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FACSIMILE (FAX) NUMBER (608)263-1064

DATE: 4 Sept. 1997 TIME: _____

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COMMENTS: Norm - Thanks again for your help. Here is the material that came from Sen. Feingold on S.507

Best regards
Howard

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SUMMARY OF CHANGES
REFLECTED IN THE CHAIRMAN'S MARK
ON S. 507, THE OMNIBUS PATENT ACT OF 1997
MAY 21, 1997

TITLE I – THE UNITED STATES PATENT AND TRADEMARK ORGANIZATION ACT OF 1997.

COPYRIGHT OFFICE: Concerns have been expressed by some regarding how the creation of a Patent and Trademark Organization (USPTO) separate from the Department of Commerce might affect the existing role of the U.S. Copyright Office. The Chairman's mark responds to these concerns by making explicit that nothing in this legislation will alter the existing duties or functions of the Register of Copyrights.

SMALL BUSINESS: Some concerns were also raised regarding how the creation of a Patent and Trademark Organization might affect small businesses, independent inventors, and nonprofit organizations. The Chairman's mark responds to these concerns by creating an Ombudsman to advise the Commissioner of Patents on the concerns of independent inventors, nonprofit organizations, and small businesses, and by securing at least one seat for an independent inventor on the Patent Office Management Advisory Board (the Advisory Board is charged with advising the Commissioner of Patents on matters relating to the operation and budget of the Patent Office and with reporting to Congress annually on the policies, goals, performance, budget, and user fees of the Patent Office).

INTEGRITY OF THE ORGANIZATION: The Chairman's mark makes a number of changes to ensure the integrity of the USPTO. Among these is an amendment relating to the Organization's power to accept gifts. The Patent and Trademark Office currently has such a power under title 15, which grants the Secretary of Commerce the power to accept gifts and bequests. Retention of such a power is important to maintain the USPTO's museum and library, as well as the educational activities carried out by the Office--such as the Patent Academy--which benefit from donations of time by instructors. In order to preserve these functions of the USPTO while still insuring the integrity of the system, the Chairman's mark includes an amendment to limit the Organization's power to accept gifts (and to prohibit the acceptance of gifts from foreign entities), and to make clear that the limited gifts accepted by the Organization are subject to criminal bribery statutes. The Chairman's mark also includes additional amendments designed to further ensure the integrity of the Organization by prohibiting the establishment of satellite offices outside the United States, requiring the USPTO to hire only U.S. citizens, clarifying that members of the management advisory boards are special Government employees under title 18 and thus subject to the applicable standards of ethical conduct, and requiring the Director to report to Congress annually on the receipt and management of user fees, as well as the amount of any surplus revenues retained by the Organization.

EFFICIENCY: S. 507 provides that the Director may perform personnel, procurement, and other functions that are more efficiently administered through a centralized office, where the Director, the Commissioner of Patents, and the Commissioner of Trademarks so agree. The Chairman's mark clarifies that such an agreement must be in writing and must be continuous. It also clarifies that fees from the Patent Office and Trademark Office may be allocated to the performance of these centralized functions, as agreed by the Director, the Commissioner of Patents, and the Commissioner of Trademarks.

USE OF THE ORGANIZATION'S NAME: As suggested by the Administration, the Chairman's mark contains an amendment to protect the Organization from the unauthorized use of the corporate name. This amendment allows the Organization to obtain injunctive relief, as well as actual and statutory damages for violation of its provisions.

CONFORMING AMENDMENTS: The Chairman's mark contains amendments to conform certain provisions to those of H.R. 400. Specifically, the Chairman's mark recognizes the change in title from "examiners-in-chief" to "administrative patent judges" for patents and the change in title from "members" to "administrative trademark judges" for trademarks. This nomenclature has been used by the Patent and Trademark Office since 1993, but a corresponding change has never been made to the Code.

TECHNICAL CORRECTIONS: The Chairman's mark incorporates a number of technical changes, including an amendment to clarify that the Organization can dispose of property that it acquires (S. 507 explicitly provides for the power to acquire such property, but only implies the power to dispose of it), amendments to correct typographical errors, and an amendment to clarify the responsibility of the Director to submit an annual report to Congress on statutory invention registrations.

TITLE II – THE PATENT APPLICATION PUBLICATION ACT OF 1997.

EXEMPTION: The Chairman's mark responds to concerns raised by independent inventors by allowing <u>any</u> applicant to avoid early publication of their patent application simply by making such a request upon filing the application and by certifying that their application has not--and will not-- be published abroad. Because patent applications filed in many foreign countries are already published by those countries, waiver of early publication in the U.S. is not available under this amendment for applicants who also publish abroad. Applicants who elect not to have their applications published must notify the Director within one month of filing an application in a foreign country. And, a request to waive publication may be rescinded by the applicant at any time. If a prior request is rescinded, or if an application for a patent on the invention is filed in a foreign country, the application will be published in the U.S.

STUDY: The Chairman's mark also adopts the recommendation of certain members of the Committee by providing for a 3-year study of early publication in the United States, with a particular emphasis on the number and type of inventors who elect to file only in the United States and waive early publication under this title.

FAST-TRACK PATENT ISSUANCE: The Chairman's mark provides for the issuance of patents on individual claims in published applications as they are approved, rather than waiting for the disposition of all claims contained in such an application, as occurs now. This allows applicants to gain full patent protection for some of their component inventions earlier than they otherwise would, thus allowing them to both exploit and protect their inventions after publication. In order to encourage applicants to publish early, this fast-track to patent issuance is available only to those whose applications have been published.

TECHNICAL AMENDMENT: The Chairman's mark incorporates a technical amendment requested by the Administration to allow the Commissioner of Patents to accept unintentionally delayed claims for earlier filing dates for applications previously filed in the U.S. or abroad, subject to procedures established by the Commissioner, including the payment of a surcharge.

EFFECTIVE DATE: There was some concern ... insufficient time to allow the USPTO to put into place the structure to implement these early publication provisions. The Chairman's mark postpones the effective date of the early publication provisions from April 1, 1998, to one year after the date of enactment.

TITLE III -- PATENT TERM RESTORATION.

17-YEAR MINIMUM TERM FOR DILIGENT FILERS: The Chairman's mark should ensure that an applicant that diligently prosecutes a patent application before the USPTO will receive a full 17 years of patent protection. Concerns were raised that S. 507, as drafted, did not preclude the possibility than an applicant who is diligently prosecuting a patent will receive less than 17 years of patent protection. The Chairman's mark, while ensuring that a diligent applicant will receive a full 17 years of patent protection, will not open the process up to extensions for deliberate delays because an additional limitation makes clear that if an applicant takes more than three months to respond to a request from the USPTO (nonprofit research laboratories or other nonprofit entities such as universities, research centers, or hospitals can petition the Commissioner for additional time), patent term will be deducted.

STATEMENT OF PATENT TERM: The Chairman's mark also clarifies that the Commissioner of Patents must state the length of the patent's term at the time of issuance. This has always been the intended procedure, but concerns were raised that the current language was unclear. The Chairman's mark further requires that any appeal of the Commissioner's decision on the patent term be filed with the federal court within 180 days of the date of issuance of the patent. This provides a reasonable time for patent-holders to challenge the Commissioner's decision but limits the window so as to prevent gaming the restoration system with other provisions of law.

FURTHER LIMITED REEXAMINATION: The Chairman's mark directs the Commissioner of Patents to establish regulations to provide for further limited reexamination of an application at the request of the applicant, and to provide for reduced fees for small businesses and independent inventors. This amendment is designed to provide the applicant with further opportunity to advance their applications within the USPTO without having to resort to federal court.

MISCELLANEOUS: The Chairman's mark replaces the word "extension" in several places with the word "restoration", which is a more accurate description of the function of those sections. This title restores patent term lost due to undue administrative delay in the processing of the application. This is truly a restoration of time lost and should be labeled as such.

TITLE IV -- THE PRIOR DOMESTIC COMMERCIAL USE ACT OF 1997.

PRIOR USE BY THE GOVERNMENT, NONPROFITS, AND UNIVERSITIES: This title is designed to close a loophole in the present law that arguably permits one who obtains a patent to sue someone who has independently developed and used the same invention prior to the date of the patent application. Specifically, S. 507 accords a defense to one who has "commercially used" subject matter later covered by a patent. However, it has been suggested by some, including the Justice Department, that the term "commercially use" may be interpreted as not applying to activities, no matter how important or widespread, undertaken by or for the U.S. Government, nonprofits, or universities. The Chairman's mark would clarify that the U.S. Government, nonprofits, and universities can assert the "prior use" defense when appropriate--thus avoiding

the anomalous situation where individuals or companies who are prior users of patented subject matter are accorded a defense to an infringement claim, while the Government, nonprofits and universities are not.

CLARIFICATION OF TERMS: The Chairman's mark would tighten the prior user defense to ensure that it is asserted only by those who have justification to use it. By removing the ambiguity in three definitions, the Chairman's mark will help to make the prior user right an exception, rather than the rule:

"Commercial transfer"—Under S. 507, as introduced, the "used in commerce"/"use in commerce" threshold is met if there has been an actual sale or other commercial transfer of a product or service. Concern has been expressed that this threshold could be met simply by one division of a company making a "sale" to another division of the company. Such interdivisional sales are common and can be easily accomplished through bookkeeping. The Chairman's mark requires that a sale or other commercial transfer be at arms-length in order to ensure that a prior user has truly used the process or sold the product "in commerce" rather than an intracompany transfer that is logged on the books as a "commercial sale."

In order to achieve "effective and serious preparation"—another of the thresholds that must be met by a prior user—it is sufficient if the "person" has reduced the subject matter to practice in the United States. Concern has been expressed that this is a low threshold given the ambiguity of the terms (e.g., a person may "reduce to practice" through computer simulation, through tangential experimentation, through "like" application). The Chairman's mark would raise the threshold by requiring an "actual reduction to practice" of the infringing subject matter.

TITLE V – THE PATENT REEXAMINATION REFORM ACT OF 1997.

LIMITING THE SCOPE OF REEXAMINATION: Some concerns were raised that independent inventors and small businesses would be adversely affected by provisions of S. 507 that would expand the scope of reexamination procedures. The Chairman's mark responds to these concerns by removing those provisions.

ESTOPPEL: In order to accommodate the concerns of several Members of the Committee regarding the potential for abuse of reexamination as a tool for harassment, the Chairman's mark provides strict estoppel. Specifically, once a third-party requester is granted a reexamination, that party is estopped from raising the issues that were raised or could have been raised at the time in a future reexamination or suit for infringement. The third-party requester is permitted to appeal the original reexamination to the Board of Patent Appeals and Interferences and to Federal court. Thus, the requester gets one bite at the apple and no more.

NEWLY DISCOVERED PRIOR ART: The Chairman's mark makes clear that a third-party requester is not precluded from bringing forward any newly discovered prior art that may be relevant to the issue of a patent's validity that was previously unavailable to the third-party requester and the USPTO.

REPORT: The Chairman's mark adopts the recommendation of some senators on the Committee that the Director of the USPTO be required to report to Congress within 5 years on the effect of reexamination proceedings under this title on the various parties, and to recommend changes, if necessary, to cure any inequities.

EFFECTIVE DATE: There was some concern expressed that 6 months was insufficient time to allow the USPTO to put into place the structure necessary to implement the reexamination provisions of S. 507. The Chairman's mark postpones the effective date of the reexamination provisions from 6 months after the date of enactment to one year after the date of enactment.

TITLE VI – MISCELLANEOUS PROVISIONS.

ACCESS TO ELECTRONIC PATENT INFORMATION: The Chairman's mark would assist independent inventors and small businesses in rural states by requiring the USPTO to develop and implement statewide computer networks so that the citizens of rural states will have enhanced access to the information in their state's patent and trademark depository libraries. Such a requirement is consistent with the USPTO's attempts to modernize the Office and with independent inventor and small business desires for expanded availability of USPTO information.

NONAPPLICABILITY OF CERTAIN LIMITATIONS ON DAMAGES FOR PATENT INFRINGEMENT: The Chairman's mark narrows the scope of the ban on enforcement of medical methods patents so as to continue to insulate individual doctors from suit but not corporate entities, as well as to exempt those patents for which an application was pending on the date of enactment of the ban.

STUDY AND REPORT: The Chairman's mark adopts an amendment suggested by Senator Grassley to direct the GAO to conduct a study, in consultation with the U.S. Patent Office, and to report to Congress on the potential risks to the U.S. biotechnology industry relating to biological deposits in support of biotechnology patents.

TECHNICAL AMENDMENT: The Chairman's mark incorporates a technical amendment requested by the Administration to clarify the treatment of provisional applications whose last day of pendency falls on a weekend or federal holiday.