"To Promote The Progress of ...Useful Arts"

In An Age of Exploding Technology

REPORT OF
THE PRESIDENT'S COMMISSION
ON THE PATENT SYSTEM

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discrete remedies. The report considers the patent system as a whole and contemplates revision by means of a coordinated plan of interrelated recommendations.

The recommended changes taken together, we respectfully suggest, will strengthen the patent system, and thus will assist in the attainment of the Nation's domestic and international goals in today's rapidly changing environment.

Members of the Commission deeply appreciate the responsibility assigned to them and offer their continued cooperation.

Respectfully yours,

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INTRODUCTION

The United States patent system is an institution as old as the Nation itself. Stemming from a Constitutional mandate, patent acts were passed in 1790, 1793, and 1836. The Act of 1836 established the pattern for our present system by providing statutory criteria for the issuance of patents and requiring the Patent Office to examine applications for conformance thereto. Although the law has been amended on numerous occasions—and even rewritten twice since 1836—no basic changes have been made in its general character in the succeeding one hundred and thirty years.

However, during this period of few statutory changes, major developments have occurred in the social and economic character of the country. The United States has undergone a dramatic transformation, creating and utilizing an enormously complex technology, to emerge as the world's most productive industrial community.

In the agricultural economy of 1836, individuals who engaged in inventive activity usually did so alone, and on their own initiative. Such activity still continues. The lone, independent inventor, even in this day of sophisticated technology, still contributes most importantly to the useful arts. But the field is no longer his alone. Organized research is carrying a steadily increasing share of the task of exploration.

Research and development are now commanding a scale of expenditure which is possible only because of the application of the resources of government, private industry and institutions of learning.

Scientific and technical information is being generated and made available to the public in an ever growing torrent. What

Third, by affording protection, a patent system encourages early public disclosure of technological information, some of which might otherwise be kept secret. Early disclosure reduces the likelihood of duplication of effort by others and provides a basis for further advances in the technology involved.

Fourth, a patent system promotes the beneficial exchange of products, services, and technological information across national boundaries by providing protection for industrial property of foreign nationals.

Having satisfied itself as to the worth of a patent system, the Commission then undertook an extensive analysis of the many studies of U.S. and foreign patent systems. The Commission also sought and received additional views, criticisms and suggestions from numerous sources, including business and trade associations, individual patent practitioners, patent law associations, groups and individuals within the Patent Office, educators, inventors, scientists, businessmen, and other interested parties. From these sources the Commission identified numerous broad areas of concern.

Recognizing that it could not consider adequately all the matters of potential concern in the limited period of its existence, the Commission selected a number of areas with which it felt it could deal most effectively. In making this choice, the Commission took into account several factors, including its own membership, present investigations by other executive and legislative groups, and the potential contribution the Commission could make in any given area.

Within the boundaries thus defined, the Commission identified the following objectives:

1. To raise the quality and reliability of the U.S. patent.
2. To shorten the period of pendency of a patent application from filing to final disposition by the Patent Office.

RECOMMENDATIONS

Patentability of Inventions

I

The following recommendation would result in several significant changes in present practice: (a) when two or more persons separately apply for a patent on the same invention, the patent would issue to the one who is FIRST TO FILE his application; (b) there would be no grace period; (c) foreign knowledge, use and sale would be included as prior art; and (d) there would be revised criteria for the form of prior art.

> **Prior art shall comprise any information, known to the public, or made available to the public by means of disclosure in tangible form or by use or placing on sale, anywhere in the world, prior to the effective filing date of the application.**
>
> **A disclosure in a U.S. patent or published complete application shall constitute prior art as of its effective (United States or foreign) filing date.**

(a) In a first to file system, the respective dates of "conception" and "reduction to practice" of the invention, presently of great importance in resolving contested priority for an invention claimed in two or more pending applications or patents, no longer would be considered. Instead, the earliest effective filing date would determine the question of priority. This necessarily follows from the provision that the disclosure in a patent or published complete application shall constitute prior art as of its effective filing date. Interference proceedings thus would be abolished.

(c) Foreign knowledge, use and sale would be included as prior art. Present arbitrary geographical distinctions would be eliminated. The same high standard of proof now required for showing domestic public knowledge, use or sale would also be applied to such foreign prior art.

The anomaly of excluding, from prior art, public knowledge, use or sale in a border town of Mexico or Canada, and including the same kind of disclosure in Alaska or Hawaii, would be eliminated.

This change would prevent the granting of valid U.S. patents on inventions which would be unpatentable abroad, because of long use or sale there. It would be another step toward conformity with European patent laws and would promote acceptance of a common definition of universal prior art. Additionally, it would promote the establishment of international scientific data banks, thus eliminating one of the barriers to the useful exchange of search results among patent offices of various countries.

(d) "Printing," presently a technical requirement in certain circumstances, would no longer be necessary for a publication to constitute prior art. Instead, any information made available to the public in a tangible (non-oral) form, prior to the effective filing date, could so serve.

Such a change would establish as a logical and modern standard of the form of prior art: that either publicly known or made available to the public in a preservable form. It should end present disputes and avoid future controversy, by accepting as prior art typewritten copy, microfilm, computer print-out, or any other tangible expression of technological data, made available to the public.

(e) The disclosure in a patent or published complete application would have, as its effective filing date, the date of its earliest filing in the United States or a foreign country. This would resolve present uncertainty caused by conflicting court decisions.

preliminary application. Records an inventor now must keep could be replaced by disclosures submitted to the Patent Office, where they automatically would be certified as to date. One or more preliminary applications also could be used to supplement the disclosure first presented in a foreign application.

Information contained in these applications could be disclosed to the public without risk, through publication or market testing, for example, as long as a complete application was filed within twelve months of the earliest preliminary or foreign application relied on. By a complete application is meant one which complies with present requirements for an application. Accordingly, many of the advantages of a grace period could be obtained without the associated problems.

Each claim in the complete application would be entitled, for the purpose of overcoming prior art, to the date on which its supporting disclosure was first fully presented in a validly asserted foreign, preliminary or earlier complete application. Also, disclosure in a complete application, if published, would constitute prior art as of its first presentation date.

The preliminary application technique would create no significant burden for the Patent Office. Preliminary applications need only be stamped with their date of receipt and stored pending the filing of a complete application, and even then would only be considered if the effective date of the complete application was brought into question.

III

Prior art shall not include, as to the inventor concerned, disclosures of an invention resulting from:

1. **A display in an official or officially recognized international exhibition; or**
2. **An unauthorized public divulgation of information derived from the inventor;**

As provided below.

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> Any allegation, that a disclosure should not constitute prior art because it was unauthorized, shall be considered by the Patent Office only if it is verified, sets forth details establishing a *prima facie* case, and is accompanied by proof that notice has been served on the party accused of making the disclosure.
>
> If the party accused promptly contests the allegation, the application shall not issue as a patent until the matter is finally judicially determined in favor of the applicant.

Currently, under certain circumstances, a disclosure will not bar the issuance of a patent if such disclosure was made within the grace period.

In the absence of this recommendation, an inventor or his assignee would lose his patent rights if an unauthorized public disclosure of the invention in any form (including patent applications or patents) was made prior to his filing an application. This recommendation furnishes a procedure to nullify the effect of such disclosure upon the inventor. It would allow the Patent Office to ignore alleged unauthorized disclosures as prior art in those instances where the allegation is not contested by the accused party. At the same time, it is designed to discourage an unsupported assertion that a disclosure should not be used to bar a patent. In a subsequent litigation, failure on the part of an accused party to contest the assertion in the Patent Office would not preclude reliance on such a disclosure to invalidate the patent.

The application would not receive the benefit of the date of the unauthorized disclosure for purposes of priority. Rather, any intervening untainted disclosure, occurring between the date of the unauthorized public disclosure and the application filing date, would constitute prior art as to the applicant. The unauthorized public disclosure also would constitute prior art as regards all other applicants.

that some means *outside* the patent system should be developed for the protection of new and original ornamental designs.

2. Plants: A patent may be granted today on any new and distinct variety of specified types of asexually reproduced plants. The statute imposes the requirement of unobviousness for patentability. In practice, however, patents are granted if the Department of Agriculture notifies the Patent Office that, as far as it can determine, the plant variety is new, and the examiner finds no art indicating the contrary.

While the Commission acknowledges the valuable contribution of plant and seed breeders, it does not consider the patent system the proper vehicle for the protection of such subject matter, regardless of whether the plants reproduce sexually or asexually. It urges further study to determine the most appropriate means of protection.

3. Programs: Uncertainty now exists as to whether the statute permits a valid patent to be granted on programs. Direct attempts to patent programs have been rejected on the ground of nonstatutory subject matter. Indirect attempts to obtain patents and avoid the rejection, by drafting claims as a process, or a machine or components thereof programmed in a given manner, rather than as a program itself, have confused the issue further and should not be permitted.

The Patent Office now cannot examine applications for programs because of the lack of a classification technique and the requisite search files. Even if these were available, reliable searches would not be feasible or economic because of the tremendous volume of prior art being generated. Without this search, the patenting of programs would be tantamount to mere registration and the presumption of validity would be all but nonexistent.

It is noted that the creation of programs has undergone substantial and satisfactory growth in the absence of patent protection and that copyright protection for programs is presently available.

Before publication of the application, however, the assignee must provide both a declaration of originality and a specific assignment from the inventor to safeguard the interests of the inventor and the public. The present statutory exceptions which allow an interested party to file an application when the inventor is deceased, is incapacitated, cannot be found or refuses to cooperate, would be continued to prevent forfeiture of rights.

2. At present, it is often difficult to determine who should be named as the inventor in any given application. A contributing factor is court rulings that for a valid patent to be granted to joint inventors, each person named must have been a joint inventor with respect to each claim in the patent.

Many complex inventions result from the combined efforts of persons working separately, often at different times and in different sections of an organization. In such cases, adequate protection may be impossible because all of the claims required for protection cannot be presented properly in a single application, and the individual contributions cannot properly be made the subject matter of separate patents.

This recommendation would simplify the initial determination of who should be named as inventors in a given application and render it unnecessary for each person named to be the joint inventor of the invention asserted in each claim in a patent.

3. Today, a patent in which a sole inventor is incorrectly named will be held invalid. In the case of joint inventors, the omission or improper inclusion of a name will not necessarily invalidate a patent; however, correction procedures may be burdensome and the issue of whether correction is required can become an item of costly litigation.

This recommendation is intended to avoid a holding of invalidity, as above mentioned, as well as to facilitate correction of applications and patents.

would be made available to all concerned within a reasonably short time. Early publication could prevent needless duplication of the disclosed work, promote additional technological advances based on the information disclosed, and apprise entrepreneurs of their potential liability.

An applicant would be permitted to abandon his application prior to the time for publication and retain the invention in secrecy. Alternatively, an applicant could have his application published promptly after filing, with or without abandonment, which would make his disclosure available earlier for prior art or interim liability purposes. However, the Commissioner could refuse such publication where the subject matter is nonstatutory, immoral, or the like.

In the case of an application which is given a notice of allowance, or in which an appeal is filed to the Board of Appeals, within the eighteen to twenty-four months after its earliest effective filing date, immediate publication would permit citation of prior art by the public (Recommendation No. XI).

Republication after a notice of allowance or the filing of an appeal would be required if amendments to the claims or specification are made after the first publication. Printing costs should not be increased substantially since republication could consist merely of a notice, published in the Official Gazette, with copies of the allowed claims prepared and made available to the public. When considered appropriate by the Commissioner, integrated copies of the specification and drawings could be prepared and made available.

VIII

This recommendation is intended to prevent the repetitive filing of dependent applications. It is designed to eliminate undue postponement of the publication of the scope of protection granted, bring the United States into accord with international practice, and permit more efficient Patent Office examination.

be required if the provisions of the present Council of Europe Treaty and proposed Common Market Patent System were observed, normally would allow both the parent and continuation-in-part applications to be examined contemporaneously, possibly by the same examiner. Further, the public would learn sooner of the scope of patent protection that ultimately might be obtained based on the invention disclosed in the parent application.

Providing that all divisional applications must be presented during the pendency of the original parent application, or the application in which restriction first was required, would shorten the period of public uncertainty as to the scope of patent protection that eventually may be granted on the subject matter disclosed in the parent application. On the other hand, the applicant would have ample opportunity to perfect an appeal or to file a petition that may affect the propriety of a restriction requirement.

IX

The Commission clearly favors a high quality immediate examination system if it can be maintained without a constantly increasing backlog. Nevertheless, it is recommended that:

Standby statutory authority should be provided for optional deferred examination.

Although this recommendation reflects the consensus of the Commission, a split exists among the members as to when and how such authority should be exercised.

One view favors optional deferred examination going into effect, on a pilot basis, as soon as appropriate legislation can be enacted. Proponents of this view feel that early experience with optional deferred examination is desirable, and that it can be obtained effectively only by instituting a pilot program as early as possible. For example, the pilot program could apply to applications filed within a given period of time or to applications concerned with some given subject matter.

be inserted in the queue of applications set for examination in an order based on the date of payment of the examination fee.

5. Examination of pending parent or continuing applications shall not be deferred beyond the time when examination is requested of any of the parent or continuing applications.

1. A five year period should balance the interests of the public, the applicants and the Patent Office. The public should learn, within a reasonable time, about any patent protection. Applicants should have adequate time to ascertain the commercial value of their inventions before investing in an examination fee and prosecution costs. The Patent Office should benefit from the abandonment of a number of applications prior to examination.

2. A complete application which is not accompanied by an examination fee would be inspected for formal matters immediately upon filing. The application would be classified under the Patent Office classification system and published at the earliest possible date. No prior art search would be made before a full examination is requested, since otherwise the saving of examiner's time would be minimal.

3. By requesting an examination, a potential infringer or other interested party could receive a relatively prompt determination of the invention's patentability.

A third party could initiate the examination without identifying himself to the Patent Office. As a result, the applicant would not be given any additional advantage when drafting his claims, nor would the third party be inviting suit for infringement after issuance of the patent.

4. The provision as to order of examination is intended to assure fair treatment to those who initially paid for an immediate examination.

that his claims are allowable. By eliminating doubt as an element favoring patentability, the overall standards of patentability applied by the Office should be raised.

XI

To increase the likelihood that all pertinent prior art is considered before issuance of a patent, the following technique is provided.

> **The Patent Office shall consider all patents or publications, the pertinency of which is explained in writing, cited against an application anytime until six months after the publication which gives notice that the application has been allowed or appealed to the Board of Appeals. If the Patent Office, after the citation period, determines that a claim should not be, or have been, allowed, the applicant shall be notified and given an opportunity *ex parte* both to rebut the determination and to narrow the scope of the claim. The identity of the party citing references shall be maintained in confidence.**
>
> **Public use proceedings, as at present, may be instituted during the citation period.**

Presently, anyone who has reason to believe that an application is pending may seek an *inter partes* proceeding to to determine whether alleged public use or sale should bar issuance of a patent. Also, publications or patents may be submitted for *ex parte* consideration by the Patent Office.

This recommendation would provide a citation period of at least six months in which the public, informed by publication of the content of an application, could submit patents or publications, together with an explanation of their pertinency. Such references would be evaluated and, to the extent found applicable, used to reject claims even if such claims previously were allowed or under appeal.

Little delay in the issuance of patents would result from this procedure. The applicability of newly cited art would be

This recommendation is intended to encourage and expand this effort so that an effective quality measurement can be made, on an objective basis, of the patents being issued by each of the examining groups and art units within the Patent Office.

Development of an effective patent quality measurement technique should be followed by the publication of a rating reflecting the quality of patents issued during a given period. For example, if effective quality measurement is achieved during 1968, the quality rating for that year could be used as a base of comparison and set at 100. Each year thereafter, a quality rating could be determined with this technique and the trend in the quality of patents being issued observed.

Such ratings should prove helpful to the Patent Office, the public, the courts, and the Congress in making required judgments concerning the patent system.

The continual review by a Statutory Advisory Council (Recommendation No. XXVI) of the quality of patents being issued and the effectiveness of any quality control program in operation should result in greater acceptability of the quality rating and the control program by all concerned.

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and Patent Appeals to the United States Court of Appeals for the District of Columbia Circuit, and from a decision of the latter court either may petition the Supreme Court for a writ of certiorari.

An applicant presently may seek review by two alternative routes from a decision by the Board of Appeals of the Patent Office. He may appeal to the Court of Customs and Patent Appeals (C.C.P.A.) on the record made in the Patent Office; or, he may proceed in the United States District Court for the District of Columbia where he may offer evidence and issues not considered by the Patent Office. Only a decision of the District Court may be appealed, by either party, to the United States Court of Appeals for the District of Columbia Circuit.

When the Court of Appeals and the C.C.P.A. render conflicting decisions reflecting a disagreement on a point of substantive law, the Patent Office must choose one of the decisions to follow, for the sake of uniformity within the Office. In practice, the Patent Office generally adopts the guidelines in the decision most favorable to the applicant, since it is the applicant who selects the reviewing court.

The present procedure also has caused inconsistency in the application of the law. As recently observed by the Supreme Court [*Graham* v. *John Deere Co.*], there is "a notorious difference between the standards applied by the Patent Office and by the courts." This difference results not only from the fact that proceedings in the Patent Office are *ex parte*, but also because the C.C.P.A., which to a large extent determines the standards applied in the Patent Office, is a court which has neither general jurisdiction nor jurisdiction in infringement cases.

Under the recommendation, all immediate direct review of the Patent Office would be subject to further review by the United States Court of Appeals for the District of Columbia Circuit. Thus, a single court of general jurisdiction ordinarily would be the final reviewing authority. This should produce decisions wherein interpretation and application of substantive

Procedure for Amending and Cancelling Patents

XV

This recommendation provides an *ex parte* administrative procedure in the Patent Office for cancellation of claims, which should be faster and less costly than court proceedings.

> **The Patent Office, upon receipt of a relatively high fee, shall consider prior art of which it is apprised by a third party, when such prior art is cited and its pertinency explained in writing within a three year period after issuance of the patent. If the Patent Office then determines that a claim should not have been allowed, the patent owner shall be notified and given an opportunity *ex parte* both to rebut the determination and to narrow the scope of the claim. Failure to seek review, or the affirmance of the Patent Office holding, shall result in cancellation of the claim.**
>
> **When the validity of a claim is in issue before both the Patent Office and a court, the tribunal where the issue was first presented shall proceed while the other shall suspend consideration, unless the court decides otherwise for good cause.**
>
> **Anyone unsuccessfully seeking Patent Office cancellation of claims shall be required to pay the patent owner's reasonable cost of defending such claims, including attorney's fees. The Commissioner shall require an appropriate deposit or bond for this purpose at the start of the action.**

Presently, there is no provision for the Patent Office administratively to cancel any claim in an issued patent. Even where a claim appears to be clearly unpatentable in view of newly discovered prior art, only a court can declare the claim invalid. As a result, the patent owner can continue to assert such a claim because no one is willing or able to expend the resources necessary to obtain a court decision.

tion. Possible claim scope could be divined only after the interested party conducted his own examination of the prior art.

Hence, it is desirable that claims never be broadened after publication, whether presented in the published application or a related continuing or reissue application. However, an all-inclusive prohibition to this effect might be impossible to enforce. Accordingly, this recommendation is directed solely to reissue applications, where broadening of claims can be prohibited effectively.

By this recommendation, a patentee whose claims are "infringed" before the patent issues, would have some degree of protection, while at the same time the public would be provided with a clear indication of its possible liability.

The provision that a claim will not be held infringed unless it appears both in the application as first published and in the resulting patent should encourage the applicant, before publication, to present claims he considers patentable. The further requirements of an allowable published claim and actual notice would reduce public uncertainty as to possible interim liability. Also, an infringer would be provided with an opportunity to cease and desist before damages accrue.

In exchange for the right to recover damages during this interim period, an applicant would have to give up any right to an injunction as to things made prior to issuance, and could recover no more than a reasonable royalty for any infringing acts occurring prior to the issuance of the patent. Under any circumstances, suit could not be brought before issuance of a patent.

If an applicant should elect not to pursue an infringer for interim liability, by withholding the required notice, present remedies available after the patent issues would remain undisturbed.

XVIII

The term of a patent shall expire twenty years after its earliest effective U.S. filing date.

The term of a U.S. patent now extends for a period of seventeen years from the date of issuance. Measuring the patent term from this point encourages deliberate delays in the prosecution of applications, particularly those filed primarily for speculative reasons and those having little immediate value. Another effect can be the filing of continuing applications solely to delay the start of a patent term.

XX

The filing of a terminal disclaimer shall have no effect in overcoming a holding of double patenting.

This recommendation is intended to endorse the interpretation given the present statute, with regard to the filing of a terminal disclaimer to overcome a holding of double patenting, by the Court of Appeals for the District of Columbia Circuit. A contrary decision by the Court of Customs and Patent Appeals has created confusion in this area.

The Commission supports the position that the granting of more than one patent on a single invention, even if there is a common inventor or assignee, would constitute, *inter alia*, an undue "extension of monopoly." While a terminal disclaimer would prevent the extension of monopoly in time, it would not preclude the undue extension of monopoly in scope. In this regard, it would not keep the patentee from "blocking" out a field, by successfully prosecuting applications covering otherwise unpatentable variations of what he already has patented. Further, it would discourage attempts by others to "invent around" the patented invention by developing modifications and improvements.

The granting of more than one patent on obvious variations of a single inventive concept also would minimize advantages to be obtained by the provision for *in rem* invalidity (Recommendation No. XXIII). Otherwise, a patent owner, even after claims in one such patent had been held invalid, still could threaten suit on similar claims in his other patents.

XXI

The importation into the United States of a product made abroad by a process patented in the United States shall constitute an act of infringement.

The unauthorized importation into the United States, or sale or use, of a product made abroad by a process patented in the

cannot be effectively enforced so long as a patent system grants limited monopolies.

On the contrary, the two systems are fully compatible, one checking and preventing undesirable monopolistic power and the other encouraging and promoting certain limited beneficial monopolies. In this way, each may easily achieve its objectives in a strong economy.

The Commission, therefore, does not favor any proposal which would weaken the enforcement of the antitrust laws or which would curtail in any way the power of the courts to deny relief to a patent owner misusing the patent he seeks to enforce. However, uncertainty exists as to the precise nature of the patent right and there is no clear definition of the patent misuse rule. This has produced confusion in the public mind and a reluctance by patent owners and others to enter into contracts or other arrangements pertaining to patents or related licenses.

No useful purpose would be served by codifying the many decisions dealing with patent misuse into a set of rules or definitions permitting or denying enforceability of patents in given circumstances. The risk of unenforceability is too great and such a codification is wholly unnecessary. All that the Commission believes to be required is explicit statutory language defining, for the purpose of assignments and licenses, the nature of the patent grant heretofore recognized under the patent statute or by decisional law. This is, the right to exclude others from making, using and selling the patented invention.

The mere exercise, conveyance or license of these conferred rights should not in itself constitute misuse of a patent. A patent owner should not be denied relief against infringers because he either refused to grant a license or because he has exercised, transferred or licensed any of the conferred patent rights himself. This should not include immunity of even these conferred patent rights from the antitrust laws when the patent owner becomes involved in a conspiracy to restrain or monopolize com-

As a result, a party may be held liable as an infringer or required to pay royalties in one circuit, while his direct competitor is practicing the same invention without restriction in another circuit. Moreover, the mere possession of a patent, even though held invalid in one or more circuits, serves as a potential threat to persons unwilling or unable to defend a suit on the patent.

Under the proposed recommendation, a claim, once held invalid, would be treated as cancelled from the patent. No one thereafter could be required, on the basis of a royalty agreement previously made part of an infringement judgment, to continue royalty payments on the claim. Furthermore, the proposal would preclude a subsequent suit on a patent claim previously held invalid by a Federal court.

A patentee, having been afforded the opportunity to exhaust his remedy of appeal from a holding of invalidity, has had his "day in court" and should not be allowed to harass others on the basis of an invalid claim. There are few, if any, logical grounds for permitting him to clutter crowded court dockets and to subject others to costly litigation.

XXIV

One of the most common grievances called to the Commission's attention, by all branches of the patent-using community, has been the high cost of patent litigation. The following recommendation is directed toward the pretrial period, now the occasion for much expense and vexation.

> **Offices of "Civil Commissioner" shall be created in those U.S. district courts where justified by the volume of patent litigation. In patent cases, unless otherwise ordered by a district court judge for good cause, a Commissioner shall conduct pretrial hearings, preside at depositions of parties, supervise discovery proceedings upon an accelerated and abbreviated basis, make preliminary rulings upon the admissibility of proofs, and be empowered to vary the**

Adoption of this recommendation should reduce considerably the time and expense to litigants in patent cases. The provision of Civil Commissioners, who would supervise discovery procedures, should help correct abuses and bring about more effective utilization of these procedures.

XXV

The previous recommendation should substantially reduce the cost of litigation. However, even the reduction so accomplished may not be sufficient to insure a "day in court" for the individual or corporation of modest means. The following recommendation is addressed to this problem.

> **A party to a patent case seeking to reduce his litigation costs, with the consent of the adverse party, may submit his case to the court on a stipulation of facts or on affidavits without the usual pretrial discovery. This procedure may be used where no injunctive relief is asked and only limited damages are sought. Incentives shall be provided to consent to this procedure, as set forth below.**

The Commission does not seek to discourage the settlement of patent infringement controversies. On the contrary, public policy strongly favors this method of resolving disputes. However, since there is always a public interest or aspect involved in a patent license, a strong patent system requires that only good and valid patents be the subject of licensing arrangements. Attainment of this desirable objective is presently hampered by the many settlements and patent licenses brought to pass in order to avoid high litigation expenses. But just as it is contrary to the spirit of the patent laws to recognize and pay tribute to an invalid patent, it is also unfair to expect individual or corporate patent owners of limited means to settle, and accept less than their just due, simply because they cannot afford expensive litigation.

The Commission believes that a truly just patent system should provide all patentees fair opportunity for a "day in

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Statutory Advisory Council

XXVI

A Statutory Advisory Council, comprised of public members selected to represent the principal areas served by the patent system, and appointed by the Secretary of Commerce, shall be established to advise him, on a continuing basis, of its evaluation of the current health of the patent system, and specifically, of the quality of patents being issued and the effectiveness of any internal patent quality control program then in operation, and whether an optional deferred examination system should been instituted or terminated.

Every fourth year the Council shall publish a report on the condition of the patent system including recommendations for its improvement.

The membership shall consist of not less than twelve nor more than twenty-four. The term of appointment shall be four years, with a maximum tenure of eight years. An executive director, and other support as deemed necessary, shall be provided.

Under this recommendation, a standing advisory body would be created by statute with public members representing the principal areas served by the patent system. This group would meet at regular intervals and would be responsible, on a continuing basis, for effectively analyzing the contemporary condition and needs of the system. The Council would utilize and suggest modern techniques for measurement and evaluation, and regularly report its findings and recommendations to the Secretary of Commerce.

The composition and continuity of the Council should insure objective evaluation of the quality of the patents being issued and enable it to recommend the institution or termination of an optional deferred examination system (Recommendation No.

Patent Office Operations

XXVII

Adequate support of the Patent Office is required in order that it properly may perform its mission, now and in the future, irrespective of the nature of the patent examining system utilized. Therefore, it is recommended that:

The Patent Office should be supported adequately to insure first-class staffing, housing and equipment, and

Patent Office financing should be established on the following basis:

1. **The Patent Office should not be required to be entirely self-sustaining.**
2. **The Commissioner of Patents should be authorized to set fees for Patent Office services within broad guidelines established by Congress. Such fees shall be apportioned in accordance with the cost of providing the services.**
3. **The Patent Office should be authorized to establish a "revolving fund" of all its receipts to support its operation.**

The Commission cannot emphasize too strongly that the prime requirement for optimum Patent Office operation is a dedicated corps of career employees possessing a unique combination of scientific and engineering knowledge and the ability to make sound legal judgments. Assembling and retaining such a staff of highly trained professional personnel in a competitive manpower market requires, among other things, an increasing expenditure of resources.

Maximum utilization of the skills of any staff requires a working environment conducive to intellectual output. Supplementing such environment, the best available equipment must be provided for obtaining, storing, and retrieving pertinent prior art and for all other required supporting functions.

partially financing Patent Office operations. Congressional appropriations could supplement this fund as necessary. The availability of this "revolving fund" would lessen the disruptive effects caused by delayed legislative action on appropriations. It would also enable the Patent Office to offer additional services to the public on a reasonable cost recovery basis.

XXVIII

The applicant should be permitted to amend his case following any new ground of objection or rejection by the Patent Office, except where the new ground of objection or rejection is necessitated by amendment of the application by the applicant.

The Commission believes that the desirable goal of reducing the backlog of patent applications reasonably should be balanced with the opportunity for an inventor to obtain a valid patent of proper scope. Thus, the applicant should be provided a fair opportunity for reshaping his claims to meet new rejections of the Patent Office. On the other hand, it is desirable to avoid prolonged pendency, which can be caused by successive amendments that substantially shift the subject matter area claimed.

Applied to specific problems which most commonly arise in Patent Office prosecution, a practice is envisioned in which: (a) if, prior to final rejection, the applicant should introduce new limitations not found in any of his original claims, the Patent Office could cite a reference in the final rejection to show these new limitations and refuse further amendment to the case; and, conversely, (b) if, following an amendment prior to final rejection, the Patent Office should cite a new reference which is a better anticipation of features previously claimed, the Patent Office could not terminate prosecution of the application.

art search. The present diversity among national patent laws and classification systems results in a substantial amount of duplicative effort in examining applications on the same invention filed in more than one country. A common classification system would move the world closer to the desired international patent, if principles of patentability are similar (Recommendation No. XXXV), since each country would know what segment of prior art was previously searched by another patent office on an application for the same invention filed in that country. Moreover, it would insure that specialized data banks would be more complete by providing common guidelines as to what information should be included in each of these data banks.

2. As the amount of scientific and technical information continues to grow at a pace which makes the information unmanageable manually, mechanization appears to be the only solution to obtaining reliable, quality searchers of prior art. Hence, it is imperative to utilize fully the existing techniques of mechanized searching and to study new ones as they become available.

The Patent Office should cooperate with other U.S. agencies engaged in the development and implementation of mechanized information retrieval systems, to maximize their value to the Office as well as the other agencies.

The need for cooperative efforts with foreign nations and active participation by the Patent Office in international organizations studying problems of mechanical information retrieval is self-evident and should be pursued.

3. Obtaining as much contemporary information as possible in the form of perforated or magnetic tape, or the like, would permit continuous build-up of a data bank suitable for automated searching. This would avoid the future necessity of transcribing at one time huge amounts of printed information into computer-usable form and permit a speedier and less expensive change-over from a manual to an automated search system.

ment of satellite public search facilities throughout the United States, resulting in greatly improved dissemination of the technological and legal information contained in patents.

2. On an average, patents now are granted in three different countries for each invention, and an average of 650,000 patent applications are filed each year in eighty different patent offices. These figures lend substantial weight to the desirability of a worldwide patent index. Such an index would provide prompt and reliable means for obtaining information relative to the existence and status of particular patents or applications in any country in the world.

Government Patent Policy

XXXII

The Commission has noted the increasing participation of the Federal Government in the financing of research, development, testing and engineering, and the many problems related to the ownership of patents resulting from such work.

The Commission decided not to address itself to the question of the distribution of rights in inventions resulting from research and development work financed wholly or in part by the Government. This question is being considered actively elsewhere in the Executive Branch and by Committees of the Congress.

Nevertheless, it is the Commission's hope that any action Congress may take in this regard will promote the purposes of the patent system to encourage invention and innovation and the resulting economic development and benefits.

they would have had if they had been applied for or granted without the benefit of priority."

Since the Convention forbids calculation of the term of a patent from the foreign filing date, it prevents measurement of the term from the effective filing date when foreign priority is claimed. Thus a foreign applicant who can claim a foreign priority date would receive a longer period of protection than an applicant who filed a domestic application on such date. Of course, a corresponding advantage is accorded U.S. inventors filing abroad.

Movement toward a universal patent system (Recommendation No. XXXV) would be promoted if an entire international family of related patents expired at the same time. This requires a common measuring point for the patent term. The effective (foreign or domestic) filing date, unlike the earliest domestic filing date, would constitute such a common measuring point.

XXXV

The Commission believes that the ultimate goal in the protection of inventions should be the establishment of a universal patent, respected throughout the world, issued in the light of, and inventive over, all of the prior art of the world, and obtained quickly and inexpensively on a single application, but only in return for a genuine contribution to the progress of the useful arts.

To this end the Commission specifically recommends the pursuit of: (1) International harmonization of patent practice, (2) the formation of regional patent system groups, and (3) a universal network of mechanized information storage and retrieval systems.

There are great differences today among the patent systems of the various countries. The inventor who desires worldwide or even multi-national patent protection for his discovery must file a multitude of applications, each governed by a separate and distinct system of laws, rules, regulations and procedures.

Finally, as an adjunct to achieving the ultimate goal of a universal patent, the Commission envisages the establishment of a universal network of mechanized information storage and retrieval systems involving all of the patents and other technical literature of the world.

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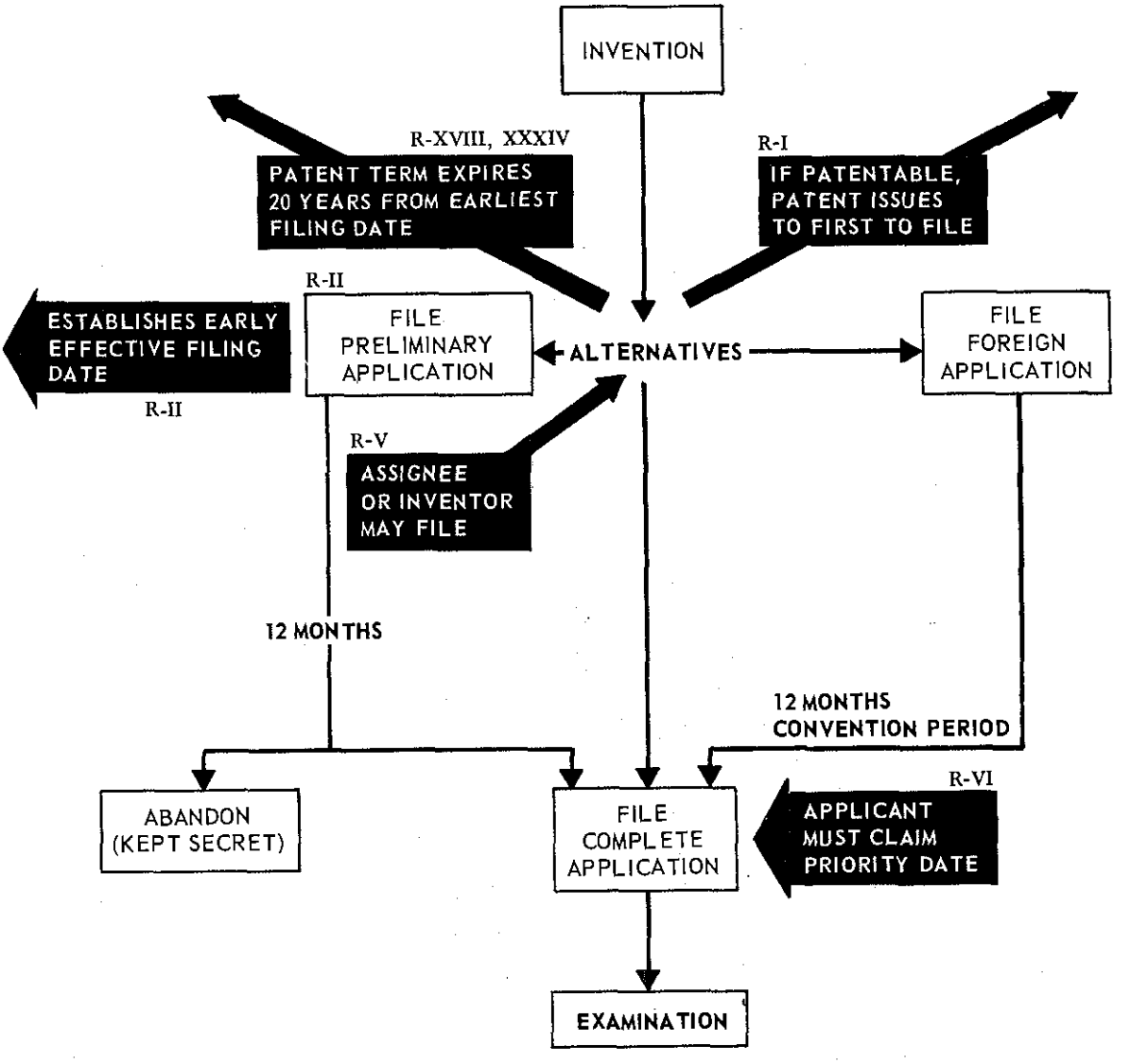
CHART 1

Filing An Application



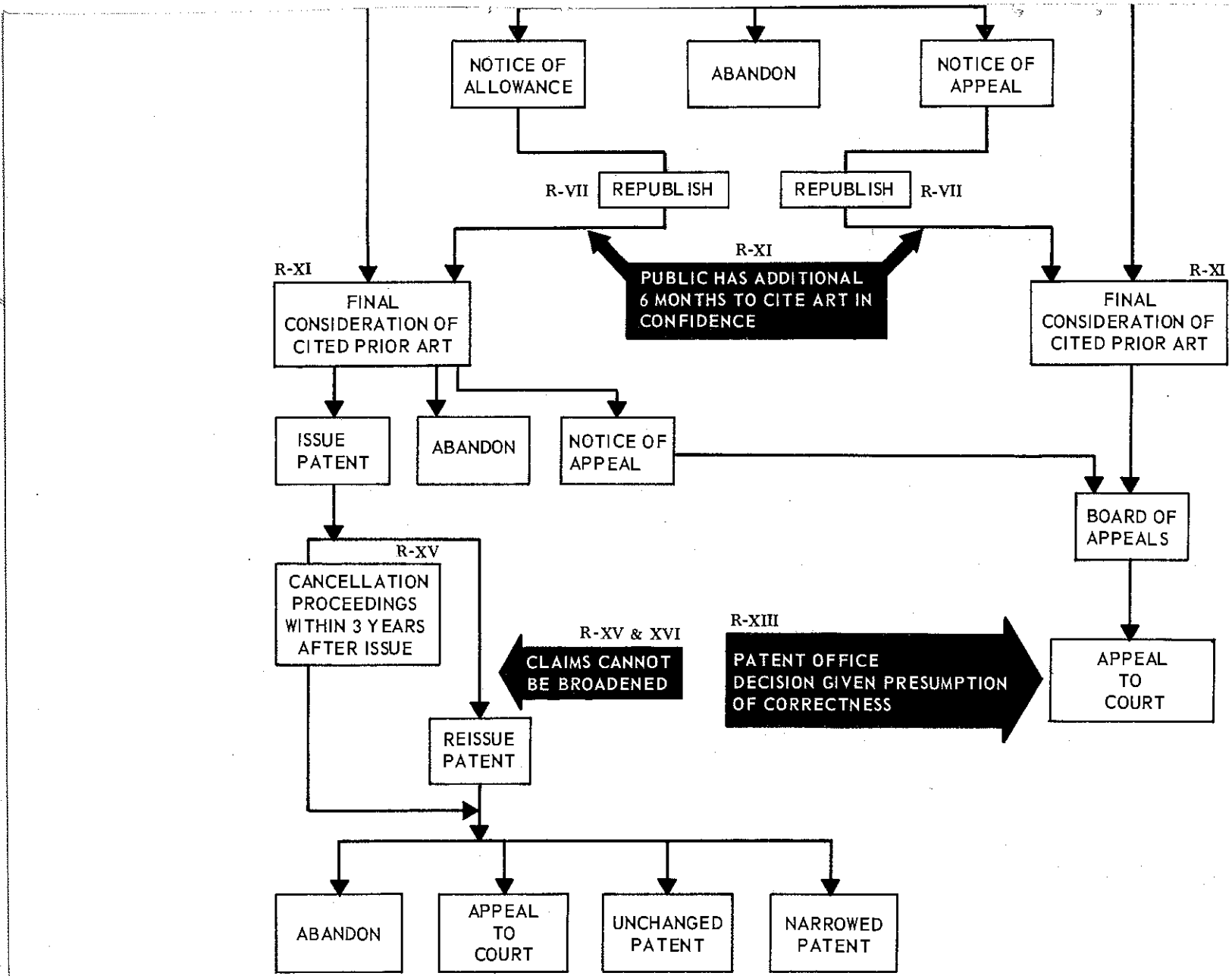
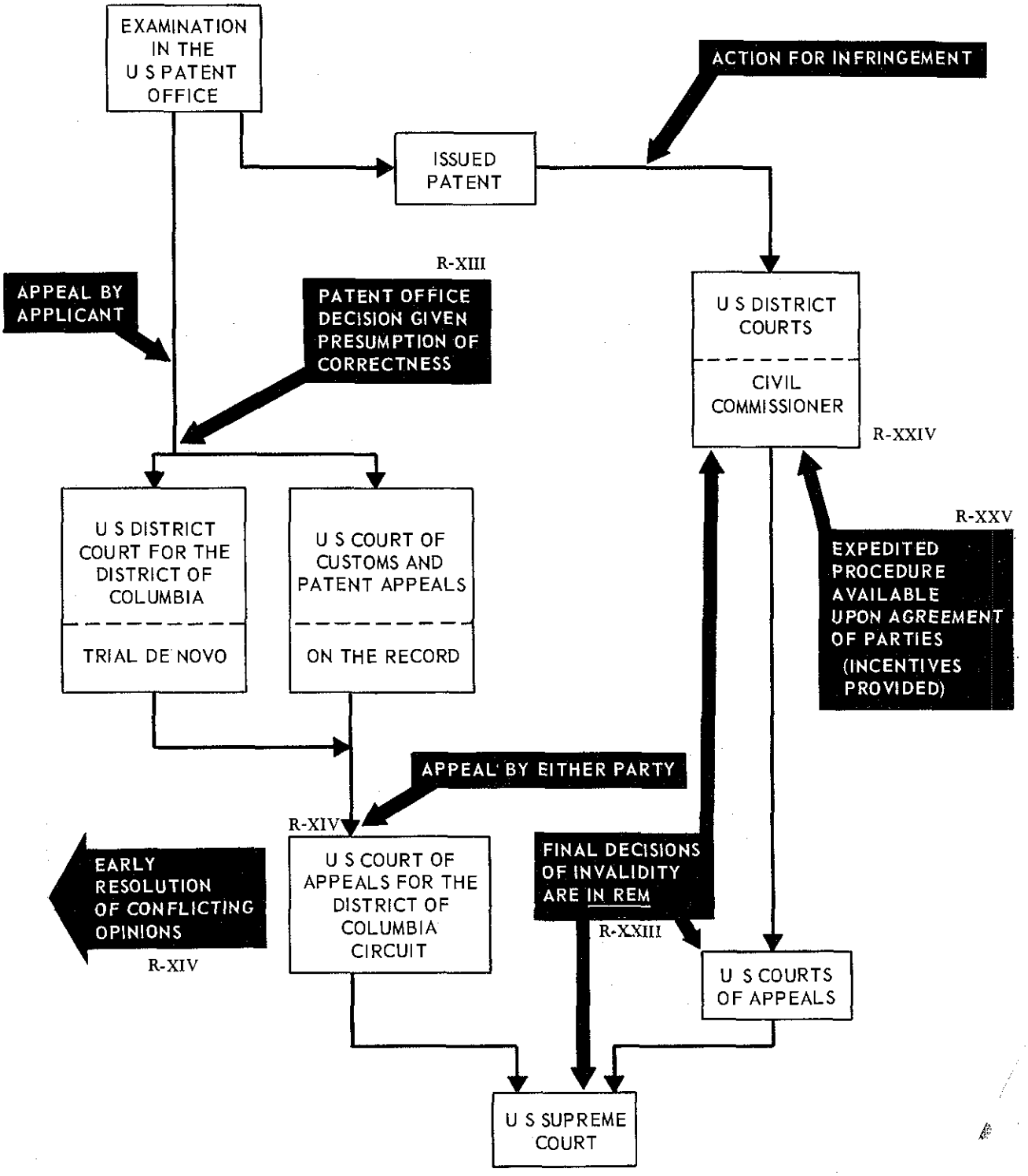
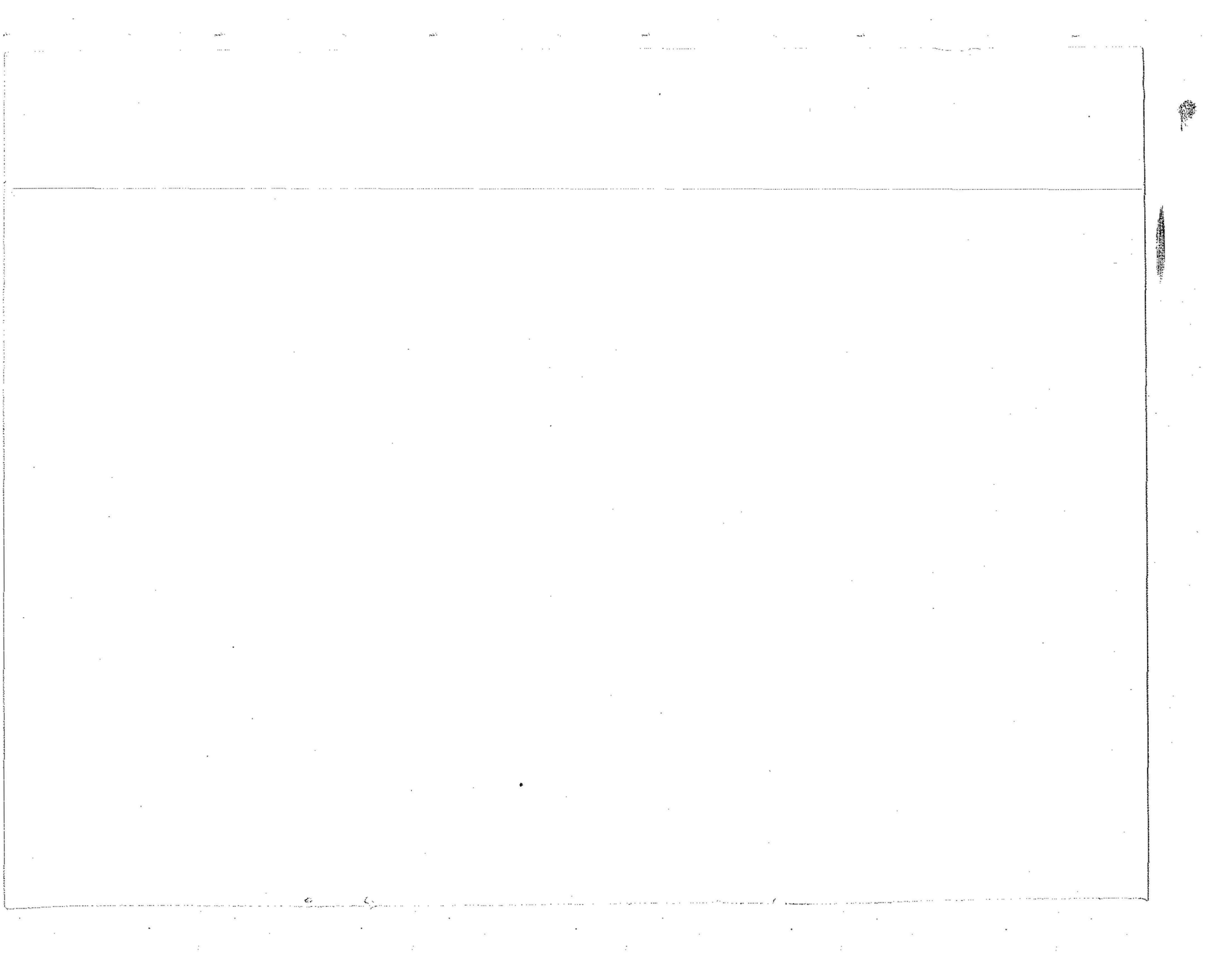
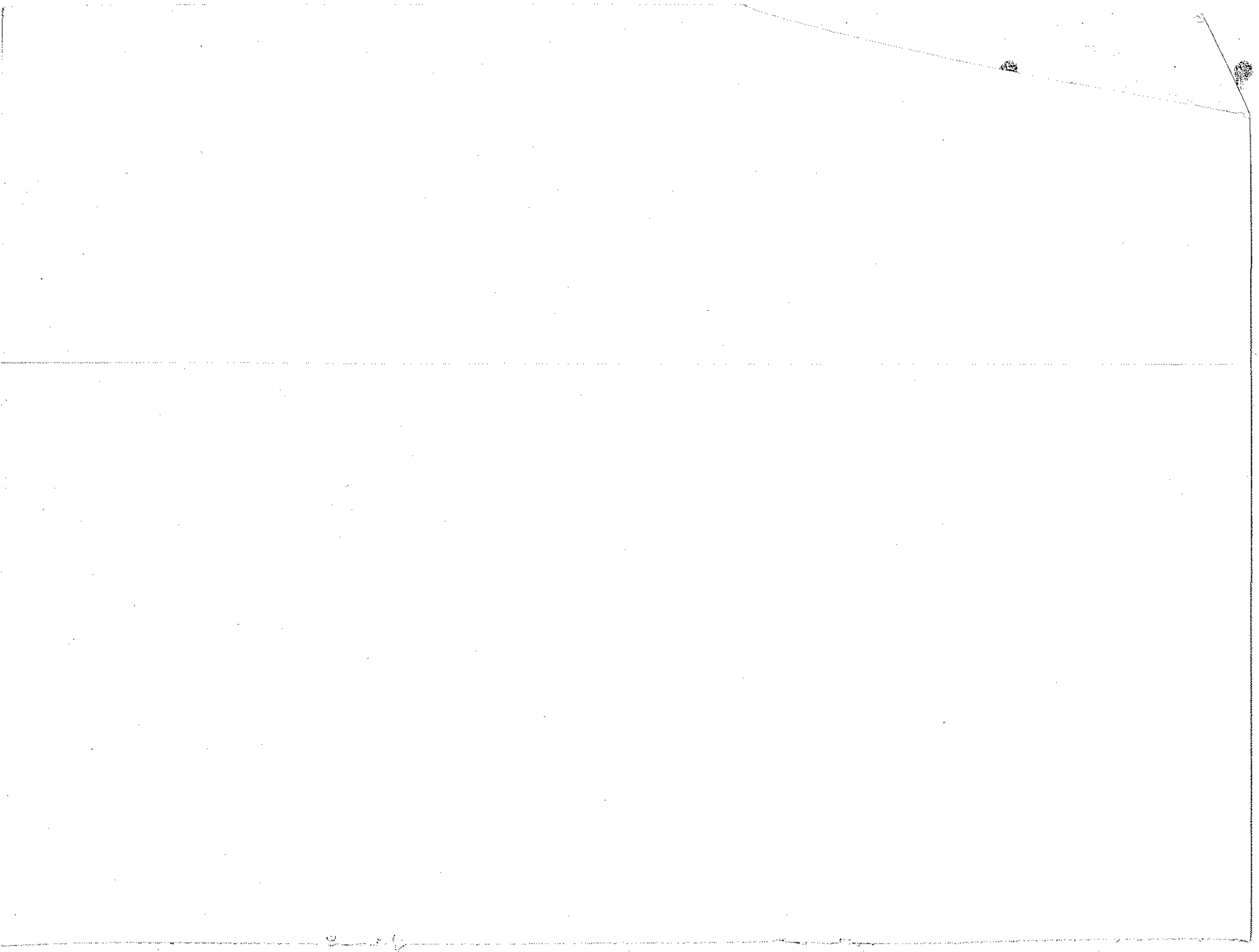

NOTICE OF ALLOWANCE
ABANDON
NOTICE OF APPEAL
R-VII
REPUBLISH
REPUBLISH
R-VII
R-XI
PUBLIC HAS ADDITIONAL 6 MONTHS TO CITE ART IN CONFIDENCE
R-XI
FINAL CONSIDERATION OF CITED PRIOR ART
R-XI
FINAL CONSIDERATION OF CITED PRIOR ART
ISSUE PATENT
ABANDON
NOTICE OF APPEAL
BOARD OF APPEALS
R-XV
CANCELLATION PROCEEDINGS WITHIN 3 YEARS AFTER ISSUE
R-XV & XVI
CLAIMS CANNOT BE BROADENED
R-XIII
PATENT OFFICE DECISION GIVEN PRESUMPTION OF CORRECTNESS
APPEAL TO COURT
REISSUE PATENT
ABANDON
APPEAL TO COURT
UNCHANGED PATENT
NARROWED PATENT

CHART 4

Review Of The Patent Office And Judicial Actions Initiated By A Patent Owner







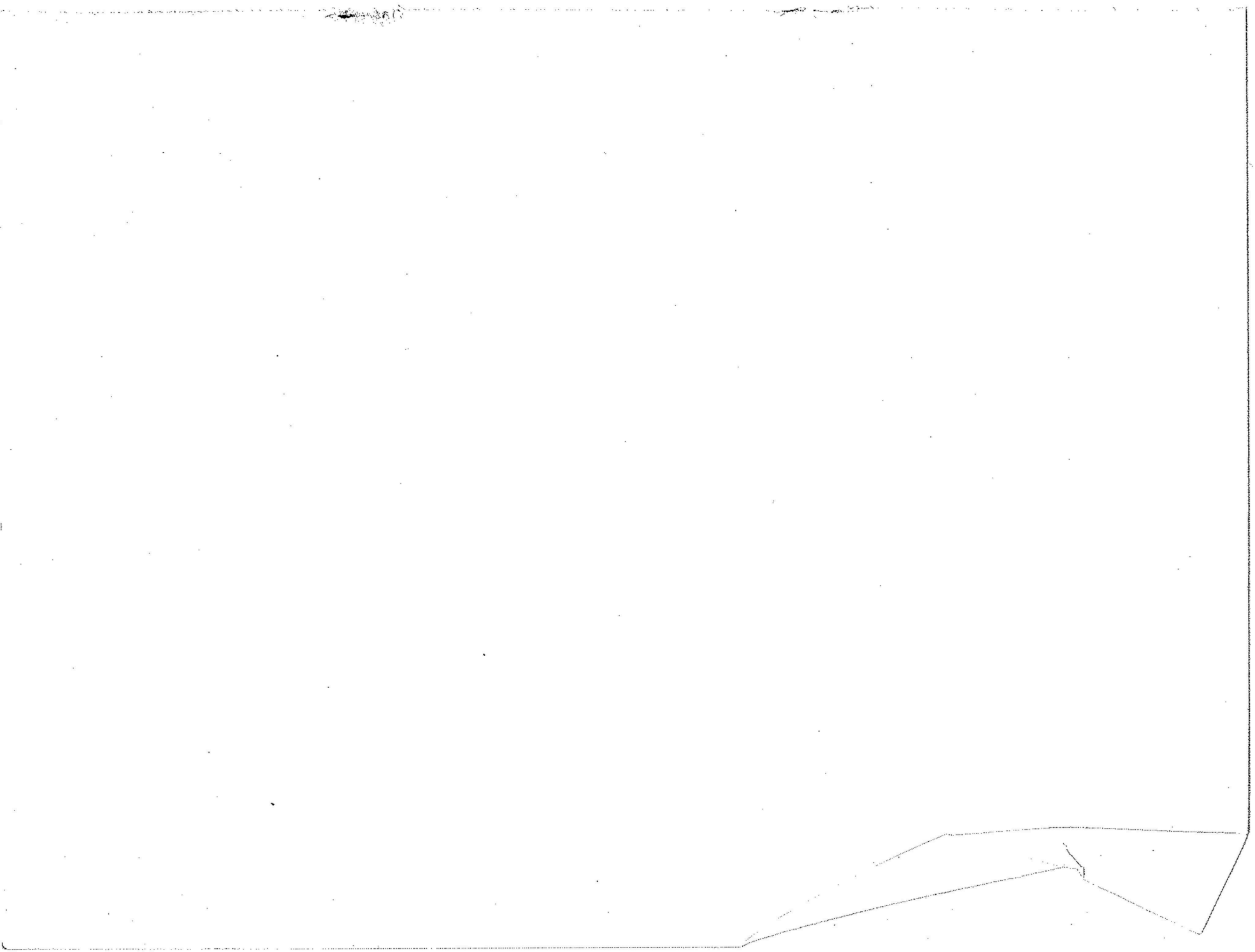


CHART 5

Administrative And Judicial Procedures
Initiated By The Public (Third Parties)

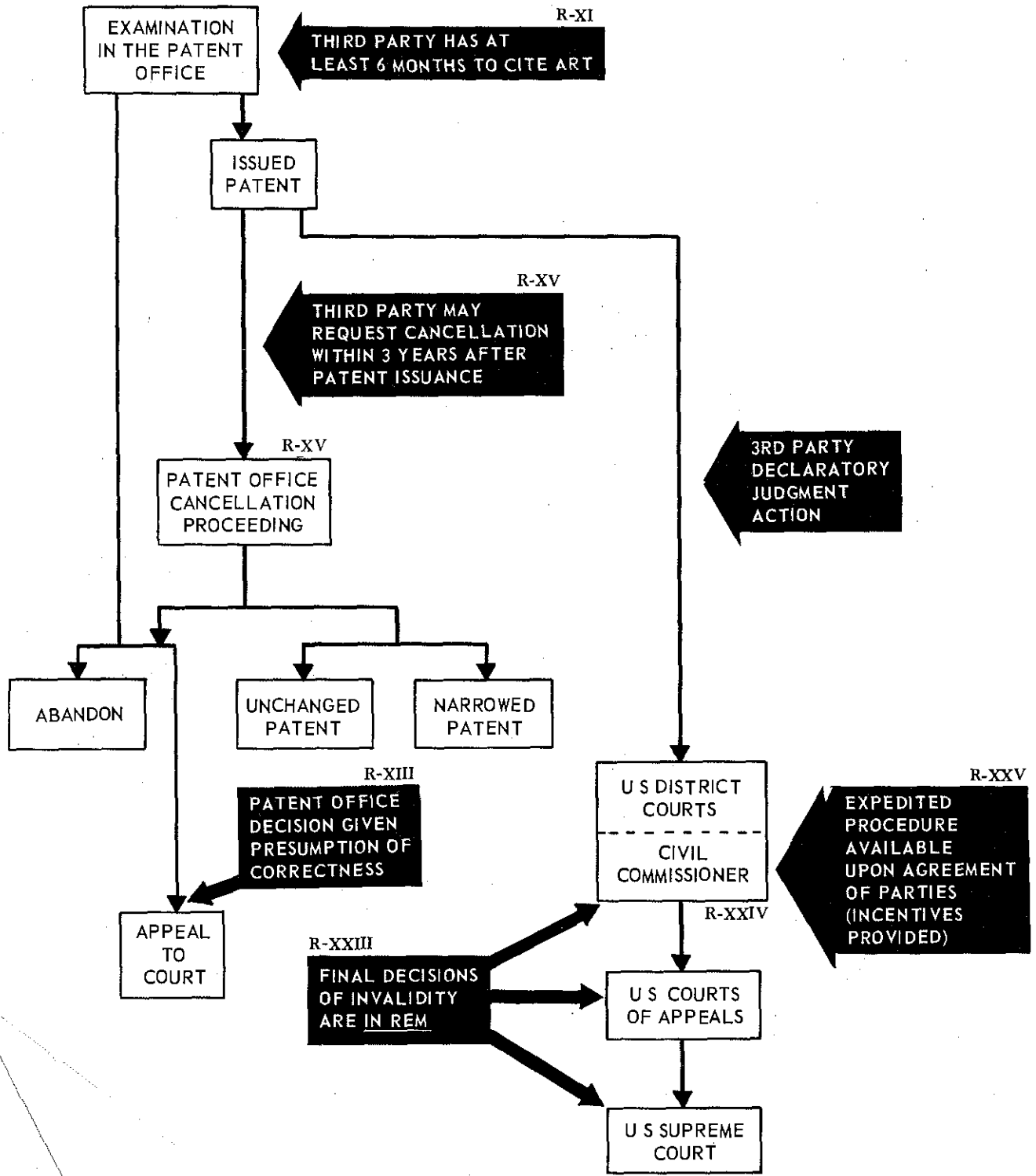


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CHART 3

Standby Optional Deferred Examination (R-IX)

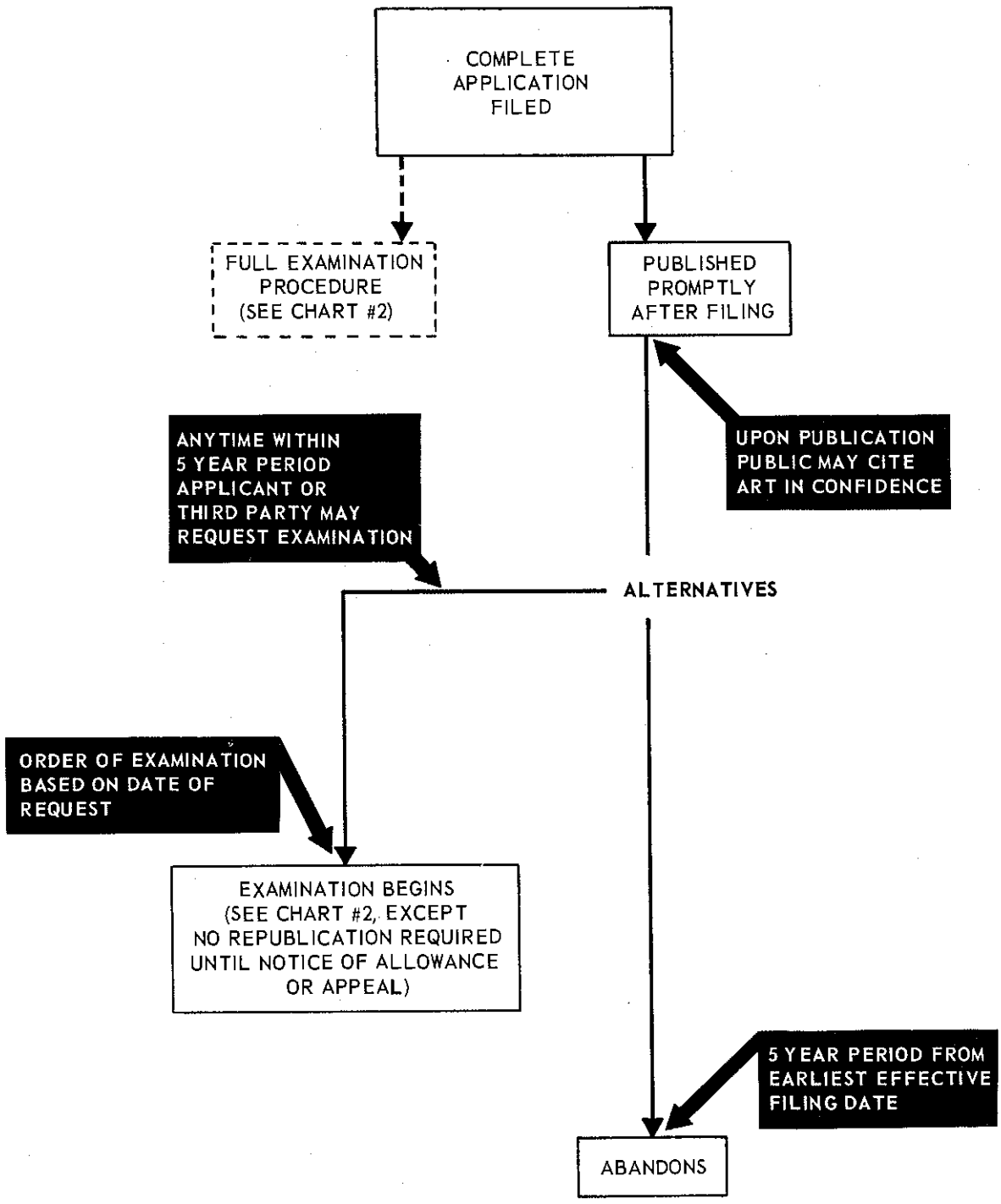
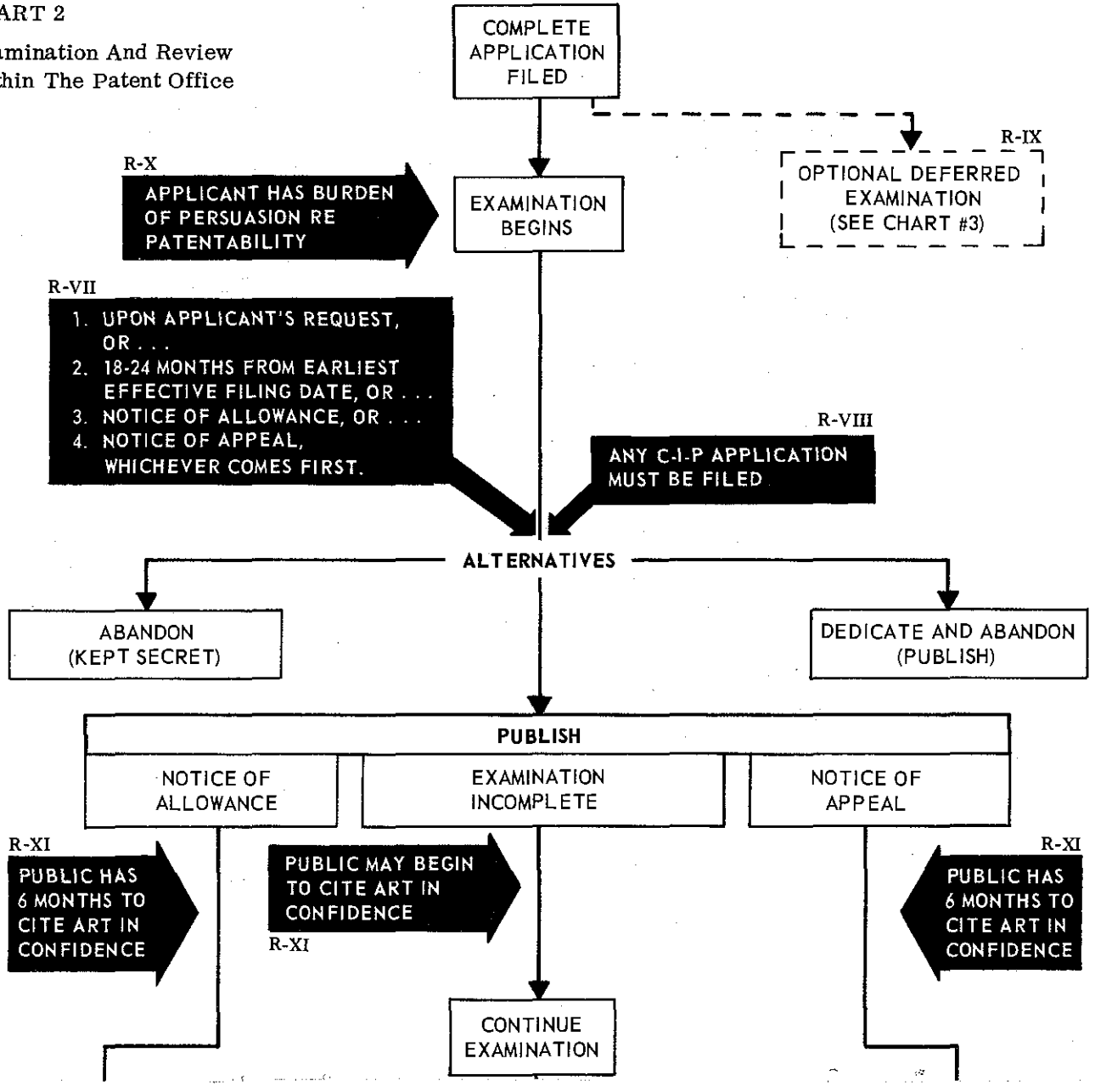


CHART 2

Examination And Review
Within The Patent Office



CHARTS

Charts 1 through 5 illustrate a number of recommended changes by providing a graphic representation of procedural steps and effects arising therefrom. Much of the wording used is abbreviated and should be read in the context of the specific recommendation referred to by number.

The flow of events proceeds from top to bottom. Broad arrows pointing *into* the system indicate conditions affecting the system's flow, while broad arrows pointing *outward* from the system, signify results emanating from the system's flow.

Even after the patent has been obtained, the inventor is confronted with diverse systems of maintaining patent protection.

These factors increase the cost of securing multi-national patent protection and often cloud the status of an invention in a particular country, thus discouraging foreign investment and marketing.

If change is to be achieved, nations must adopt a single set of long-range goals to guide their intermediate and short-range movements. Any attempt by revolutionary change, to scrap present systems in favor of new ones, in the United States or abroad, is neither feasible nor desirable. It is, however, both possible and advantageous to promote and direct interim steps toward the ultimate goal—a universal patent.

To the extent that harmonization of U.S. practice with prevailing foreign practice can be attained without injury to the quality of the U.S. patent system, such harmonization should be introduced as a first step toward the desired goal. This consideration applies both to the substantive law and to the forms and procedures for implementing it. Other recommendations in this report are responsive to this general objective.

Where, however, U.S. practice appears to be the superior one, it is recommended that appropriate Federal agencies make efforts to secure harmonization compatible with U.S. practice.

As an intermediate step toward attainment of a universal patent, the formation of regional patent system groupings should be encouraged. Within such groupings there will inevitably develop a mutual respect for the search and judgment capabilities of the members. This should lead to cooperative searching and, beyond that, to mutually recognized patents among the members of the group. The avoidance of the duplication of effort, expense and delay is a clearly attainable benefit from such a development.

International Action

XXXIII

To promote more harmonious international relations, particularly with regard to the protection of industrial property:

The United States should take a position in favor of the proposed revision of the Paris Convention whereby a right of priority may be based on an application for an inventor's certificate.

Some member countries of the Paris Convention, in particular the U.S.S.R. and some Eastern European countries, issue inventor's certificates as well as patents. While some Convention countries voluntarily recognize inventor's certificates for priority purposes, there is no obligation under the Convention to do so. At present, the U.S. patent statute prevents the recognition for priority purposes of anything but an application for patent in another Convention country.

The proposal for revision is on the agenda of the Stockholm Conference, which is to be held in 1967. According to the proposal, the date of an application for an inventor's certificate in one Convention country would be recognized for priority purposes in all Convention countries. It is noted that the proposed revision is limited to inventor's certificates from countries in which inventors have the right to apply for either a patent or an inventor's certificate.

XXXIV

Efforts should be made to have the Paris Convention modified to remove any obstacle to measuring the term of a patent from an effective foreign filing date.

The present text of the Paris Convention requires that "Patents obtained with the benefit of priority shall have in the various countries of the Union a duration equal to that which

Transition

XXXI

The legislation implementing the proposed recommendations of the Commission should become effective as soon as practical with regard to both patents and pending applications.

Many recommendations, such as the presumption of correctness to be given Patent Office decisions, reasonably could be applied to all pending applications. Others, such as those relating to patent term and prior art, should not apply to pending applications. Specifically, any application filed prior to the effective date of implementing legislation, which is still pending four years after its earliest effective filing date, or two years after the enactment of such legislation, whichever is later, should be published in a manner similar to that of the recommended initial publication (Recommendation No. VII).

Many recommendations, such as those concerning the Civil Commissioner and the expedited procedure for limited claims, could apply to all patents, whenever issued.

It is expected that the legislative draftsmen will determine the time each statutory change proposed may be implemented most effectively.

To insure compatibility of information in machine-readable form with automated data systems envisioned for future Patent Office use, industry, professional societies, government and all others generating data should cooperate in setting up acceptable standards for format and media for machine-readable data.

4. Utilization, on a contract basis, of any knowledge, experience and expertise of outside organizations specializing in mechanized information retrieval technologies could serve as an expeditious and economical means for solving problems which otherwise would require very expensive in-house training, experimentation and delay.

XXX

To facilitate the public dissemination of technological knowledge, and other patent related information, it is recommended that:

The Patent Office should:

1. **Proceed vigorously with the implementing of its plan for microform reproduction of all search files; and**

2. **Cooperate with foreign national patent offices and international patent organizations to develop a worldwide index of patents and published applications for patents.**

1. The Commission recognizes that any visual microform system is intended only as a bridge between the present methods of information storage and retrieval, and future fully automated mechanized search systems (Recommendation No. XXIX). Meanwhile, however, there is the possibility of storing great amounts of information on small quantities of film or cards, which can be readily inspected with semi-automatic reading devices. This not only increases the capability of the searcher to scan more material in a given time but also makes economically feasible the placing of complete copies of classified search files in locales outside the Patent Office. This would permit establish-

XXIX

To accelerate the attainment of a system for the rapid and effective retrieval of pertinent information concerning patents, it is recommended that:

A study group comprising members from industry, technical societies and government should be established to make a comprehensive study of the application of new technology to Patent Office operations and to aid in developing and implementing the specific recommendations which follow.

1. **The United States, with other interested countries, should strive toward the establishment of a unified system of patent classification which would expedite and improve its retrieval of prior art.**

   The United States should expand its present reclassification efforts.

2. **The Patent Office should be encouraged and given resources to continue, and to intensify, its efforts toward the goal of a fully mechanized search system.**

3. **The Patent Office should acquire and store machine-readable scientific and technical information as it becomes available.**

   The Patent Office should encourage voluntary submission by patent applicants of copies of their applications in machine-readable form.

4. **The Patent Office should investigate the desirability of obtaining the services of outside technical organizations for specific, short-term classification and mechanized search projects.**

1. Until the advent of fully automated searching, when all prior art can be retrieved readily, a classification system will continue to be one of the important tools for conducting a prior

1. To recover 100% of Patent Office operating expenses on a sustained basis would require substantial fee increases. This could reduce overall inventive activity which, together with the resultant loss of technological disclosure, could adversely affect our economy. Limited subsidization of the Patent Office has substantial justification. The patent system's incentive to invent, disclose, innovate and market new inventions creates capital, jobs, and tax revenues which more than justify the relatively small expenditure of tax funds required to support Patent Office operations.

2. At present, Congress periodically enacts Patent Office fee legislation which includes a schedule specifically listing the fees that the Patent Office must charge for most of the services it provides. The fees set do not necessarily reflect the actual expense to the Patent Office in rendering particular services. Although Patent Office costs may rise, there is no present provision for a corresponding increase in its service charges. Hence, it is unlikely that any long term fixed relationship between fees received and Office expenditures could be maintained without continuing prompt legislative adjustments. This recommendation would permit the Commissioner of Patents, under guidelines established by Congress, to set fees for types of services and change them as conditions may demand. This would permit recovery of any desired percentage of expenses and provide a more equitable fee structure directly related to the cost of particular services.

3. At the present time, all fees received by the Office must be turned over to the Treasury promptly and the Patent Office must often seek supplemental appropriations because of conditions beyond its control. These include unexpected rises in printing costs and unpredictable increases in demand for services that are furnished below cost. Consequently, it faces periods of uncertainty and delay in carrying out needed programs.

Adoption of the present proposal would establish a fund, consisting of the fees paid for Patent Office services, for

IX). It also could observe the effectiveness of the recommended cancellation procedure (Recommendation No. XV).

In view of the great pressures on the patent system brought by, for example, the escalating information explosion, the Commission believes that the system's continuing welfare must not be left entirely to those preoccupied with its daily administration, or to examination by a once-in-a-generation Commission. Continuous review of the Nation's changing needs and the capacity of the system to respond is indispensable.

court." Similarly, all alleged infringers should have an opportunity to test judicially the validity and scope of patents asserted against them. Neither should be made to suffer or be denied access to the courts because of intolerable litigation expenses.

The expedited procedure recommended should be made applicable to both infringement suits and declaratory judgment actions involving patents.

As an incentive for the alleged infringer to consent to this procedure, any subsequent judgment favoring the patent owner, under this procedure, would omit any injunctive relief and would be confined to a reasonable royalty license for future infringement and reasonable royalties for past infringement. Royalties, both past and future, could not exceed a fixed amount, such as $100,000, unless a higher figure is agreed to by the parties. In addition, if an alleged infringer should refuse to consent to this procedure, and the patent owner, after regular proceedings, is successful, he would be entitled to a mandatory award of all reasonable litigation expenses, including attorney's fees.

burdens of proof for good cause in secrecy cases.

The wholesome effect of the liberal discovery provisions of the Federal Rules of Civil Procedure (FRCP) is undeniable. Adversaries are compelled to reveal the facts of their cases to each other so that trials are conducted more fully and fairly. Like any other right, however, the right of discovery can be abused and it has been used to harass and oppress litigants. Uncontrolled discovery in patent cases is a prime cause of the enormous expense frequently encountered by the litigants.

One source of this expense is the man-hours required to search for, collect, and assemble for inspection, thousands of documents called for under Rule 34 FRCP. More thousands of documents and other kinds of information may be required to answer interrogatories under Rule 33 FRCP. In the event of a disagreement between the parties about discovery, much more time may be needed for legal research, brief writing and argument before a court. In any event, the general rule in the courts is that the acknowledged burden of a request for discovery is not a valid excuse to avoid producing the information.

Another source of considerable cost comes from taking adverse discovery depositions of parties or of the officers, directors and managing agents of corporate parties. The witnesses may be examined over a wide subject area and for protracted periods of time. Rule 30(b) FRCP provides that a court may limit or terminate an examination if it is being conducted unreasonably or in bad faith. However, this recourse involves still more time and expense.

As a consequence, the high cost of patent litigation results in good and valid patents being defied and going unenforced, invalid patents being kept from court scrutiny, and, finally, compromises, settlements and licensing arrangements, whose only justification is an economic one, i.e., the avoidance of enormous litigation expense.

merce, or when the patent is itself used as an instrument for unreasonably restraining trade.

There are also a number of conditions and provisions long associated with the transfer or license of rights under patents which must be distinguished from the exclusive right to make, use and sell conferred by the patent grant. Among these are improvement grant-backs, cross licenses, package licenses, patent pools, no contest clauses, and many others which are simply matters of private contract, ancillary to the conveyance or license of a patent right. As such, these conditions and provisions must be judged, along with other purely commercial practices, under the antitrust laws and the patent misuse doctrine. The Commission does not recommend immunization of any of these other provisions or conditions from either the antitrust laws or the application of the misuse rule.

This recommendation also makes it clear that a patent may not be used to control commerce in subject matter beyond the scope of the patent. For example, it could not be considered "reasonably necessary" to secure full benefit to the owner of a machine patent that he attempt to control any of the commerce in an unpatented raw material to be used in the machine. Neither could it be held that such an attempt had a direct relation to the machine claims in his patent. By the same standards, the patent owner could not control commerce in one of the unpatented elements of his combination invention where his claims are to the whole combination.

XXIII

A final federal judicial determination declaring a patent claim invalid shall be *in rem*, and the cancellation of such claim shall be indicated on all patent copies subsequently distributed by the Patent Office.

Under present law, even though one or more claims of a patent have been held invalid in one Federal circuit, the patentee may pursue a different defendant in another circuit for infringement of the same claims.

United States, does not now constitute infringement. A process patent owner may seek to have the offending product excluded from this country under the Tariff Act of 1930, on the ground that importation will tend to cause substantial injury to an efficiently and economically operated domestic industry. However, because of these requirements, the patent owner has little prospect for success.

This recommendation would make it possible to prevent evasion, of the process patent owner's exclusive rights in the United States, by the practice of his process abroad and the importation of the products so produced into this country.

XXII

The licensable nature of the rights granted by a patent should be clarified by specifically stating in the patent statute that: (1) applications for patents, patents, or any interests therein may be licensed in the whole, or in any specified part, of the field of use to which the subject matter of the claims of the patent are directly applicable, and (2) a patent owner shall not be deemed guilty of patent misuse merely because he agreed to a contractual provision or imposed a condition on a licensee, which has (a) a direct relation to the disclosure and claims of the patent, and (b) the performance of which is reasonable under the circumstances to secure to the patent owner the full benefit of his invention and patent grant. This recommendation is intended to make clear that the "rule of reason" shall constitute the guideline for determining patent misuse.

There is no doubt, in the opinion of the Commission, of the importance to the U.S. economy of both the U.S. patent system and the antitrust laws. Each is essential and each serves its own purpose within the framework of our economic structure. However, conflicts between the two have arisen. But this does not mean that the two systems are mutually exclusive, that a strong patent system is a threat to the antitrust laws, or that the latter

The proposed change would induce the applicant to present claims promptly that he believes patentable and to avoid delaying the prosecution of the application. Since the term of a patent stemming from a continuing application would expire on the same day as one issued on its parent application, there would be less incentive to use a continuing application for the purpose of delay.

Measuring the patent term from the earliest domestic filing date will bring U.S. practice into closer conformity with most foreign systems. This would become advantageous if the Paris Convention were to be modified to permit measuring from the earliest foreign filing date asserted (Recommendation No. XXXIV).

XIX

The term of a patent, whose issuance has been delayed by reason of the application being placed under secrecy order, shall be extended for a period equal to the delay in issuance of the patent after notice of allowability.

At present, whenever publication or disclosure of an invention by grant of a patent might be detrimental to national security, the application may be placed under secrecy order by the Commissioner of Patents.

The applicant, provided he receives a notice of allowability, is entitled to compensation for use of the invention by the Government and for damages caused by the secrecy order. In determining this compensation, consideration has been given to the fact that the applicant may benefit by a delayed monopoly, running seventeen years from the date of issuance of the patent.

With the patent expiring twenty years after its earliest effective U.S. filing date (Recommendation No. XVIII), an applicant would receive no such benefit. Accordingly, it is proposed to extend the term of such a patent for a period equal to the delay in issuance of the patent after notice of allowability caused by the secrecy order.

Liability and Enforcement

XVII

In view of the recommended publication of applications by the Patent Office before a patent issues (Recommendation No. VII), some protection for the patent owner for the period from publication to patenting should be made available. Therefore, it is recommended that:

> **For infringement of a claim which appears in both an application as initially published and in the issued patent, damages may be obtained for an interim period prior to issuance. Such period shall be measured from after the occurrence of all of the following events: (1) the initial publication, (2) a Patent Office holding that the claim is allowable, and (3) a transmittal to the alleged infringer of actual notice reasonably indicating how his particular acts are considered to infringe the claim.**
>
> **The applicant's election to create such interim liability, by his transmittal of notice, shall constitute the granting of a reasonable royalty, nonexclusive license, (1) extending only until the issuance of the patent for any infringement involving a process, and (2) extending to and beyond issuance for any infringement involving a machine, manufacture or composition of matter, which is made prior to the issuance of the patent.**
>
> **In exceptional cases, damages for interim infringement up to treble reasonable royalties may be assessed.**

Under the present statute, liability for infringement begins on the date a patent is issued.

With a requirement of pre-issuance publication of an application, absent this recommendation, anyone could copy the invention and make, use or sell it until a patent is issued, possibly even exhausting its commercial value.

To discourage harassment and to promote the citation of references prior to issuance (Recommendation No. XI), a relatively high fee would be required. Further, the patentee's defense costs would be assessed against any party who unsuccessfully sought cancellation. To insure payment, anyone initiating such action would be required immediately to post a deposit or bond in accordance with a schedule fixed by the Commissioner.

In some instances, the cancellation proceeding would benefit even the patent owner, since he still would have an opportunity to narrow any claims found to have been erroneously allowed.

If a party were successful in seeking cancellation, after citing only prior art which he previously presented during the opposition period, the cancellation fee should be refunded.

A three year limit on the time within which a cancellation procedure could be instituted should be sufficient for most prior art to become readily accessible.

It would be desirable for the Statutory Advisory Council (Recommendation No. XXVI) to review this procedure after sufficient time has elapsed to determine its effectiveness, and to recommend any appropriate changes.

XVI

A claim shall not be broadened in a reissue application.

Presently, there are few statutory restrictions against broadening the scope of the invention claimed during prosecution before the Patent Office. Because of this, the potential value of early publication (Recommendation No. VII) cannot be fully realized, since unclaimed disclosure in a published application could not be used by the public free from the possibility that it might be protected by broader claims in the subsequently issued patent. The public would have no guide, other than the entire disclosure, to determine the limits of final patent protec-

law is more akin to that in infringement suits in the several judicial circuits. Thus, the public reasonably could expect that the law relating to patentability as applied in the Patent Office would conform more nearly to that applied in the infringement courts.

XIII

A Patent Office decision refusing a claim shall be given a presumption of correctness, and shall not be reversed unless clearly erroneous.

Currently, the weight given on appeal to a Patent Office decision denying a patent depends upon which court reviews the decision. The Patent Office's decision is presumed correct in the District Court for the District of Columbia and the Court of Appeals for the District of Columbia Circuit, but not in the Court of Customs and Patent Appeals.

The Patent Office should be recognized as having technical and legal expertise, important in deciding questions of patentability. While a reviewing court certainly will have legal expertise, and perhaps general technical knowledge, it seldom will possess the particular technical skill in the art with which a Patent Office examiner is equipped. Further, it is only after both the examiner and the Board of Appeals have concurred in the refusal of a claim that the matter comes before a reviewing court. Such concurrence should not be rejected by the court unless the action is, in its judgment, clearly erroneous.

This recommendation should settle the conflict over "scope of review," by defining the court's responsibility to be *review* of the Patent Office decision, rather than substitution of its own judgment. The court would determine only whether the Patent Office had reasonable basis for its decision, not whether a different decision logically could have been reached on the same record. The burden of persuasion would be on the applicant, and the Patent Office decision should not be reversed unless, in view of all of the evidence, the court has a thorough conviction that there was no reasonable basis for the decision.

XIV

Either the applicant or the Patent Office may appeal from a decision of the Court of Customs

determined immediately after expiration of the six month period following the publication which gives notice of allowance or of the filing of an appeal. Moreover, the applicant need not suffer from such delay since, under certain circumstances, damages could be recovered for infringement during the period following publication (Recommendation No. XVII).

The recommended procedure could benefit both the applicant and the public. The applicant could gain by the opportunity to narrow his claims, when possible, to avoid prior art, rather than having the claims later held invalid. Inasmuch as the procedure will be an *ex parte* one, as distinguished from a full scale adversary procedure, the additional cost of the citation practice to an applicant would not be great. The public should benefit by the opportunity to cite prior art inexpensively to the Patent Office rather than through costly litigation. Under this procedure, both would benefit from the greater reliance that could be placed upon the validity of patents in general.

Citing, or failing to cite, prior art during this period would not preclude a later challenge on that art.

XII

Indispensable to the improvement of the quality and the acceptability of patents being issued is the establishment of an objective technique for measuring the quality of the work product of the examining corps. The Commission therefore recommends that:

> **The Patent Office shall develop and maintain an effective control program to evaluate, on a continuing basis, the quality of the patents being issued by the examining groups and art units therein, and to furnish information for the publication of an annual rating of the overall quality of the patents issued each year.**

The Patent Office is presently in the process of putting into effect a quality control program.

5. Concurrent examination and prosecution of the entire family of pending parent and continuing applications would be required in those cases where examination of one of such applications has been requested. If a third party requests and pays the fee for examination of an application, the applicant would be required to pay the examination fee promptly for all other parent or continuing applications.

This contemporaneous examination would provide earlier determination of the scope of the composite monopoly to be granted.

X

To reinforce the statutory presumption of validity, and to assist in the prevention of the issuance of invalid patents:

The applicant shall have the burden of persuading the Patent Office that a claim is patentable.

Until recently, the Patent Office has followed a policy of (a) instructing the examiner to resolve all reasonable doubts in favor of the applicant, and (b) prohibiting the examiner from indicating that he is allowing a claim despite his doubt as to its patentability. The Commissioner has instructed the examiners to abandon this policy in obedience to the views expressed this year by the Supreme Court. Present experience is insufficient to reveal how the courts directly reviewing Patent Office practice will treat this change.

Many have long recognized that resolving doubt in favor of the applicant is inconsistent with giving a patent a strong presumption of validity. Little justification exists for giving weight to a decision made by the Patent Office when it resolves doubt in this manner, since it is passing the question of patentability on to the courts instead of exercising its judgment. Inasmuch as the examiner does not indicate when he has applied the rule of doubt, all patents may be questioned in this regard.

This recommendation would require the applicant, in all cases, to persuade the Patent Office by a preponderance of proof

The other view favors the institution of optional deferred examination, whether on a pilot basis or in whole, only if the Statutory Advisory Council (Recommendation No. XXVI) should find that a high quality immediate examination system no longer could be maintained.

Justifications for an optional deferred examination system are that not all applications for patents are of the same value, that it is not good economic practice for the Patent Office to devote substantial effort to applications having little value, and that the applicant and his competitors are in the best position to select out such applications.

Such a system should reduce the number of applications requiring prompt examination. It is probable that a number of applicants, such as those who had not yet determined the value of their inventions, would prefer to have examination of their applications deferred. To the extent that applications are deferred, the remainder should be reached for examination sooner. In some cases, examination might never be requested, and the applications would become abandoned.

An optional deferred examination system shall include the following provisions:

1. **The examination shall be deferred at the option of the applicant, exercised by his election not to accompany the complete application with an examination fee.**

   Request for examination, accompanied by payment of an examination fee, may be made anytime within five years from the effective filing date of the application.

2. **A deferred application shall be promptly inspected for formal matters and then published.**

3. **Any party, without being required to disclose his identity, may provoke an examination upon request and payment of the fee.**

4. **Unless made special upon the request of any party, an application initially deferred shall**

Unless a later filed application is:

1. **A continuation application and is filed before the occurrence of any of the following events: (a) the abandonment of, (b) the allowance of all pending claims in, or (c) the filing of an appeal to the Board of Appeals as to any claim in, the original parent application; or**
2. **A continuation-in-part application and is filed before the publication of any of its parent applications; or**
3. **A divisional application filed (a) on one of the inventions indicated to be divisible in a restriction requirement and is filed during the pendency of the application in which the restriction was first required, or (b) during the pendency of the original parent application;**

The later filed application shall not be entitled to the effective filing date of a parent application for matter disclosed in the parent, and the parent, if published, shall constitute prior art against the later filed application.

At present, an applicant may serially file continuing applications for an unlimited period of time and maintain his invention in secrecy. Such practice makes effective examination in the Patent Office more difficult and expensive, and indefinitely prolongs the time before the issuance of a patent and the resultant publication of the scope of protection granted.

Permitting an applicant to file a continuation application during the indicated portion of the pendency of his original parent application would provide some latitude for one who felt that inadequate opportunity existed in the parent case to reach a clear issue. At the same time, it would avoid needless effort in preparing examiner's responses to appeal briefs, as well as unduly prolonged prosecution of the same invention.

Requiring that a continuation-in-part application be filed before publication of the parent application, as would appear to

VI

Claim for a priority date must be made when a complete application is filed.

This recommendation would require that any claim for a priority date based on an earlier U.S. or foreign application must be made at the time a complete application is filed. Present practice allows a claim for priority to be delayed until the final fee is paid.

Early knowledge of the priority date on which an applicant intends to rely would become more important with the adoption of a first to file system. Such knowledge would be necessary for proper determination, without wasted effort on the part of the Patent Office, of what references may be used as prior art against an application.

VII

Publication of a pending application shall occur eighteen to twenty-four months after its earliest effective filing date, or promptly after allowance or appeal, whichever comes first.

An applicant, for any reason, may request earlier publication of his pending complete application.

An application shall be "republished" promptly after allowance or appeal subsequent to initial publication, and again upon issuance as a patent, to the extent needed to update the initially published application and give notice of its status.

The only printed publication now made by the Patent Office of an application is that which occurs upon the issuance of a patent. Today, such publication can be delayed significantly beyond two years from the effective filing date of an application.

This recommendation sets an outside limit on the time for publication. An application, unless abandoned and kept secret,

Application Filing and Examination

V

To prevent delay, which may be detrimental to the owner of an invention, while retaining safeguards to protect the rights of the inventor, it is recommended that:

1. **Either the inventor or assignee may file and sign both the preliminary and complete applications.**

   Any application filed by the assignee shall include a declaration of ownership at the time of filing and, prior to publication of the application, shall include a declaration of originality by the inventor and evidence of a recorded specific assignment.

2. **Every application shall include, at the time of filing, the name of each person believed to have made an inventive contribution.**

3. **Omission of an inventor's name or inclusion of the name of a person not an inventor, without deceptive intent, shall not affect validity, and can be corrected at any time.**

1. The present patent act requires (with specified exceptions) that the inventor, at the time of filing, must sign the application and make an oath or declaration that he made the invention. Occasionally, inventors are unavailable or unwilling to sign an application immediately after it is prepared. Moreover, it is sometimes difficult to determine the identity of an inventor at the time the application is prepared. Delay in complying with the requirements has resulted in loss of rights to the application owner. Such delay would be more serious when the effective filing date is treated as the date of invention.

The intent of this recommendation is to simplify the formalities for filing an application by allowing the owner of the patent rights to sign and file the necessary papers. Many detrimental delays thus would be avoided.

IV

The classes of patentable subject matter shall continue as at present, except:

1. **All provisions in the patent statute for design patents shall be deleted, and another form of protection provided.**
2. **All provisions in the patent statute for plant patents shall be deleted, and another form of protection provided.**
3. **A series of instructions which control or condition the operation of a data processing machine, generally referred to as a "program," shall not be considered patentable regardless of whether the program is claimed as: (a) an article, (b) a process described in terms of the operations performed by a machine pursuant to a program, or (c) one or more machine configurations established by a program.**

This recommendation would end the practice of granting patents on designs and plants. It also would eliminate whatever possibility exists under the present statute, if any, for directly or indirectly obtaining a patent covering a program or a patent covering the operation of a data processing machine pursuant to a program.

The Commission believes strongly that all inventions should meet the statutory provisions for novelty, utility and unobviousness and that the above subject matter cannot readily be examined for adherence to these criteria.

1. Designs: A patent now may be granted on any new, original and ornamental design for an article of manufacture. Despite the statutory requirement of unobviousness, patents on designs are now granted, in effect, solely on the basis of novelty. Courts often find these patents invalid on the ground that the design is obvious.

The Commission is aware of legislative proposals to protect ornamental designs against copying. Nevertheless, it believes

1. Two international treaties define and regulate "official and officially recognized international exhibitions." The Paris Convention for the Protection of Industrial Property requires that "temporary protection" be granted with respect to inventions exhibited at such exhibitions.

The United States has had no need for a special provision with respect to exhibitions because the present grace period protects against the adverse effect of disclosures occurring within one year before the filing date of an application. Since the Commission now suggests elimination of the grace period, a method to safeguard patent rights under these circumstances must be provided to conform to the Paris Convention.

It would appear that the preliminary application (Recommendation No. II) complies both with the spirit and the letter of the Paris Convention in providing temporary protection for inventions shown at international exhibitions. However, if a preliminary application proves not to satisfy the Convention, it is recommended that:

> A display at an official or officially recognized international exhibition by an inventor, or assignee, shall not constitute prior art against his complete application to the extent that the information disclosed by the display appears in a notice having the format of a preliminary application; provided: that the notice is filed in the Patent Office no later than the public opening of the display and the complete application is filed within six months after filing of the notice.

2. With respect to unauthorized public disclosures, it is recommended that:

> An unauthorized public disclosure of information derived from the inventor or his assignee shall not constitute prior art against him, if, within six months after said disclosure, a complete application for the invention is filed by the inventor or assignee.

This also would avoid an anomaly whereby two applications, with the same effective filing date, would have different dates for the purpose of constituting prior art where one is based upon a foreign application. Further, it would appear to be a necessary adjunct of a first to file system, to prevent two patents from issuing on the same invention.

II

To substitute for the present grace period, a first to file system should include some technique for allowing the inventor to seek support or test his invention in the marketplace. It also should encourage the free discussion of new discoveries in the academic and scientific communities. To meet these needs, a preliminary application, an "instant" form of disclosure to the Patent Office free from the delays and expense of a formal application, is proposed.

> **A preliminary application may be used to secure a filing date for all features of an invention disclosed therein, if the disclosure subsequently appears in a complete application. Requirements as to form shall be minimal and claims need not be included.**
>
> **One or more preliminary applications may be consolidated into one complete application filed within twelve months of the earliest preliminary or foreign application relied on.**

Under this recommendation an applicant would file a written description of his invention in a preliminary application, a document with minimal requirements as to form and needing no claims. This would permit early filing of an application, since it could be prepared by someone having little knowledge of patent law and procedure. Applicants should be made aware, however, that the protection afforded by a preliminary application will depend greatly upon the adequacy of the disclosure contained therein.

Additional preliminary applications could be filed to cover aspects of the invention developed subsequent to filing of the first

Important considerations dictate this departure from our present practice. A first to file system will: encourage prompt disclosure of newly discovered technology; substitute for the delays and expense of interference proceedings a fair and inexpensive means by which an inventor can establish priority; and bring U.S. practice into harmony with that prevailing in almost all other industrial nations.

The Commission believes it is as equitable to grant a patent to the first to file as to the one who wins an interference. Many circumstances may determine the winner in either case. But the first to file is more apt to be the inventor who first appreciated the worth of the invention and promptly acted to make the invention available to the public.

(b) Regardless of the time the invention was made, any relevant information, known or made available to the public, antedating the effective filing date of the first application containing the subject matter on which the claim to such invention is based, would constitute prior art as to such claim. Even the applicant's own earlier disclosure would bar the grant of a patent if made public before the earliest effective filing date to which the particular claim was entitled. As a result, there would be no grace period, and the question of whether the invention is obvious would be considered as of the filing date, rather than as of the time the invention was made.

This change would speed the examination procedure in the Patent Office by eliminating the time-consuming consideration of affidavits presently submitted to establish an earlier date of invention and thus overcome *prima facie* prior art. Also, the applicant no longer would need to maintain extensive records now required to corroborate such affidavits, or thereafter, to prove his actual date of invention in an infringement suit.

Greater international uniformity would also be achieved, since the present grace period has no counterpart in most foreign systems. Further, inventors no longer would forfeit their foreign patent rights through disclosures made in reliance on the U.S. grace period.

3. To accelerate the public disclosure of technological advances.

4. To reduce the expense of obtaining and litigating a patent.

5. To make U.S. patent practice more compatible with that of other major countries, wherever consistent with the objectives of the U.S. patent system.

6. To prepare the patent system to cope with the exploding technology foreseeable in the decades ahead.

Many of the problems related to these objectives are intertwined. An attempt to solve or reduce a problem at one point of the system can expose or create a dislocation at another. Separate and uncoordinated solutions to individual problems would yield a gerrymandered patent system full of internal contradictions and less efficient than the one we now have. It is this circumstance—not any claim to superior wisdom—which led the Commission to propose the following changes, all as part of one interrelated and coherent plan.

the patent fraternity calls prior art is growing so fast that it is becoming almost unmanageable by conventional means of storage and retrieval. Disclosures are becoming increasingly complex, and many are in foreign languages.

The trend in the number of patent applications is clearly upward and their subject matter is increasing in sophistication and complexity. The current backlog of pending applications is over 200,000, the average period of pendency being two and one-half years from filing to final disposition. However, a substantial number of applications have a period of pendency of five to ten years or more.

All of these factors have cooperated to make it exceedingly difficult for the patent examiner to screen what is truly novel and what is truly inventive.

Agreeing that the patent system has in the past performed well its Constitutional mandate "to promote the progress of . . . useful arts," the Commission asked itself: What is the basic worth of a patent system in the context of present day conditions? The members of the Commission unanimously agreed that a patent system today is capable of continuing to provide an incentive to research, development, and innovation. They have discovered no practical substitute for the unique service it renders.

First, a patent system provides an incentive to invent by offering the possibility of reward to the inventor and to those who support him. This prospect encourages the expenditure of time and private risk capital in research and development efforts.

Second, and complementary to the first, a patent system stimulates the investment of additional capital needed for the further development and marketing of the invention. In return, the patent owner is given the right, for a limited period, to exclude others from making, using, or selling the invented product or process.

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The Commission wishes to record its sincere gratitude for the generous efforts contributed by its staff, and by many individuals and organizations from both government and private life, which have been of inestimable value to the Commission in discharging its responsibilities.

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November 17, 1966.

The PRESIDENT,
The White House,
Washington, D.C.

DEAR MR. PRESIDENT:

We have the honor to present the report of the President's Commission on the Patent System.

Your Commission was established by Executive Order No. 11215, on April 8, 1965, and the membership was announced on July 23, 1965. The Commission has held thirteen meetings, beginning August 15, 1965, each meeting lasting from one to four days, for a total of thirty-one days.

The recommendations conveyed in this report have been developed through study and discussion by the members of the Commission and, as a whole, represent their combined judgment and general agreement. The recommendations, in all of their details, however, do not necessarily bear the endorsement of every member.

Background material prepared by the staff and the Commission, reflecting more extensively the considerations taken into account in the development of these recommendations, is being completed and will be transmitted as a supplement to the report.

The principal objectives of the Commission's study are set forth in the Introduction. To the extent that the Commission's recommendations promote the attainment of these objectives, they will assist in furthering the mission of the United States patent system—to promote the progress of useful arts, advance the standard of living everywhere, and contribute toward world peace and tranquillity.

One point, Mr. President, merits emphasis. The accompanying recommendations should not be regarded as a catalogue of