98TH CONGRESS 2d Session } SENATE { REPORT 98-547

# PATENT LAW AMENDMENTS OF 1983

JUNE 29 (legislative day, JUNE 25), 1984.—Ordered to be printed

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

## REPORT

[To accompany S. 1538]

The Committee on the Judiciary, to which was referred the bill (S. 1538) to amend the patent laws of the United States, having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

### I. PURPOSE

The purpose of S. 1538 is to institute a new procedure within the Patent and Trademark Office for obtaining defensive protection of the right to practice an invention. This new procedure, a Statutory Invention Recording, will permit inventors to obtain certain defensive rights in their inventions. The bill also provides for certain technical changes in the patent laws, including improving the administrative proceedings for determining the first inventor of a given invention.

### II. HISTORY

On June 23, 1983, Senator Charles McC. Mathias, Jr., along with Senator Robert Dole, introduced S. 1538, which was referred to the Committee on the Judiciary. On June 28, 1983, the bill was referred to the Subcommittee on Patents, Copyrights, and Trademarks. The Subcommittee held hearings on the legislation on July 20, 1983. During this hearing, testimony was received from the Honorable Gerald J. Mossinghoff, Assistant Secretary of Commerce and Commissioner of Patents and Trademarks; Donald W. Banner, President, Intellectual Property Owners, Inc.; Leonard B. Mackey, President, American Patent Law Association; and Alfons F. Kwitnieski, Director, Navy Patent Program, and Patent Counsel for the Navy.

On November 15, 1983, the Subcommittee on Patents, Copyrights, and Trademarks approved an amendment in the nature of a substitute for S. 1538, offered by Senator Mathias. On April 27, 1984, the full

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Judiciary Committee, ordered reported to the Senate the bill as amended by the Subcommittee, together with a perfecting amendment offered by Senators Dole and DeConcini with respect to government agency use of the statutory invention recording procedure.

## III. Section-by-Section Analysis

### SECTION 1: SHORT TITLE

This section provides a short title: "Patent Law Amendments of 1983."

### SECTION 2(a): STATUTORY INVENTION RECORDING

This section adds a new section (156) to title 35 of the United States Code. This provides a new, optional procedure for obtaining defensive protection for inventors. This new procedure is to be known as a Statutory Invention Recording (SIR).

S. 1538 addresses a shortcoming of current law. Under existing patent law, an inventor must obtain a patent to safeguard his or her right to practice an invention. No simple, practical method exists by which an inventor may safeguard this right without securing a patent, and consequently obtaining exclusive use of the invention. Thus, even where exclusivity is neither needed nor desired, it is nonetheless acquired in order to protect the right to practice the invention. The new procedure created by S. 1538 fills this void. A Statutory Invention Recording (SIR) published under the procedures created by this legislation would confer upon the holder the same rights that a patent holder enjoys to prevent another from patenting and obtaining the exclusive right to practice the same invention. It would not, however, permit its holder to exclude others from making, using, or selling the invention.

Originally, S. 1538 provided for the creation of a "defensive patent." However, during the course of hearings several witnesses expressed concern that this characterization would confuse the public perception of patent protection and detract from the image of a patent. Moreover, there was also concern that the use of the term patent in conjunction with the rights granted would be inconsistent with the definition of "patent" being considered in the revision of the Paris Convention for the Protection of Industrial Property. The Committee recognized the validity of these concerns. The Committee therefore chose the name Statutory Invention Recording as a more appropriate appellation for the limited protection offered by this new procedure.

Because a SIR does not grant an exclusive right to the inventor, it would not be necessary to subject a SIR to the lengthy examination process required for a patent. Such an examination would only be necessary if the SIR became involved in an interference proceeding to determine priority of invention. It would then be subject to an examination as necessary to determine priority in that interference proceeding. In all other cases, the Patent and Trademark Office (PTO) would only review the application for adherence to formal requirements and to ensure that the requirements of 35 U.S.C. 112 were satisfied. Because no substantive examination would be required for SIRs, fees charged by the PTO for SIRs could be substantially less than those charged for examined patent applications, and SIRs

could be published sooner than patents. In addition, maintenance fees would not be charged for SIRs issued under this section.

An applicant desiring to have a SIR published under this section would be required to file a regular application for a patent and to execute a waiver of enforcement of U.S. patent rights. This waiver would be effective at the time of publication. The original application for a SIR could be replaced by a continuation or a continuation-in-part application for a patent before publication of the SIR and under such regulations as the Commissioner may establish, thereby providing the applicant with flexibility during the pendency period of the application. Until the SIR is published, the application remains an application for a patent.

The waiver of U.S. patent rights made in connection with publication of the SIR would also be effective with respect to an application to reissue the SIR, filed under section 251 of title 35. This would prevent the holder of a SIR from using the reissue mechanism to reinstate the exclusive rights that were waived by the initial publication of the SIR.

The waiver of the right to receive a U.S. patent, required of all applicants electing to receive a SIR, applies to those remedies provided for the enforcement of a patent under section 183 and sections 271 through 289 of title 35. The waiver also applies to remedies under other titles of the United States Code, including sections 1337 and 1337a of title 19, section 2356 of title 22, and section 1498 of title 28. This waiver of enforcement applies only to the claimed subject matter of the SIR in the United States and not to any foreign patent arising from an application which might have served as the basis of a priority claim under the Paris Convention for the Protection of Industrial Property. Likewise, the waiver does not prevent the holder of a SIR from asserting any defenses provided in sections 271 through 289 of title 35 with respect to a charge of infringement of any other patent.

In certain cases, the Commissioner of Patent and Trademarks can refuse to accept the waiver. For example, if the waiver is not a waiver of all the previously mentioned rights, the waiver could be refused.

The Committee recognizes that the waiver of U.S. patent rights to the subject matter claimed in the SIR publication may affect the patentability of a claim in related applications, particularly divisional applications, since the waiver would be effective for all inventions claimed in the SIR and is effective as a waiver of the right to obtain a patent on the invention claimed in that or any other U.S. application. For example, if an application containing generic claims is published as a SIR, the waiver in that application applies to any related applications, including any division, continuation, or continuation-in-part, to the extent that the same invention is claimed in such other application.

For purposes of determining whether or not a waiver by an applicant in a SIR precludes patenting by the same applicant of subject matter in any other related application, the PTO may apply standards similar to those which it applies in making determinations of "same invention" and "obviousness" type double patenting. Thus, the waiver would preclude patenting of an invention claimed in a related application which is the same as, or not patentably distinct from, the invention claimed in the SIR. In making this determination, it is the claimed subject matter of the SIR which is compared to the claimed subject matter of the related application. If the subject matter claimed in the

related application is not patentably distinct from the subject matter waived in the SIR, the claims of the related application would be rejected as being precluded by the waiver in the SIR and could not be overcome by a terminal disclaimer. Further, if a divisional application were filed and published as a SIR claiming only a method, its publication would not affect a waiver on an application for a patent claiming only an apparatus; a waiver in one application would not affect the ability to obtain a patent in the other application.

Although the required waiver would leave the holder of the SIR without the exclusivity associated with a patent, a SIR issued under this section would be the same in other respects as a patent. The application on which the SIR is based may serve as the basis for a priority claim in a foreign application under the Paris Convention. A SIR would be treated the same as a U.S. patent for all defensive purposes. The application and any resulting SIR could become involved in an interference. The application on which the SIR was based would be a "constructive reduction to practice" under 35 U.S.C. 102(g). The SIR would be "prior art" under all applicable sections of 35 U.S.C. 102 including section 102(e) and it would be classified and cross-referenced, disseminated to foreign patent offices, stored in the Patent and Trademark Office computer tapes, made available in commercial data bases, and announced in the Official Gazette of the PTO. The SIR is intended to be a fully viable publication for defensive purposes, usable as a reference as of its filing date in the same manner as a patent. It would also serve as a basis to initiate or participate in an interference or priority proceeding under 35 U.S.C. 291 and could be used as a reference in defense of an infringement suit.

Since a SIR would be based on a regularly filed application for a patent, the filing date of the application would be a sufficient basis for a priority claim in a foreign application. As Article 4, subparagraph A(3) of the Paris Convention states:

> By a regular national filing is meant any filing that is adequate to establish the date on which the application was filed in the country concerned, whatever may be the subsequent fate of the application.

Once a SIR was published, markings such as "patent pending" would be improper under section 292 of title 35 of the United States Code.

The Committee intends that the SIR will serve as a replacement for the current non-statutory "defensive publication program" which was established under 37 CFR 1.139. Although publication under the "defensive publication program" was intended to provide rights similar to those of the SIR, a publication under that program has been held not to be available as evidence of prior knowledge as of its filing date under section 102 (a) of title 35 (*Ex parte Osmond*, 191 USPQ 334 (P.T.O. Bd. App. 1976)). The use of a "defensive publication" as a reference to prevent a patent from issuing on a subsequent application is therefore limited. A SIR, on the other hand, will have a clear statutory basis in title 35. The SIR will be "prior art" and a "constructive reduction to practice" under section 102(a) and section 102(g) respectively, as of the filing date of the application on which it is based. Therefore, the SIR will suffer from none of the limitations as a defense against subsequent applications that have marred the "defensive publication program."

A SIR application will be reviewed and examined by the PTO only to the extent necessary to determine adherence to formal requirements for publication, for interference purposes, and to ensure that the requirements of section 112 of title 35 are satisfied. If a published SIR becomes involved in an interference proceeding, it will be subject to such examination as may be necessary for the interference. Otherwise, a SIR would not be subject to substantive examination. In addition, a SIR would not be subject to reexamination under sections 302 to 307 of title 35.

This limited examination should require little time in most cases, since a large majority of the SIR applications will have been prepared by registered patent attorneys or agents who are experienced in patent application preparation. The oath or declaration requirements for applicants and the ethical obligations placed on attorneys and agents will also help ensure that most applications will be satisfactorily prepared.

Section 2(a) authorizes the Commissioner to issue SIRs for defensive purposes, but it does not require him to do so. The Committee selected the term "authorized" with the specific intent of giving the Commissioner discretion in determining whether or not a SIR should be issued on a particular application. For example, in circumstances where the subject matter was obviously not an invention, or it was too informal to print, the Commissioner has the right to refuse to publish the SIR.

The Committee expects that the fees established by the Commissioner for application, publication, and other processing of a SIR shall be set no higher than the level required to recover in the aggregate the estimated average cost to the Office of such processing, services, or materials. Since no substantive examination will be normally made as to patentability, the Committee expects that the total amount of the fees charged by the PTO for a SIR will be less than those charged for a patent. To the limited extent that examinations will be conducted, they will be conducted in the same manner as for a patent application. Since the Commissioner may permit the waiver of patent rights to be filed after the more extensive examination for a patent application has begun, the Committee expects that, if the Commissioner does so, he will charge appropriately higher fees in such a case.

The Committee understands that no maintenance fees will be charged on SIRs. Since examination will be limited, the Committee also expects that SIRs will issue far more quickly than patents.

Since the fees set by the Commissioner for the new SIR procedure under section 156 of title 35 are not established under section 41(a) or (b) of that title, they are not subject to reduction if the applicant has small entity status.

If the fee for publication is not paid at the time of filing of the waiver of the right to receive a patent, the Commissioner may set a period within which the fee must be paid to prevent abandonment of the application. Such a period would be subject to petitions and fees for extension of time under section 41(a)8 of title 35. If abandonment should occur, the application may be revived under the provisions of section 41(a)7 of title 35.

A continuing application may be filed based on an earlier pending application until the time that the earlier application is published as a SIR. However, once a waiver takes effect upon publication of a particular SIR, that waiver is also a waiver of the claimed invention in

any continuing or separate U.S. patent application to the extent that such claimed invention is not patentably distinct.

During the hearing on S. 1538, concern was expressed that an applicant might abuse the continuing application procedure to create secret prior art. An applicant could do this by filing a series of continuing applications, each entitled to the filing date of the first application in the series as its effective date as a reference against other applications. In the event that someone should attempt to abuse SIRs in this fashion, the Committee expects the Commissioner would issue appropriate regulations to preclude any such practice.

SECTION 2(b)

The analysis for chapter 14 of title 35, U.S.C., is amended by adding at the end thereof the following: "156. Statutory invention recording."

SECTION 2(c): GOVERNMENT AGENCY USE OF SIR

Government agencies currently file hundreds of patent applications each year on inventions made by federal contractors and agency employees. In fact, the federal government has received more patents than any other entity filing with the PTO. The examination and processing of the government's patent applications constitutes a significant portion of the workload of the PTO, and these patents, when issued, are added to the already large portfolio—now numbering about 28,000—of patents owned by the federal government.

The Committee recognizes that some of the agencies involved are already making efforts to apply for patents only on inventions that are likely to have commercial potential. Nonetheless, the rate of commercialization of inventions for which the government holds patents remains distressingly low.

The Committee expects that the statutory invention recording procedure will help the agencies reduce the number of their patent applications, and relieve the PTO from undertaking a full-fledged patent examination when full patent protection is not needed. The Committee believes that the invention protection offered by SIRs is presumptively adequate for the majority of government-owned inventions made by government employees and contractors. The SIR offers the legal protection required to assure the government that it may use the invention in the public interest without fear of infringement suits.

The Committee recognizes, however, that the presumption against full patent protection may be overcome in rare instances. Chief among these is the situation in which an invention has commercial potential that can be realized only if a full patent is obtained.

Testimony received at the hearing held by the Subcommittee on Patents, Copyrights, and Trademarks on this bill on July 20, 1983, from Mr. Alfons Kwitnieski, the patent counsel for the Navy, is instructive:

> Senator MATHIAS. . . . You said you thought the Navy would utilize the [SIR] for 75 percent of the applications it files. What would be the criterion on which you would make the decision to go for a [SIR] or a full patent?
>
> Mr. KWITNIESKI. Our statistics show that—and it is included in my formal statement—in about 8 percent of our inventions, title remains in the employee and we merely get a

license. So it would be unfair to the employee not to permit him to enforce his patent. . . .

Another 10 percent of our inventions have some commercial possibilities. These would be able to be utilized in our licensing program in which we non-exclusively or exclusively license people who would want to use the Navy patents and commercialize them.

. . . [A]nother 5 to 10 percent are basic-type inventions that do not necessarily have commercial value at the early days, but we can look at them to give us protection should we be sued later on by someone else's patent. We could show that we have done work in this area, and we can use it as a counterclaim or to leverage and thus pay fewer dollars in liability.

Senator MATHIAS. Well, now, why would not a [SIR] be good for that purpose?

Mr. KWITNIESKI. Because we would have no *quid* to give for the patent owner's *quo*.

Senator MATHIAS. In other words, you are looking for a negotiated settlement in this area?

Mr. KWITNIESKI. Exactly. . . .

*The Patent Law Amendments Act of 1983, hearing on S. 1538* before the Subcomm. on Patents, Copyrights, and Trademarks of the Senate Comm. on the Judiciary, 98th Cong. 1st Sess. (1983); S. Hrg. 98–409; Ser. No. J–98–54, pp. 48–49.

The policy to be developed by the interagency committee created by this section should recognize the appropriateness of full patent protection in the types of instances cited by Mr. Kwitnieski. The Committee expects, however, that these three instances will be relatively rare.

First, the Committee understands that an employee retains title to an invention only if the government's interest in it is minimal. In this case, the agency may file and prosecute the application with the PTO on behalf of the individual inventor. The inventor may choose to take a SIR, but in some cases the inventor may wish to keep the exclusive right to practice the invention, and will thus want a patent. An invention as to which an employee retains title is not, in the Committee's view, an invention "as to which the United States may have a right of ownership."

Second, the Committee expects that the government will ordinarily use a SIR unless an invention has commercial potential which justifies the expense of obtaining a patent. While the Committee recognizes that it is sometimes difficult to decide which inventions have such potential, especially in fields where there is fast-breaking research, the Committee wishes to emphasize that an agency's decision on this question should not be based simply on speculation or theoretical possibilities. If the agency can determine (based upon standards developed by the interagency committee) that there is a likelihood that an invention can be licensed to achieve commercial development and that the expense to both the agency and the PTO is justified then the agency is entitled to seek a full-fledged patent.

Third, the Committee understands that situations may arise in which patent protection, although not necessary to promote commercial development, is needed to protect some government interest in future technological development in a field in which commercial devel-

opment may be anticipated. The example which the Navy patent counsel presented at the hearing, where the government patents a basic invention in an emerging field of technology, in order to have an asset in settlement of future infringement suits, is an apt one. The Committee intends that the standards for commercial potential to be developed by the interagency committee recognize that in emerging fields of technology, full patent protection for basic inventions may occasionally be appropriate to further some important interest of the government as a whole in the technical field in which the invention has been made.

Finally, the Committee recognizes that there may be other exceptional instances where the protection offered by a SIR—the guarantee that the government will always have the right to practice the invention—is infeasible. But the Committee is concerned that these exceptions must not be allowed to swallow the rule: full patent protection is inappropriate for most government-owned inventions made by federal contractors and employees. The Committee is disturbed by the history of a similar procedure, the "defensive publication program," which was created by PTO regulations rather than by statute. During the 5-year period between 1968 and 1973, when the "defensive publication program" was in effect, government agencies filed for at least 8,925 patents, and used the defensive publication procedure only once. Thus, despite the Navy patent counsel's informative testimony, there is good reason to believe that some government agencies may be reluctant to take full advantage of the cost-savings opportunities provided by the SIR program.

For this reason, the Committee feels it advisable to direct the Secretary of Commerce to convene an interagency committee to develop a coordinated federal policy on the use of SIRs. Since the Department of Commerce serves as the lead agency for managing federal technology under Public Law 96-480 (the Stevenson-Wydler Act) and contains the Office of Productivity, Technology, and Innovation, the Committee believes that the Secretary is the appropriate head of the interagency committee. This interagency committee should be able to provide clear guidance for the uses of SIRs and patents that reflects the principles discussed above, that seeks to eliminate policy inconsistencies among the agencies, and that ensures that the agencies will take full advantage of the SIR program.

The Committee intends to monitor usage of the SIR program through the annual report of the Secretary of Commerce required under this section. This report should, at a minimum, provide the Congress with data showing the degree to which the principal agencies are making use of the SIR procedure and the types of determinations which support decisions to apply for regular patents. The responsibilities of the other agencies participating in the interagency committee include the provision of the data needed for the annual report. The report should also include an analysis of the use of SIRs by private enterprise.

This section creates no right to judicial review of an agency's decision to seek or not to seek a SIR, or to seek a patent rather than a SIR on any invention.

*Section 3*

This section amends section 134 of title 35 by striking out the word "primary." This will permit an appeal from a non-final second rejection of claims which can be made by an examiner who is not a primary examiner. In such cases, applicants who feel the issues are ripe for appeal will not be delayed in prosecution of the case by having to wait for a final rejection from a primary examiner.

*Section 4*

This section amends section 361(d) of title 35 to provide a one-month grace period from the date of filing of an international application for the payment of the basic international fee and the transmittal and search fees.

*Section 5*

This section amends section 366 of title 35 to clarify the effect of withdrawal of an international application on claims for the benefit of its filing date. The withdrawal of an international application designating the United States will not deprive an application of the right to claim the benefit of the filing date of such an application, provided the claim is made before that application is withdrawn.

*Section 6*

This section amends section 371(a) to provide greater flexibility for the PTO in handling international applications. Also, this section, by relaxing the requirements which international applicants must satisfy by the commencement of the national stage, gives international applicants benefits similar to those given national applicants by P.L. 97–247 with respect to the time for filing the national fee and oath or declaration.

*Section 7*

This section amends section 372(b) of title 35 to authorize the Commissioner to require a verification of the translation of an international application or any other document pertaining thereto if the application or other document was filed in a language other than English.

The section also deletes section 372(c) of title 35, thereby discontinuing the requirement for payment of a special fee to maintain claims in an international application which were not searched by an international searching authority. This deletion was made to place international applications processed in the national stage on the same footing as purely national applications.

*Section 8*

This section amends section 376(a) of title 35 to delete mention of the special fee in order to conform with the amendment of section 372(c) in section 7 above.

*Section 9*

This section replaces the term "Patent Office" with "Patent and Trademark Office" throughout title 35 to conform to the provisions of Public Law 93–596.

*Section 10*

This section ensures that no maintenance fees are charged for plant patents, regardless of when such patents were filed. The Committee finds that due to the passage of Public Law 96–517 certain plant patents have become subject to maintenance fees while other, similar patents, have not been assessed such fees, based solely on the differences in the dates of filing. The Committee believes this disparate treatment is unfair and undesirable.

SECTIONS 11 THROUGH 22: BOARD OF PATENT APPEALS AND INTERFERENCES

These sections of the act combine the Board of Appeals and the Board of Patent Interferences into a single panel—the Board of Patent Appeals and Interferences. This is accomplished in these sections by eliminating all references to either the Board of Appeals or the Board of Patent Interferences and replacing such references with references to the Board of Patent Appeals and Interferences.

At present, if two or more inventors claim the same patentable invention, the PTO is required to determine who was the first inventor and award a patent to such first inventor. The administrative proceedings to determine inventorship are known as "interference proceedings." The longest interference took over 13 years in the PTO. While most interferences are not that long, the delays in issuing a patent due to the lengthy interference proceedings are harmful to both applicants and the public. The PTO is publishing regulations to streamline this process. The Committee finds, however, that one of the reasons for the lengthy proceedings in the PTO is a jurisdictional problem. By statute, the tribunal responsible for determining patentability is the Board of Appeals. The statutory tribunal for determining priority in an interference proceeding is the Board of Patent Interferences. The Board of Patent Interferences is not authorized to address questions of patentability of the invention. This statutory jurisdictional problem is eliminated through the merger of these two boards.

SECTION 23: COMPENSATION OF TRADEMARK TRIAL AND APPEAL BOARD MEMBERS

This section amends section 3 of title 35 to provide for compensation of the members of the Trademark Trial and Appeal Board of the Patent and Trademark Office at a rate equal to that of GS–16s under the General Schedule.

SECTION 24: EFFECTIVE DATE

This section makes the act effective three months after the date of enactment with the exception of sections 9 and 10 of the act which are effective on the date of enactment. The Committee believes that there will be no burden in making section 9 effective immediately since it involves only a name change. The Committee finds that section 10 should be immediately effective in order to eliminate at the earliest date the inequality of treatment for plant patents (see analysis of section 10 above).

## IV. Administration Position

The administration is fully supportive of S. 1538, as evidenced by the testimony of Gerald J. Mossinghoff, Assistant Secretary of Com-

merce and Commissioner of Patents and Trademarks at the hearing before the Subcommittee on Patents, Copyrights, and Trademarks on July 20, 1983, and by the letter to the Honorable George Bush, President of the Senate from Malcolm Baldrige, Secretary of Commerce, March 11, 1983, reprinted in the record of the same hearing. *Ibid.* pp. 98–409.

## V. Regulatory Impact Statement

In compliance with paragraph 11(b), Rule XXVI, of the Standing Rules of the Senate, the Committee has concluded that the bill will have no significant regulatory impact or impact on personal privacy. Enactment of the bill would not create any significant additional paperwork.

## VI. Cost of the Legislation

In accordance with paragraph 1(a), Rule XXVI, of the Standing Rules of the Senate, the Committee offers the following report of the Congressional Budget Office:

U.S. Congress,
Congressional Budget Office,
*Washington, DC, April 26, 1984.*

Hon. Strom Thurmond,
*Chairman, Committee on the Judiciary, U.S. Senate, Dirksen Senate Office Building, Washington, DC.*

Dear Mr. Chairman: The Congressional Budget Office has reviewed S. 1538, the Patent Law Amendments of 1983, as ordered reported by the Senate Committee on the Judiciary, April 5, 1984. We estimate that the federal government would incur no net additional costs and might realize some small savings if this bill is enacted.

S. 1538 would make a number of clarifying and technical changes to various patent laws, and would replace the current Board of Appeals at the Patent and Trademark Office (PTO) with a Board of Patent Appeals and Interferences. It would also establish a new, optional procedure for obtaining protection for inventors—called a statutory invention recording (SIR). The SIR would give the inventor many of the same rights that a patent would provide, although it would not exclude others from making, using or selling the invention. According to the PTO, this alternative patent process might replace some requests for patents, as well as generate new requests for SIRs, although the precise level of activity is not certain at this time. Because the PTO operates on a cost-recovery basis, the agency would establish and assess fees for SIRs at levels sufficient to recover the administrative expenses associated with the filing, resulting in no net budget impact to the PTO. Unlike patents, however, SIRs would require no maintenance fees.

The PTO expects the primary users of SIRs would be other federal government agencies, which would benefit from the reduced fees as well as the reduced administrative expenses of the simplified SIR process. The annual savings to the various federal agencies, however, are not expected to be significant.

The Congressional Budget Office estimates that no significant costs will be incurred by state or local governments as a result of enactment of this bill.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

Rudolph G. Penner, *Director.*

## VII. Changes in Existing Law

In compliance with paragraph 12 of rule XXVI, of the Standing Rules of the Senate, changes in existing law made by S. 1538 as reported are shown as follows (existing law proposed to be omitted is enclosed in brackets, new matter is printed in italic, and existing law in which no change is proposed is shown in roman):

# UNITED STATES CODE

# TITLE 28—JUDICIARY AND JUDICIAL PROCEDURE

* * * * * * *

**§ 1295. Jurisdiction of the United States Court of Appeals for the Federal Circuit**

(a) The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction—

* * * * * * *

(4) an appeal from a decision of—

(A) the Board of [Appeals or the Board of Patent] *Patent Appeals and* Interferences of the Patent and Trademark Office with respect to patent applications and interferences, at the instance of an applicant for a patent or any party to a patent interference, and any such appeal shall waive the right of such applicant or party to proceed under section 145 or 146 of title 35; . . .

* * * * * * *

# TITLE 35—PATENTS

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## PART I—PATENT AND TRADEMARK OFFICE

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## CHAPTER 1—ESTABLISHMENT, OFFICERS, FUNCTIONS

Sec.
1. Establishment.
2. Seal.
3. Officers and employees.
4. Restrictions on officers and employees as to interest in patents.
5. Repealed.
6. Duties of Commissioner.
7. [Board of Appeals] *Board of Patent Appeals* and Interferences.
8. Library.

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**§ 3. Officers and employees**

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(e) *The members of the Trademark Trial and Appeal Board of the Patent and Trademark Office shall receive compensation equal to that*

*paid a GS–16 under the General Schedule contained in section 5332 of title 5, United States Code.*

* * * * * * *

**§ 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 heard by at least three members of the Board of Appeals, the members hearing each 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 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 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.]

**§ 7. Board of Patent Appeals and Interferences**

*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 Patent Appeals and Interferences.*

*The Board of Patent Appeals and Interferences shall, on written appeal of an applicant, review adverse decisions of examiners upon applications for patents and shall determine priority and patentability of invention in interferences declared pursuant to section 135(a) of this title. Each appeal and interference shall be heard by at least three members of the Board of Patent Appeals and Interferences, the members to be designated by the Commissioner. The Board of Patent Appeals and Interferences has sole power to grant rehearings.*

*Whenever the commissioner considers it necessary to maintain the work of the Board of Patent Appeals and Interferences 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 Patent Appeals and Interferences. Not more than one such primary examiner shall be a member of the Board of Patent Appeals and Interferences hearing an appeal or determining an interference. The Secretary of Com-*

*merce 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 at GS–16 pursuant to section 5332 of title 5, United States Code. 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 4—PATENT FEES

### § 41. Patent fees

(a) The Commissioner shall charge the following fees:

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6. On filing an appeal from the examiner to the [Board of Appeals] *Board of Patent Appeals and Interferences*, $115; in addition, on filing a brief in support of the appeal, $115, and on requesting an oral hearing *in the appeal* before the [Board of Appeals] *Board of Patent Appeals and Interferences*, $100.

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## PART II—PATENTABILITY OF INVENTIONS AND GRANT OF PATENTS

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## CHAPTER 10—PATENTABILITY OF INVENTIONS

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### § 104. Invention made abroad

In proceedings in the [Patent Office] *Patent and Trademark Office* and in the courts, an applicant for a patent, or a patentee, may not establish a date of invention by reference to knowledge or use thereof, or other activity with respect thereto, in a foreign country, except as provided in sections 119 and 365 of this title. Where an invention was made by a person, civil or military, while domiciled in the United States and serving in a foreign country in connection with operations by or on behalf of the United States, he shall be entitled to the same rights of priority with respect to such inventions as if the same had been made in the United States.

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## CHAPTER 12—EXAMINATION OF APPLICATION

Sec.
131. Examination of application.
132. Notice of rejection; reexamination.
133. Time for prosecuting application.
134. Appeal to the [Board of Appeals] *Board of Patent* Appeals and Interferences.
135. Interferences.

**§ 134. Appeal to the [Board of Appeals] *Board of Patent Appeals* and Interferences**

An applicant for a patent, any of whose claims has been twice rejected, may appeal from the decision of the [primary] examiner to the [Board of Appeals] *Board of Patent Appeals and Interferences*, having once paid the fee for such appeal.

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**§ 135. Inerferences**

[(a) Whenever an application is made for a patent which, in the opinion of the Commissioner, would interfere with any pending application, or with any unexpired patent, he shall give notice thereof to the applicants, or applicant and patentee, as the case may be. The question of priority of invention shall be determined by a board of patent interferences (consisting of three examiners of interferences) whose decision, if adverse to the claim of an applicant, shall constitute the final refusal by the Patent and Trademark Office of the claims involved, and the Commissioner may issue a patent to the applicant who is adjudged the prior inventor. A final judgment adverse to a patentee from which no appeal or other review has been or can be taken or had shall constitute cancellation of the claims involved from the patent, and notice thereof shall be endorsed on copies of the patent thereafter distributed by the Patent and Trademark Office.]

*(a) Whenever an application is made for a patent which, in the opinion of the Commissioner, would interfere with any pending application, or with any unexpired patent, an interference may be declared and the Commissioner shall give notice thereof to the applicants, or applicant and patentee, as the case may be. The Board of Patent Appeals and Interferences shall determine the priority and patentability of invention in interferences. Any final decision, if adverse to the claim of an applicant, shall constitute the final refusal by the Patent and Trademark Office of the claims involved, and the Commissioner may issue a patent to the applicant who is adjudged the prior inventor. A final judgment adverse to a patentee from which no appeal or other review has been or can be taken or had shall constitute cancellation of the claims of the patent, and notice thereof shall be endorsed on copies of the patent thereafter distributed by the Patent and Trademark Office.*

(b) A claim which is the same as, or for the same or substantially the same subject matter as, a claim of an issued patent [may] *shall* not be made in any application unless such a claim is made prior to one year from the date on which the patent was granted.

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## CHAPTER 13—REVIEW OF PATENT AND TRADEMARK OFFICE DECISION

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**[§ 141. Appeal to Court of Appeals for the Federal Circuit**

[An applicant dissatisfied with the decision of the Board of Appeals may appeal to the United States Court of Appeals for the Federal Circuit, thereby waiving his right to proceed under section 145 of this title. A party to an interferences on the question of priority may appeal to the United States Court of Appeals for the Federal Circuit,

but such appeal shall be dismissed if any adverse party to such interference, within twenty days after the appellant has filed notice of appeal according to section 142 of this title, files notice with the Commissioner that he elects to have all further proceedings conducted as provided in section 146 of this title. Thereupon the appellant shall have thirty days thereafter within which to file a civil action under section 146, in default of which the decision appealed from shall govern the further proceedings in the case.]

**§ *141. Appeal to Court of Appeals for the Federal Circuit***

*An applicant dissatisfied with the decision in an appeal to the Board of Patent Appeals and Interferences under section 134 of this title may appeal to the United States Court of Appeals for the Federal Circuit, thereby waiving his right to proceed under section 145 of this title. A party to an interference dissatisfied with the decision of the Board of Patent Appeals and Interferences may appeal to the United States Court of Appeals for the Federal Circuit, but such appeal shall be dismissed if any adverse party to such interference, within twenty days after the appellant has filed notice of appeal according to section 142 of this title, files notice with the Commissioner that he elects to have all further proceedings conducted as provided in section 146 of this title. Thereupon the appellant shall have thirty days thereafter within which to file a civil action under section 146, in default of which the decision appealed from shall govern the further proceedings in the case.*

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**§ 145. Civil action to obtain patent**

An applicant dissatisfied with the decision of the [Board of Appeals] *Board of Patent Appeals and Interferences on an appeal under section 134 of this title* may unless appeal has been taken to the United States Court of Appeals for the Federal Circuit, have remedy by civil action against the Commissioner in the United States District Court for the District of Columbia if commenced within such time after such decision, not less than sixty days, as the Commissioner appoints. The court may adjudge that such applicant is entitled to receive a patent for his invention, as specified in any of his claims involved in the decision of the [Board of Appeals] *Board of Patent Appeals and Interferences*, as the facts in the case may appear and such adjudication shall authorize the Commissioner to issue such patent on compliance with the requirements of law. All the expenses of the proceedings shall be paid by the applicant.

**§ 146. Civil action in case of interference**

Any party to an interference dissatisfied with the decision of the [board of patent interferences on the question of priority] *Board of Patent Appeals and Interferences*, may have remedy by civil action, if commenced within such time after such decision, not less than sixty days, as the Commissioner appoints or as provided in section 141 of this title, unless he has appealed to the United States Court of Appeals for the Federal Circuit, and such appeal is pending or has been decided. In such suits the record in the Patent and Trademark Office shall be admitted on motion of either party upon the terms and conditions as to costs, expenses, and the further cross-examination of the witnesses as the court imposes, without prejudice to the right of the parties to

take further testimony. The testimony and exhibits of the record in the Patent and Trademark Office when admitted shall have the same effect as if originally taken and produced in the suit.

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## CHAPTER 14—ISSUE OF PATENT

Sec.
151. Issue of patent.
152. Issue of patent to assignee.
153. How issued.
154. Contents and term of patent.
155. Patent term extension.
*156. Statutory invention recording.*

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### § *156. Statutory invention recording*

*(a) Notwithstanding any other provisions of this title, the Commissioner is authorized to publish a statutory invention registration containing the specification and drawings of a regularly filed application for a patent without examination, except as may be required to conduct an interference proceeding, to determine compliance with section 112 of this title, or to review for formalities required for printing, if the applicant—*

*(1) waives the right to receive a patent on the invention within such period as may be prescribed by the Commissioner, and*

*(2) pays application, publication and other processing fees established by the Commissioner.*

*(b) The waiver under this section shall take effect upon publication of the statutory invention recording.*

*(c) A statutory invention recording published pursuant to this section shall have all of the attributes specified for patents in this title except those specified in section 183, and section 271 through 289 of this title. A statutory invention recording shall not have any of the attributes specified for patents in any other title of this Code.*

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## PART III—PATENTS AND PROTECTION OF PATENT RIGHTS

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

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### § 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 are 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] *Board of Patent Appeals and Interferences*, will be conducted with special dispatch within the Office.

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## PART IV—PATENT COOPERATION TREATY

## CHAPTER 35—DEFINITIONS

### § 351. Definitions

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(d) The term "international application originating in the United States" means an international application filed in the [Patent Office] *Patent and Trademark Office* when it is acting as a Receiving Office under the treaty, irrespective of whether or not the United States has been designated in that international application.

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## CHAPTER 36—INTERNATIONAL STAGE

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### § 361. Receiving Office

(a) The [Patent Office] *Patent and Trademark Office* shall act as a Receiving Office for international applications filed by nationals or residents of the United States. In accordance with any agreement made between the United States and another country, the [Patent Office] *Patent and Trademark Office* may also act as a Receiving Office for international applications filed by residents or nationals of such country who are entitled to file international applications.

(b) The [Patent Office] *Patent and Trademark Office* shall perform all acts connected with the discharge of duties required of a Receiving Office, including the collection of international fees and their transmittal to the International Bureau.

(c) International applications filed in the [Patent Office] *Patent and Trademark Office* shall be in the English language.

(d) The basic fee portion of the international fee, and the transmittal and search fees prescribed under section 376(a) of this part, shall be paid on filing of an international application *or within one month after such date*. Payment of designation fees may be made on filing and shall be made not later than one year from the priority date of the international application.

### § 362. International Searching Authority

The [Patent Office] *Patent and Trademark Office* may act as an International Searching Authority with respect to international applications in accordance with the terms and conditions of an agreement which may be concluded with the International Bureau.

**§ 363. International application designating the United States: Effect**

An international application designating the United States shall have the effect, from its international filing date under article 11 of the treaty, of a national application for patent regularly filed in the [Patent Office] *Patent and Trademark Office* except as otherwise provided in section 102(e) of this title.

**§ 364. International stage: Procedure**

(a) International applications shall be processed by the [Patent Office] *Patent and Trademark Office* when acting as a Receiving Office or International Searching Authority, or both, in accordance with the applicable provisions of the treaty, the Regulations, and this title.

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**§ 365. Right of priority; benefit of the filing date of a prior application**

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(c) In accordance with the conditions and requirements of section 120 of this title, an international application designating the United States shall be entitled to the benefit of the filing date of a prior national application or a prior international application designating the United States, and a national application shall be entitled to the benefit of the filing date of a prior international application designating the United States. If any claim for the benefit of an earlier filing date is based on a prior international application which designated but did not originate in the United States, the Commissioner may require the filing in the [Patent Office] *Patent and Trademark Office* of a certified copy of such application together with a translation thereof into the English language, if it was filed in another language.

**§ 366. Withdrawn international application**

Subject to section 367 of this part, if an international application designating the United States is withdrawn or considered withdrawn, either generally or as to the United States, under the conditions of the treaty and the Regulations, before the applicant has complied with the applicable requirements prescribed by section 371(c) of this part, the designation of the United States shall have no effect *after the date of withdrawal*, and shall be considered as not having been made *unless a claim for the benefit of a prior filing date under section 365(c) of this part was made in a national application, or an international application designating the United States, filed before the date of such withdrawal.* However, such *withdrawn* international application may serve as the basis for a claim of priority under section 365 (a) and (b) of this part, if it designated a country other than the United States.

**§ 367. Actions of other authorities: Review**

(a) Where a Receiving Office other than the [Patent Office] *Patent and Trademark Office* has refused to accord an international filing date to an international application designating the United States or where it has held such application to be withdrawn either generally or as to the United States, the applicant may request review of the matter by the Commissioner, on compliance with the requirements of and within

the time limits specified by the treaty and the Regulations. Such review may result in a determination that such application be considered as pending in the national stage.

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**§ 368. Secrecy of certain inventions; filing international applications in foreign countries**

(a) International applications filed in the [Patent Office] *Patent and Trademark Office* shall be subject to the provisions of chapter 17 of this title.

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(c) If a license to file in a foreign country is refused or if an international application is ordered to be kept secret and a permit refused, the [Patent Office] *Patent and Trademark Office* when acting as a Receiving Office or International Searching Authority, or both, may not disclose the contents of such application to anyone not authorized to receive such disclosure.

## CHAPTER 37—NATIONAL STAGE

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**§ 371. National stage: Commencement**

(a) Receipt from the International Bureau of copies of international applications with amendments to the claims, if any, and international search reports [is] *may be* required in the case of all international applications designating the United States [, except those filed in the Patent Office].

[(b) Subject to subsection (f) of this section, the national stage shall commence with the expiration of the applicable time limit under article 22(1) or (2) of the treaty, at which time the applicant shall have complied with the applicable requirements specified in subsection (c) of this section.]

*(b) Subject to subsection (f) of this section, the national stage shall commence with the expiration of the applicable time limit under article 22(1) or (2) of the treaty.*

(c) The applicant shall file in the [Patent Office] *Patent and Trademark Office*—

(1) the national fee prescribed under section 376(a)(4) of this part;

(2) a copy of the international application, unless not required under subsection (a) of this section or already [received from] *communicated by* the International Bureau, and a [verified] translation into the English language of the international application, if it was filed in another language;

(3) amendments, if any, to the claims in the international application, made under article 19 of the treaty, unless such amendments have been communicated to the [Patent Office] *Patent and Trademark Office* by the International Bureau, and a translation into the English language if such amendments were made in another language;

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[(d) Failure to comply with any of the requirements of subsection (c) of this section, within the time limit provided by article 22(1) or

(2) of the treaty shall result in abandonment of the international application.]

*(d) The requirements with respect to the national fee referred to in subsection (c)(1), the translation referred to in subsection (c)(2), and the oath or declaration referred to in subsection (c)(4) of this section shall be complied with by the date of the commencement of the national stage or by such later time as may be fixed by the Commissioner. The copy of the international application referred to in subsection (c)(2) shall be submitted by the date of the commencement of the national stage. Failure to comply with these requirements shall be regarded as abandonment of the application by the parties thereof, unless it be shown to the satisfaction of the Commissioner that such failure to comply was unavoidable. The payment of a surcharge may be required as a condition of accepting the national fee referred to in subsection (c)(1) or the oath or declaration referred to in subsection (c)(4) of this section if these requirements are not met by the date of the commencement of the national stage. The requirements of subsection (c)(3) of this section shall be complied with by the date of the commencement of the national stage, and failure to do so shall be regarded as a cancellation of the amendments to the claims in the international application made under article 19 of the treaty.*

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**§ 372. National stage: Requirements and procedure**

(a) All questions of substance and, within the scope of the requirements of the treaty and Regulations, procedure in an international application designating the United States shall be determined as in the case of national applications regularly filed in the [Patent Office] *Patent and Trademark Office.*

(b) In case of international applications designating but not originating in, the United States—

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(2) the Commissioner may cause the question of unity of invention to be reexamined under section 121 of this title, within the scope of the requirements of the treaty and the Regulations[.] *;*

*(3) the Commissioner may require a verification of the translation of the international application or any other document pertaining thereto if the application or other document was filed in a language other than English.*

[(c) Any claim not searched in the international stage in view of a holding, found to be justified by the Commissioner upon review, that the international application did not comply with the requirement for unity of invention under the treaty and the Regulations, shall be considered cancelled, unless payment of a special fee is made by the applicant. Such special fee shall be paid with respect to each claim not searched in the international stage and shall be submitted not later than one month after a notice was sent to the applicant informing him that the said holding was deemd to be justified. The payment of the special fee shall not prevent the Commissioner from requiring that the international application be restricted to one of the inventions claimed therein under section 121 of this title, and within the scope of the requirements of the treaty and the Regulations.]

**§ 373. Improper applicant**

An international application designating the United States, shall not be accepted by the [Patent Office] *Patent and Trademark Office* for the national stage if it was filed by anyone not qualified under chapter 11 of this title to be an applicant for the purpose of filing a national application in the United States. Such international applications shall not serve as the basis for the benefit of an earlier filing date under section 120 of this title in a subsequently filed application, but may serve as the basis for a claim of the right of priority under section 119 of this title, if the United States was not the sole country designated in such international application.

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**§ 376. Fees**

(a) The required payment of the international fee, which amount is specified in the Regulations, shall be paid in United States currency. The [Patent Office] *Patent and Trademark Office* may also charge the following fees:

(1) A transmittal fee (see section 361(d));
(2) A search fee (see section 361(d));
(3) A supplemental search fee (to be paid when required);
(4) A national fee (see section 371(c));
[(5) A special fee (to be paid when required; see section 372(c))];
[(6)] (*5*) Such other fees as established by the Commissioner.

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# TITLE 42—THE PUBLIC HEALTH AND WELFARE

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**§ 2182. Inventions conceived during Commission contracts; ownership; waiver; hearings**

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If the Commission files such a direction with the Commissioner of Patents, and if the applicant's statement claims, and the applicant still believes, that the invention or discovery was not made or conceived in the course of or under any contract, subcontract or arrangement entered into with or for the benefit of the Commission entitling the Commission to the title to the application or the patent the applicant may, within 30 days after notification of the filing of such a direction, request a hearing before [a Board of Patent Interferences] *the Board of Patent Appeals and Interferences*. The Board shall have the power to hear and determine whether the Commission was entitled to the direction filed with the Commissioner of Patents. The Board shall follow the rules and procedures established for interference cases and an appeal may be taken by either the applicant or the Commission from the final order of the Board to the United States Court of Appeals for the Federal Circuit in accordance with the procedures governing the ap-