Any assistance to House Dept of Commerce Appropriations Bill

The Search Files

It is my understanding that patent search files within the U.S. Patent and Trademark Office (PTO) are critically inadequate because of poor subject matter classification and low integrity as to content completeness. Please size this situation for me by answering the following questions as completely as you can:

How important is the search file to members of the public that need to make patent related searches?

Critically important - decisions on whether or not to invest in innovations or not are made based on its contents.

What is the potential legal effect of either the public or a patent examiner relying on a search file where documents are missing?

Invalid patents can be granted, frequency of litigation can increase and malpractive suits can result.

Does the fact that the files are missing significant numbers of documents have a negative impact upon U.S. industrial innovation?

Yes. The practical result of missing documents is a loss of confidence in the validity of patents with a consequent reduction in the effectiveness of the patent system in enhancing innovation.

Is anything currently being done to improve the integrity of the files?

Yes. The practical efforts in this area are directed towards a limited program to check and correct the integrity of some of the most active areas in the Office's U.S. patent search files and to placing security labels on all newly issuing patents in their original and cross-referenced locations in the Public Search Room file. Much more needs to be done by way of improving integrity. Other alternatives such as microform files are also continually being explored to insure that the PTO has the most efficient and effective search file system.

How often is each subclass file checked to see if any documents are missing?

Under our present program only the more active subclasses (less than 5% of all the files annually) are being checked while some of the less active areas of the search file may never be checked. If every subclass were checked in order, it would take about 20 years to review the entire search file under the present search file integrity program. Due to lack of funds, no integrity check is presently made of the foreign patents in the search file. In fact, no inventory of the contents of the foreign patent search file exists.

Are the resources adequate?

No they are not adequate to maintain the search file at an acceptable level of integrity.

In your opinion are new programs or resources necessary to upgrade the patent files within a reasonable period of time?

Yes.

What funding and headcount resources beyond that available to you now at the current budget level would you need to correct the patent files within a reasonable period of time?

To do this we would need approximately $5.5 million with about 150 additional staff years. This excludes approximately $2 million needed to initiate the development of a full text computer assisted search system.

I understand that the security system in the PTO Public Search Room was installed to safeguard against integrity degradation of the patent search files.

Please evaluate the security system?

The security system has had a salutary effect on the public search file. It has reduced the incidence of inadvertent removal of documents by the public, and in those cases involving intentional pilferage, it has established a basis for revoking the search privileges of numerous violators.

Although the public has generally responded to the security system in a highly supportive manner, the potential for abuse will always be present. Since only a small portion of the file has been brought under the system, the full impact of the system cannot be measured.

What on-going costs are incurred through its operation?

The annual cost of operating the complete security system, including guard service, sensing equipment, security labels and labor charges, has averaged approximately $145,000.

Can it be improved upon and, if so, at what level of funding and with what expected results?

Yes. A short range solution to the security of the existing search file would be to accelerate the process of affixing security labels to all patent documents that comprise the public search file. Presently only 20% of this file is protected by the security system. At the current rate less than 225,000 patent documents can be brought under the security system each year. Further degradation of the search file would undoubtedly occur during that time. The entire file could, however, be protected during fiscal year 1980 at a funding level of approximately $1.5 million.

A long range and more effective solution is dependent upon microform technology. Although several alternatives are being studied, the present state-of-the-art is such that no immediate application suitable to our requirements is likely to be found during the next several years. The microform approach has enormous potential for achieving absolute integrity of the contents of our total search file and, accordingly, will continue to be pursued.

How would you prioritize the need to correct patent search files as compared to the need to rectify other PTO problem areas?

High - at or near the top of our list of priorities.

The Patent Cooperation Treaty

The U.S. is now a participating member of the recently formed Patent Cooperation Treaty (PCT).

What impact if any do inadequate U.S. patent search files have upon the standard of effort by the U.S. in the PCT?

Adverse. Inadequate search files may result in an inability to meet minimum documentation and search requirements under the Patent Cooperation Treaty (PCT) and will reduce the usefulness of the PCT to users and patent offices.

What monies, direct and indirect, of the current PTO budget do you attribute to participation in the PCT?

$1.084 million will be spent in FY 1980 for performance of functions under the Patent Cooperation Treaty based on estimated receipts of 6600 Treaty applications.

What amount has the PTO appropriations been increased due to U.S. participation in the PCT?

Zero.

Provide any other information that you think would be helpful in my better understanding PTO related problems that are negatively impacted by inadequate funding and headcount resources. In providing such information, specify in detail the resources needed to meet a stated objective to be reached by way of a specified plan of action.

The Patent and Trademark Office budget needs relate to four goals (and problem) areas.

(1) The issuance of quality patents that will instill confidence in their validity by the patentee, the investor, the courts, etc., so that the subject of the patent will be developed and commercialized where warranted (confidence in the validity of patents is declining).

(2) The prompt issuance of patents (within an average of 18 months of filing) to speed the development of the technology and enable others to build upon it, (pendency is 20 months and rising at the rate of 2 months/year) and;

(3) adequate dissemination of new technology to users (dissemination is presently limited and of limited effectiveness).

(4) The prompt issuance of trademark registrations (within an average of 13 months of filing) to stimulate industrial innovation and facilitate the marketing of products and services (pendency is over 17 months and is projected to double by the end of FY 1980; applications filed increased 50% over the 3 year period 1975 to 1978 and are continuing to increase at the rate of 9% per year).

An additional $14,267,000 would be required in Fiscal 1980 in order to properly (1) upgrade the quality of patent examining to an adequate level ($5,575,000) (2) achieve in a reasonable period of time an average application pendency of about 18 months ($5,498,000), (3) provide for a more effective dissemination of patented technology ($1,825,000) and (4) achieve trademark pendency of 13 months over a reasonable period of time ($1,369,000). This estimate reflects a first year start-up of a long range program designed to meet the above stated objectives over a period of years, particularly in the case of achieving average patent application pendency of about 18 months. Funding in addition to the first year start-up costs identified above will be required in subsequent years. It is assumed that patent application receipts would rise slightly each year and that trademark application receipts would continue to increase at a conservative 7% rate.

The Patent Examining Corps

It is my understanding that the number of patent examiners has been decreasing for the past four years.

Why is it being done?

The number of patent examiners has been decreasing because of budgetary constraints.

This year, the time a patent application pends will increase by several months. Will the number of patent examiners decrease again this year? If so, why?

The number of examiners will decrease again in FY 1980, due to the inability of the PTO to pay for any replacements for normal examiner attrition.

Your statement says the goal of the Patent and Trademark Office is to allow patent applications to pend only 18 months. You are not meeting that goal. How many examiners are needed to meet the 18 month goal? How much additional funding would be required? How much would it cost in this regard to stabilize pendency time at 20 months?

We would have to hire about 180 examiners in both fiscal years 1980 and 1981 and hire slightly more than we have through attrition in each year thereafter and (2) provide for a full overtime program in FY 1980 and 1981 to keep pendency from rising any further and by FY 1982 begin to reduce average pendency to about 18 months by 1987. As pointed out in response to another question above, the first year cost of a program to stabilize and later begin to reduce pendency would be about $5.5 million and another $3.1 million the following year. The budget increase is spread over two years because the Patent and Trademark Office would be unable to assimilate all of the increase within one year.

When and How to File Patent Applications on University Discoveries - Considerations That Apply

1) conception (prior to or in the course of a research project)
2) documentation of the invention
   a) laboratory notebooks - witnesses
   b) invention disclosure forms - witnesses
   c) reports to sponsor, etc.
3) reduction to practice
   a) actual
   b) constructive
4) novelty search
   a) literature and open market
   b) patent art
5) evaluation of invention in view of prior art. (realistic appraisal)
   a) potential market
   b) commercial interest
6) what is to be licensed, sold, or leased - claims to cover
   a) product
   b) process
   c) royalty base
   d) royalty rate
7) decision to file -- on what and when
   a) product
   b) process or method
   c) product-by-process, etc.

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PATENT BRANCH, NIH

JUN 3 1976

June 1, 1976

Mr. Norman J. Latker
Chief - Patent Branch
National Institutes of Health
Room 5A-03 Westwood Building
Bethesda, Maryland 20014

Dear Mr. Latker:

Enclosed are two copies of the Proposal for our meeting on Thursday.

Sincerely yours,

B.M. Kosloski

BMK:emc

Enclosures

of basic research in colleges and universities. But not widely recognized is the need for financial support if such basic research is to be accomplished.

Because our own resources are limited, and because we are so firmly convinced of technologically-based industry's dependence on, and hence obligation to, basic research done in university laboratories, Research Corporation is engaged in a major program to enlist such industrial firms in a cooperative effort of financial support for academic basic research. By this program, a company can take advantage of the experience, effort and procedures of the foundation in searching out, identifying and supporting basic academic research, without added overhead. Within the year since the program's inauguration, one private foundation and four companies have joined such cooperative programs, and several more are actively considering participation. Opportunities are also being offered to individual donors concerned about the present state of funding for basic research, and to other foundations which may want to join in supporting fundamental scientific research.

Aiding the Transfer of Technology

Complementing its support of basic research in colleges and universities through its Grants Program, the Patent Program—the other activity in the dual role of Research Corporation—expedites and implements the practical application of such basic research for the public benefit by means of the patent system. It was Frederick Gardner Cottrell's awareness of the value of this technology transfer from university laboratory to commercial production that led him to the establishment of this foundation, and fathered our present program of contributed services to nonprofit educational and scientific institutions in evaluating inventions, prosecuting patent applications and licensing patents to industry. The demonstration by Research Corporation of the value of such technology transfer has led to the establishment of similar programs by other organizations and agencies both here and abroad. The wide range