Office fail to effectively utilize modern computer technology.

SECTION-BY-SECTION ANALYSIS

REEXAMINATION

Section 1 of the bill would add seven new sections to the patent laws to establish a patent reexamination system. These seven new sections would constitute chapter 30 of title 35 of the United States Code.

Section 301. Citation of prior art

Section 301 provides statutory authority for the citation to the Patent and Trademark Office (PTO) of prior art consisting of patents or printed publications which a person believes to have a bearing on the patentability of any claim of a particular patent. Section 301 would make clear that a citation of prior art is not to be included in the official file on a patent unless the citer submits a written statement as to the pertinency and applicability to the patent. Section 301 also would require the PTO to keep the identity of the citer of prior art confidential if the citer so requests in writing. Without the confidentiality provision, competitors of a patent owner might be reluctant to cite prior art to the PTO.

Section 302. Request for reexamination

Section 302 provides authority for any person to seek reexamination by the PTO on the basis of the patents and printed publications cited under section 301. Such a person need not be the one who cited prior art under section 301. The person could even be the patentee.

Section 302 requires that the person seeking reexamination pay a fee established by the Secretary. Under section 2 of this bill, the Secretary would be required to establish a fee to recover the estimated average cost of a reexamination proceeding. Thus, those who request reexamination would pay for it.

Section 302 requires the Commissioner to send a copy of the request promptly to the patent owner, as shown by the records of the Office. The patent owner would have to see that his ownership and current address are recorded properly so that the request is not sent to a previous owner.

Section 303. Determination of issue by Commissioner

Subsection 303(a) requires the Commissioner to determine if a "substantial new question of patentability" is raised in connection with any claims of the patent against which a patent or printed publication is cited and to order reexamination upon a positive de-

will permit efficient resolution of questions about the validity of issued patents without recourse to expensive and lengthy infringement litigation. This, in turn, will promote industrial innovation by assuring the kind of certainty about patent validity which is a necessary ingredient of sound investment decisions.

The cost incurred in defensive patent litigation sometimes reaches $250,000 for each party, an impossible burden for many smaller firms. The result is a chilling effect on those businesses and independent inventors who have repeatedly demonstrated their ability to successfully innovate and develop new products. A new patent reexamination procedure is needed to permit the owner of a patent to have the validity of his patent tested in the Patent office where the most expert opinions exist and at a much reduced cost. Patent office reexamination will greatly reduce, if not end, the threat of legal costs being used to "blackmail" such holders into allowing patent infringements or being forced to license their patents for nominal fees.

The reexamination of issued patents could be conducted with a fraction of the time and cost of formal legal proceedings and would help restore confidence in the effectiveness of our patent system.

The bill does not provide for a stay of court proceedings. It is believed by the committee that stay provisions are unnecessary in that such power already resides with the Court to prevent costly pretrial maneuvering which attempts to circumvent the reexamination procedure. It is anticipated that these measures provide a useful and necessary alternative for challengers and for patent owners to test the validity of United States patents in an efficient and relatively inexpensive manner.

Sections 2 through 5 of H.R. 6933 provide for a new fee structure for the patent office. At the present time patent examination fees are established by statute, last revised in 1967. When enacted, the present fee structure provided revenues which met 67 percent of the costs of operating the Patent Office. Inflation has now reduced the impact of those fees to the point where they generate only 27 percent of the funding necessary to the operation of the office.

At the present time patent fees average about $239 per application.[6]

H.R. 6933 would entirely revise the fee structure. It grants the Commissioner the power to establish fees. As introduced, the bill provided that the fee level would be revised yearly to generate 60 percent of the revenue needed to operate the office. However, the subcommittee amended the bill to reduce that level to 50 percent. This was in response particularly to criticism from small business and individual inventors that the fees would place too great a burden on those groups.

In order further to soften the impact on small business and individual inventors, the fees are to be paid in four installments over the life of the patent. This system, known as maintenance fees, is in use in most advanced industrial nations and has the advantage of deferring payment until the invention begins to return revenue to the inventor.

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[6] Testimony of Honorable Sidney Diamond, Commissioner of Patents, April 24, 1980—p. 50.

appear to be improving. There has been an especially significant decline in total U.S. expenditures for research and development, as measured in constant dollars since 1970.[3] Since the primary means of improving productivity lies in the creation of new technologies, the decline in expenditures for research and development is especially significant to the health of the overall economy.

Testimony presented to the Subcommittee on Courts, Civil Liberties and the Administration of Justice also indicates that the Federal Government is bearing an ever increasing share of the burden of financing basic research and development.[4] This means that the effective commercialization of government financed research is becoming an ever more important issue for those who are concerned with industrial innovation. The patent policies governing the utilization of government funded reseach will become even more important when the research expected to flow out of recent Congressional enactments such as the Energy Security Act of 1980[5] begins to produce usable new technologies. It is highly likely that the fuel which powers our automobiles and the boilers which heat our homes will owe part of their chemical composition or mechanical operation to patented research developed in part by government funds. At the present time U.S. companies desiring to use government funded research to develop new products and processes must confront a bewildering array of 26 different sets of agency regulations governing their rights to use such research. This bureaucratic confusion discourages efficient use of taxpayer financed research and development.

History of the Bill

The crisis in U.S. productivity and the governmental role in it has not gone unnoticed, however. In May of 1978 the President called for a major policy review of industrial innovation as the key to increased productivity in the United States. This White House call to action resulted in the creation of an advisory Committee of more than 150 senior representatives from the industrial, public interest, labor, scientific, and academic communities. The work of the Advisory Committee was overseen by a cabinet level coordinating committee chaired by the Secretary of Commerce. The Committee studied all the areas in which federal government policy impacts on productivity and innovation in the private sector. These fields of inquiry included: economic and trade policy; environmental, health and safety regulations; anti-trust enforcement; federal procurement policies, and federal patent and information policies.

When the advisory committee issued its 300 page report last year, a key segment contained recommendations on government patent policy. These recommendations, in turn, were received by the President, and formed the basis of a major legislative proposal which was conveyed to the Congress. Special emphasis was placed on the role of the patent system and the patent policy regarding government funded research in promoting industrial innovation. These patent related recommendations were forwarded to the Com-

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[3] *Science Indicators,* National Science Board, 1976, pp. 108–115.

[4] Testimony of Pindaros Roy Vagelos, M.D., before the subcommittee on Courts, Civil Liberties and the Administration of Justice April 15, 1980, transcript p. 14.

[5] P.L. 96–294.