

News from Birch Bayh

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FOR IMMEDIATE RELEASE
N.R. 80-79

WASHINGTON, D.C., NOVEMBER 30 -- The Senate Judiciary Committee today conducted public hearings on a bill introduced by Senator Birch Bayh (D.-Ind.) which provides an inexpensive alternative to litigation in patent validity cases. The bill--The Patent Law Amendments Act (S. 1679)--is expected to reduce litigation while giving the courts the option of referring cases which are litigated to the Patent Office for reexamination.

A TEXT OF SENATOR BAYH'S OPENING STATEMENT APPEARS BELOW:

Today, the Senate Judiciary Committee is holding a day of hearings on S. 1679, the Patent Law Amendments Act, which I introduced on August 3, 1979. This bill provides an inexpensive alternative to litigation in patent validity cases by allowing the Patent Office to consider new data that might have been overlooked during the initial patent examination and determine whether or not the patent should have been issued. This legislation will reduce litigation, and also give the courts the option of referring those cases that are litigated to the Patent Office for reexamination as an aid in making an informed decision on the patent's validity.

I introduced this legislation because of my conviction that a strong, dependable patent system is absolutely essential to our continued ability to innovate to meet the challenge of the future. I have frequently cited such factors as our slow productivity growth rates, the decline in American patent applications since 1974, and the feeling of distrust in the business community over the worth of U.S. patents as contributors to the present innovation and productivity crisis. While it is difficult to pinpoint something like an innovation slump in scientific terms, I think that our importation of foreign manufactured goods to the tune of $6 billion last year speaks for itself. This is the second largest drain on our hard earned dollars right behind imported oil.

Yesterday's Washington Post ran an article entitled "Productivity Declines for Quarter" which went on to say that rather than experiencing a modest gain in productivity which had been predicted last month, the U.S. suffered its third straight quarterly drop in productivity. Unless forceful actions are taken soon to turn this situation around, we will continue to witness our dollars and jobs slipping away to foreign countries.

In virtually every assessment of this disturbing trend I have seen, the patent system is cited as a special concern of the American businessman and inventor. The present weaknesses in our patent system mean that our government is no longer able to uphold its agreement with an inventor that in exchange for disclosure of new inventions, the inventor's rights will be protected. All too often, the granting of a U.S. patent turns out to be an invitation to endless litigation as competitors pull out all of the stops to invalidate or infringe on an important patent. Small businesses and independent inventors are especially susceptible to this threat, but the delays and expenses inherent in litigation can make patent infringements economically attractive even against large businesses. The possibility of such actions being taken against inventors who have come up with important discoveries make the person who plays by the rules a tempting target who can be preyed on with little risk and often great economic rewards.

All too often, patent holders find themselves in lengthy court proceedings where valuable patents are challenged on the grounds that the patent examiner missed pertinent data during the initial patent search. District court judges are asked to consider materials during these cases which are frequently very technical in nature in order to determine the patent's validity. The costs of such litigation to both parties frequently exceeds $250,000. Many independent inventors and small business owners not able to pay

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fees are susceptible to being "blackmailed" into allowing infringements on their patents or are forced to license them for nominal fees to avoid going to court. This creates a situation where the patent system is used as a club to beat down the very people that it was formed to protect. While patents are important to all businesses, they are the lifeblood to the independent inventor or small business owner who uses the patent grant as a shield to protect their invention from stronger competitors.

Presently, about 50 percent of the litigated patents are found to be invalid in the courts. For a business that is considering investing millions of dollars and years of work into developing new products based on a U.S. patent, this is a very frightening statistic. Having a patent issued of dubious worth is a cruel hoax that benefits no one, least of all the patent holder. It is much better to be able to go back to the Patent Office under a reexamination procedure to determine the patent's validity than it is to spend thousands of dollars in court and wind up with an invalid patent.

The bill I have introduced will allow the Patent Office to reexamine issued patents quickly, and at a reasonable cost whenever they are challenged on the basis that an incomplete search was made prior to issuance. This will help to remove some of the fear about the real worth of American patents that grips our patent holders. Patent reexamination will be a step forward, but it must be coupled with other efforts if we are to return to the patent system which was once the model for the rest of the world.

Patent reexamination by itself will not solve all of the ills of the Patent Office. Many of the most vexing problems arise from continued underfunding that has resulted in an understaffed and overworked office trying to handle an ever increasing workload. The Patent Office has done an admirable job under the circumstances, but unless this situation is remedied, little appreciable progress is really possible.

Earlier this year, I attempted to provide additional funding to the Office in Fiscal 1980. I learned that from two to twenty-eight percent of the patents in every subclass are missing. This means that the patent examiner has a very good chance of missing important materials in the hurried patent search, no matter how competent the examiner might be. For reexamination as well as the initial examination to be meaningful, this situation must be corrected, and I will be ready to fight to see that the Patent Office receives the support that it needs from the Appropriations Committee to fulfill its important mission.

I am also introducing legislation that will remove the Patent Office from the Commerce Department and make it an independent agency so that the real experts on our patent system are allowed to run the show and get their house in order without interference. When we combine patent reexamination with a severe, updated search file and an independent Patent and Trademark Office, we will be well on our way toward restoring confidence in the patent and trademark system.

A well working patent system is the keystone to increasing this nation's productivity and insuring our place as a leader of invention and development in the world.

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United States of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 96th CONGRESS, SECOND SESSION

Vol. 126 WASHINGTON, THURSDAY, NOVEMBER 20, 1980 No. 163

Senate

(Legislative day of Thursday, June 12, 1980)

PATENT AND TRADEMARK LAWS AMENDMENTS

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the Committee on the Judiciary be discharged from further consideration of H.R. 6933.

The PRESIDING OFFICER. Without objection, it is so ordered.

The bill will be stated by title.

The legislative clerk read as follows:

A bill (H.R. 6933) to amend the patent and trademark laws.

The Senate proceeded to consider the bill.

UP AMENDMENT NO. 1779

(Purpose: To add the University and Small Business Patent Procedures Act to the bill)

Mr. DOLE. I send to the desk on behalf of the distinguished Senator from Indiana (Mr. BAYH) and myself an amendment in the nature of a substitute and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Indiana (Mr. BAYH), for himself and Mr. DOLE, proposes an unprinted amendment numbered 1779.

Mr. DOLE. I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

"That title 35 of the United States Code, entitled 'Patents', is amended by adding after chapter 29 the following new chapter 30:

"Chapter 30—PRIOR ART CITATION TO OFFICE AND REEXAMINATION OF PATENTS

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

"§ 301. Citation of prior art

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

"§ 302. Request for reexamination

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

"§ 303. Determination of issue by Commissioner

"(a) Within three months following the filing of a request for reexamination under the provisions of section 302 of the title, the Commissioner will determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request, with or without consideration of other patents or printed publications. On his own initiative, and any time, the Commissioner may determine whether a substantial new question of patentability is raised by patents and publications discovered by him or cited under the provisions of section 301 of this title.

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

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

"§ 304. Reexamination order by Commissioner

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

"§ 305. Conduct of reexamination proceedings

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

"§ 306. Appeal.

"The patent owner involved in a reexamination proceeding under this chapter may appeal under the provisions of section 134 of this title, and may seek court review under the provisions of sections 141 to 145 of this title, with respect to any decision adverse to the patentability of any original or proposed amended or new claim of the patent.

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

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

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

SEC. 2. Section 41 of title 35, United States Code, is amended to read as follows:

"§ 41. Patent fees

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

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

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

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

"(e) The Commissioner may waive the payment of any fee for any service or material related to patents in connection with an occasional or incidental request made by a department or agency of the Government, or any officer thereof. The Commissioner may provide any applicant issued a notice under section 132 of this title with a copy of the specifications and drawings for all patents referred to in that notice without charge.

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

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

SEC. 3. Section 42 of title 35, United States Code, is amended to read as follows:

"§ 42. Patent and Trademark Office funding

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

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

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

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

SEC. 4. Section 154 of title 35, United States Code, is amended by deleting the word "issue".

SEC. 5. Section 31 of the Trademark Act of 1946, as amended (15 U.S.C. 1113), is amended to read as follows:

"§ 31. Fees

"(a) The Commissioner of Patents will establish fees for the filing and processing of an application for the registration of a trademark or other mark and for all other services performed by and materials furnished by the Patent and Trademark Office related to trademarks and other marks. Fees will be set and adjusted by the Commissioner to recover in aggregate 50 per centum of the estimated average cost to the Office of such processing. Fees for all other services or materials related to trademarks and other marks will recover the estimated average cost to the Office of performing the service or furnishing the material. However, no fee for the filing or processing of an application for the registration of a trademark or other mark or for the renewal or assignment of a trademark or other mark will be adjusted more than once every 3 years. No fee established under this section will take effect prior to sixty days following notice in the Federal Register.

"(b) The Commissioner may waive the payment of any fee for any service or material related to trademarks or other marks in connection with an occasional request made by a department or agency of the Government, or any officer thereof. The Indian Arts and Crafts Board will not be charged any fee to register Government trademarks of genuineness and quality for Indian products of particular Indian tribes and groups.".

SEC. 6. (a) Title 35 of the United States Code, entitled "Patents", is amended by adding after chapter 37 the following new chapter 38:

"Chapter 38—PATENT RIGHTS IN INVENTIONS MADE WITH FEDERAL ASSISTANCE

"Sec.
"200. Policy and objective.
"201. Definitions.
"202. Disposition of rights.
"203. March-in rights.
"204. Preference for United States industry.
"205. Confidentiality.
"206. Uniform clauses and regulations.
"207. Domestic and foreign protection of federally owned inventions.
"208. Regulations governing Federal licensing.
"209. Restrictions on licensing of federally owned inventions.
"210. Precedence of chapter.
"211. Relationship to antitrust laws.

"§ 200. Policy and objective

"It is the policy and objective of the Congress to use the patent system to promote the utilization of inventions arising from federally supported research or development; to encourage maximum participation of small business firms in federally supported research and development efforts; to promote collaboration between commercial concerns and nonprofit organizations, including universities; to ensure that inventions made by nonprofit organizations and small business firms are used in a manner to promote free competition and enterprise; to promote the commercialization and public availability of inventions made in the United States by United States industry and labor; to ensure that the Government obtains sufficient rights in federally supported inventions to meet the needs of the Government and protect the public against nonuse or unreasonable use of inventions; and to minimize the costs of administering policies in this area.

"§ 201. Definitions

"As used in this chapter—

"(a) The term 'Federal agency' means any executive agency as defined in section 105 of title 5, United States Code, and the military departments as defined by section 102 of title 5, United States Code.

"(b) The term 'funding agreement' means any contract, grant, or cooperative agreement entered into between any Federal agency, other than the Tennessee Valley Authority, and any contractor for the performance of experimental, developmental, or research work funded in whole or in part by the Federal Government. Such term includes any assignment, substitution of parties, or subcontract of any type entered into for the performance of experimental, developmental, or research work under a funding agreement as herein defined.

"(c) The term 'contractor' means any person, small business firm, or nonprofit organization that is a party to a funding agreement.

"(d) The term 'invention' means any invention or discovery which is or may be patentable or otherwise protectable under this title.

"(e) The term 'subject invention' means any invention of the contractor conceived or first actually reduced to practice in the performance of work under a funding agreement.

"(f) The term 'practical application' means to manufacture in the case of a composition or product, to practice in the case of a process or method, or to operate in the case of a machine or system; and, in each case, under such conditions as to establish that the invention is being utilized and that its benefits are to the extent permitted by law or Government regulations available to the public on reasonable terms.

"(g) The term 'made' when used in relation to any invention means the conception or first actual reduction to practice of such invention.

"(h) The term 'small business firm' means a small business concern as defined at section 2 of Public Law 85–536 (15 U.S.C. 632) and implementing regulations of the Administrator of the Small Business Administration.

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

"§ 202. Disposition of rights

(a) Each nonprofit organization or small business firm may, within a reasonable time after disclosure as required by paragraph (c)(1) of this section, elect to retain title to any subject invention: *Provided, however*, That a funding agreement may provide otherwise (i) when the funding agreement is for the operation of a Government-owned research or production facility, (ii) in exceptional circumstances when it is determined by the agency that restriction or elimination of the right to retain title to any subject invention will better promote the policy and objectives of this chapter or (iii) when it is determined by a Government authority which is authorized by statute or Executive order to conduct foreign intelligence or counterintelligence activities that the restriction or elimination of the right to retain title to any subject invention is necessary to protect the security of such activities. The rights of the nonprofit organization or small business firm shall be subject to the provisions of paragraph (c) of this section and the other provisions of this chapter.

"(b)(1) Any determination under (ii) of paragraph (a) of this section shall be in writing and accompanied by a written statement of facts justifying the determination. A copy of each such determination and justification shall be sent to the Comptroller General of the United States within thirty days after the award of the applicable funding agreement. In the case of determinations applicable to funding agreements with small business firms copies shall also be sent to the Chief Counsel for Advocacy of the Small Business Administration.

"(2) If the Comptroller General believes that any pattern of determinations by a Federal agency is contrary to the policy and objectives of this chapter or that an agency's policies or practices are otherwise not in conformance with this chapter, the Comptroller General shall so advise the head of the agency. The head of the agency shall advise the Comptroller General in writing within one hundred and twenty days of what action, if any, the agency has taken or plans to take with respect to the matters raised by the Comptroller General.

"(3) At least once each year, the Comptroller General shall transmit a report to the Committees on the Judiciary of the Senate and House of Representatives on the manner in which this chapter is being implemented by the agencies and on such other aspects of Government patent policies and practices with respect to federally funded inventions as the Comptroller General believes appropriate.

"(c) Each funding agreement with a small business firm or nonprofit organization shall contain appropriate provisions to effectuate the following:

"(1) A requirement that the contractor disclose each subject invention to the Federal agency within a reasonable time after it is made and that the Federal Government may receive title to any subject invention not reported to it within such time.

"(2) A requirement that the contractor make an election to retain title to any subject invention within a reasonable time after disclosure and that the Federal Government may receive title to any subject invention in which the contractor does not elect to retain rights or fails to elect rights within such time.

"(3) A requirement that a contractor electing rights file patent applications within reasonable times and that the Federal Government may receive title to any subject inventions in the United States or other countries in which the contractor has not filed patent applications on the subject invention within such times.

"(4) With respect to any invention in which the contractor elects rights, the Federal agency shall have a nonexclusive, nontransferable, irrevocable, paid-up license to practice or have practiced for or on behalf of the United States any subject invention throughout the world, and may, if provided in the funding agreement, have additional rights to sublicense any foreign government or international organization pursuant to any existing or future treaty or agreement.

"(5) The right of the Federal agency to require periodic reporting on the utilization or efforts at obtaining utilization that are being made by the contractor or his licensees or assignees: *Provided*, That any such information may be treated by the Federal agency as commercial and financial information obtained from a person and privileged and confidential and not subject to disclosure under section 552 of title 5 of the United States Code.

"(6) An obligation on the part of the contractor, in the event a United States patent application is filed by or on its behalf or by any assignee of the contractor, to include within the specification of such application and any patent issuing thereon, a statement specifying that the invention was made with Government support and that the Government has certain rights in the invention.

"(7) In the case of a nonprofit organization, (A) a prohibition upon the assignment of rights to a subject invention in the United States without the approval of the Federal agency, except where such assignment is made to an organization which has as one of its primary functions the management of inventions and which is not, itself, engaged in or does not hold a substantial interest in other organizations engaged in the manufacture or sale of products or the use of processes that might utilize the invention or be in competition with embodiments of the invention (provided that such assignee shall be subject to the same provisions as the contractor); (B) a prohibition against the granting of exclusive licenses under United States Patents or Patent Applications in a subject invention by the contractor to persons other than small business firms for a period in excess of the earlier of five years from first commercial sale or use of the invention or eight years from the date of the exclusive license excepting that time before regulatory agencies necessary to obtain premarket clearance unless, on a case-by-case basis, the Federal agency approves a longer exclusive license. If exclusive field of use licenses are granted, commercial sale or use in one field of use shall not be deemed commercial sale or use as to other fields of use, and a first commercial sale or use with respect to a product of the invention shall not be deemed to end the exclusive period to different subsequent products covered by the invention; (C) a requirement that the contractor share royalties with the inventor; and (D) a requirement that the balance of any royalties or income earned by the contractor with respect to subject inventions, after payment of expenses (including payments to inventors) incidental to the administration of subject inventions, be utilized for the support of scientific research or education.

"(8) The requirements of sections 203 and 204 of this chapter.

"(d) If a contractor does not elect to retain title to a subject invention in cases subject to this section, the Federal agency may consider and after consultation with the contractor grant requests for retention of rights by the inventor subject to the provision of this Act and regulations promulgated hereunder.

"(e) In any case when a Federal employee is a coinventor of any invention made under a funding agreement with a nonprofit organization or small business firm, the Federal agency employing such coinventor is authorized to transfer or assign whatever rights it may acquire in the subject invention from its employee to the contractor subject to the conditions set forth in this chapter.

"(f)(1) No funding agreement with a small business firm or nonprofit organization shall contain a provision allowing a Federal agency to require the licensing to third parties of inventions owned by the contractor that are not subject inventions unless such provision has been approved by the head of the agency and a written justification has been signed by the head of the agency. Any such provision shall clearly state whether the licensing may be required in connection with the practice of a subject invention, a specifically identified work object, or both. The head of the agency may not delegate the authority to approve provisions or sign justifications required by this paragraph.

"(2) A Federal agency shall not require the licensing of third parties under any such provision unless the head of the agency determines that the use of the invention by others is necessary for the practice of a subject invention or for the use of a work object of the funding agreement and that such action is necessary to achieve the practical application of the subject invention or work

object. Any such determination shall be on the record after an opportunity for an agency hearing. Any action commenced for judicial review of such determination shall be brought within sixty days after notification of such determination.

"§ 203. March-in rights

"With respect to any subject invention in which a small business firm or nonprofit organization has acquired title under this chapter, the Federal agency under whose funding agreement the subject invention was made shall have the right, in accordance with such procedures as are provided in regulations promulgated hereunder to require the contractor, an assignee or exclusive licensee of a subject invention to grant a nonexclusive, partially exclusive, or exclusive license in any field of use to a responsible applicant or applicants, upon terms that are reasonable under the circumstances, and if the contractor, assignee, or exclusive licensee refuses such request, to grant such a license itself, if the Federal agency determines that such—

"(a) action is necessary because the contractor or assignee has not taken, or is not expected to take within a reasonable time, effective steps to achieve practical application of the subject invention in such field of use;

"(b) action is necessary to alleviate health or safety needs which are not reasonably satisfied by the contractor, assignee, or their licensees;

"(c) action is necessary to meet requirements for public use specified by Federal regulations and such requirements are not reasonably satisfied by the contractor, assignee, or licensees; or

"(d) action is necessary because the agreement required by section 204 has not been obtained or waived or because a licensee of the exclusive right to use or sell any subject invention in the United States is in breach of its agreement obtained pursuant to section 204.

"§ 204. Preference for United States industry

"Notwithstanding any other provision of this chapter, no small business firm or nonprofit organization which receives title to any subject invention and no assignee of any such small business firm or nonprofit organization shall grant to any person the exclusive right to use or sell any subject invention in the United States unless such person agrees that any products embodying the subject invention or produced through the use of the subject invention will be manufactured substantially in the United States. However, in individual cases, the requirement for such an agreement may be waived by the Federal agency under whose funding agreement the invention was made upon a showing by the small business firm, nonprofit organization, or assignee that reasonable but unsuccessful efforts have been made to grant licenses on similar terms to potential licensees that would be likely to manufacture substantially in the United States or that under the circumstances domestic manufacture is not commercially feasible.

"§ 205. Confidentiality

"Federal agencies are authorized to withhold from disclosure to the public information disclosing any invention in which the Federal Government owns or may own a right, title, or interest (including a nonexclusive license) for a reasonable time in order for a patent application to be filed. Furthermore, Federal agencies shall not be required to release copies of any document which is part of an application for patent filed with the United States Patent and Trademark Office or with any foreign patent office.

"§ 206. Uniform clauses and regulations

"The Office of Federal Procurement Policy, after receiving recommendations of the Office of Science and Technology Policy, may issue regulations which may be made applicable to Federal agencies implementing the provisions of sections 202 through 204 of this chapter and the Office of Federal Procurement Policy shall establish standard funding agreement provisions required under this chapter.

"§ 207. Domestic and foreign protection of federally owned inventions

"Each Federal agency is authorized to—

"(1) apply for, obtain, and maintain patents or other forms of protection in the United States and in foreign countries on inventions in which the Federal Government owns a right, title, or interest;

"(2) grant nonexclusive, exclusive, or partially exclusive licenses under federally owned patent applications, patents, or other forms of protection obtained, royalty-free or for royalties or other consideration, and on such terms and conditions, including the grant to the licensee of the right of enforcement pursuant to the provisions of chapter 29 of this title as determined appropriate in the public interest;

"(3) undertake all other suitable and necessary steps to protect and administer rights to federally owned inventions on behalf of the Federal Government either directly or through contract; and

"(4) transfer custody and administration, in whole or in part, to another Federal agency, of the right, title, or interest in any federally owned invention.

"§ 208. Regulations governing Federal licensing

"The Administrator of General Services is authorized to promulgate regulations specifying the terms and conditions upon which any federally owned invention, other than inventions owned by the Tennessee Valley Authority, may be licensed on a nonexclusive, partially exclusive, or exclusive basis.

"§ 209. Restrictions on licensing of federally owned inventions

"(a) No Federal agency shall grant any license under a patent or patent application on a federally owned invention unless the person requesting the license has supplied the agency with a plan for development and/or marketing of the invention, except that any such plan may be treated by the Federal agency as commercial and financial information obtained from a person and privileged and confidential and not subject to disclosure under section 552 of title 5 of the United States Code.

"(b) A Federal agency shall normally grant the right to use or sell any federally owned invention in the United States only to a licensee that agrees that any products embodying the invention or produced through the use of the invention will be manufactured substantially in the United States.

"(c)(1) Each Federal agency may grant exclusive or partially exclusive licenses in any invention covered by a federally owned domestic patent or patent application only if, after public notice and opportunity for filing written objections, it is determined that—

"(A) the interests of the Federal Government and the public will best be served by the proposed license, in view of the applicant's intentions, plans, and ability to bring the invention to practical application or otherwise promote the invention's utilization by the public;

"(B) the desired practical application has not been achieved, or is not likely expeditiously to be achieved, under any nonexclusive license which has been granted, or which may be granted, on the invention;

"(C) exclusive or partially exclusive licensing is a reasonable and necessary incentive to call forth the investment of risk capital and expenditures to bring the invention to practical application or otherwise promote the invention's utilization by the public; and

"(D) the proposed terms and scope of exclusivity are not greater than reasonably necessary to provide the incentive for bringing the invention to practical application or otherwise promote the invention's utilization by the public.

"(2) A Federal agency shall not grant such exclusive or partially exclusive license under paragraph (1) of this subsection if it determines that the grant of such license will tend substantially to lessen competition or result in undue concentration in any section of the country in any line of commerce to which the technology to be licensed relates, or to create or maintain other situations inconsistent with the antitrust laws.

"(3) First preference in the exclusive or partially exclusive licensing of federally owned inventions shall go to small business firms submitting plans that are determined by the agency to be within the capabilities of the firms and, equally likely, if executed, to bring the invention to practical application as any plans submitted by applicants that are not small business firms.

"(d) After consideration of whether the interests of the Federal Government or United States industry in foreign commerce will be enhanced, any Federal agency may grant exclusive or partially exclusive licenses in any invention covered by a foreign patent application or patent, after public notice and opportunity for filing written objections, except that a Federal agency shall not grant such exclusive or partially exclusive license if it determines that the grant of such license will tend substantially to lessen competition or result in undue concentration in any section of the United States in any line of commerce to which the technology to be licensed relates, or to create or maintain other situations inconsistent with antitrust laws.

"(e) The Federal agency shall maintain a record of determinations to grant exclusive or partially exclusive licenses.

"(f) Any grant of a license shall contain such terms and conditions as the Federal agency determines appropriate for the protection of the interests of the Federal Government and the public, including provisions for the following:

"(1) periodic reporting on the utilization or efforts at obtaining utilization that are being made by the licensee with particular reference to the plan submitted: *Provided*, That any such information may be treated by the Federal agency as commercial and financial information obtained from a person and privileged and confidential and not subject to disclosure under section 552 of title 5 of the United States Code;

"(2) the right of the Federal agency to terminate such license in whole or in part if it determines that the licensee is not executing the plan submitted with its request for a license and the licensee cannot otherwise demonstrate to the satisfaction of the Federal agency that it has taken or can be expected to take within a reasonable time, effective steps to achieve practical application of the invention;

"(3) the right of the Federal agency to terminate such license in whole or in part if the licensee is in breach of an agreement obtained pursuant to paragraph (b) of this section; and

"(4) the right of the Federal agency to terminate the license in whole or in part if the agency determines that such action is necessary to meet requirements for public use specified by Federal regulations issued after the date of the license and such requirements are not reasonably satisfied by the licensee.

"§ 210. Precedence of chapter

"(a) This chapter shall take precedence over any other Act which would require a disposition of rights in subject inventions of small business firms or nonprofit organizations contractors in a manner that is inconsistent with this chapter, including but not necessarily limited to the following:

"(1) section 10(a) of the Act of June 29, 1935, as added by title I of the Act of August 14, 1946 (7 U.S.C. 427l(a); 60 Stat. 1085);

"(2) section 205(a) of the Act of August 14, 1946 (7 U.S.C. 1624(a); 60 Stat. 1090);

"(3) section 501(c) of the Federal Mine Safety and Health Act of 1977 (30 U.S.C. 951(c); 83 Stat. 742);

"(4) section 106(c) of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1395(c); 80 Stat. 721);

"(5) section 12 of the National Science Foundation Act of 1950 (42 U.S.C. 1871(a); 82 Stat. 360);

"(6) section 152 of the Atomic Energy Act of 1954 (42 U.S.C. 2182; 68 Stat. 943);

"(7) section 305 of the National Aeronautics and Space Act of 1958 (42 U.S.C. 2457);

"(8) section 6 of the Coal Research Development Act of 1960 (30 U.S.C. 666; 74 Stat. 337);

"(9) section 4 of the Helium Act Amendments of 1960 (50 U.S.C. 167b; 74 Stat. 920);

"(10) section 32 of the Arms Control and Disarmament Act of 1961 (22 U.S.C. 2572; 75 Stat. 634);

"(11) subsection (e) of section 302 of the Appalachian Regional Development Act of 1965 (40 U.S.C. App. 302(e); 79 Stat. 5);

"(12) section 9 of the Federal Nonnuclear Energy Research and Development Act of 1974 (42 U.S.C. 5901; 88 Stat. 1878);

"(13) section 5(d) of the Consumer Product Safety Act (15 U.S.C. 2054(d); 86 Stat. 1211);

"(14) section 3 of the Act of April 5, 1944 (30 U.S.C. 323; 58 Stat. 191);

"(15) section 8001(c)(3) of the Solid Waste Disposal Act (42 U.S.C. 6981(c); 90 Stat. 2829);

"(16) section 219 of the Foreign Assistance Act of 1961 (22 U.S.C. 2179; 83 Stat. 806);

"(17) section 427(b) of the Federal Mine Health and Safety Act of 1977 (30 U.S.C. 937(b); 86 Stat. 155);

"(18) section 306(d) of the Surface Mining and Reclamation Act of 1977 (30 U.S.C. 1226(d); 91 Stat. 455);

"(19) section 21(d) of the Federal Fire Prevention and Control Act of 1974 (15 U.S.C. 2218(d); 88 Stat. 1548);

"(20) section 6(b) of the Solar Photovoltaic Energy Research Development and Demonstration Act of 1978 (42 U.S.C. 5585 (b); 92 Stat. 2516);

"(21) section 12 of the Native Latex Commercialization and Economic Development Act of 1978 (7 U.S.C. 178(j); 92 Stat. 2533); and

"(22) section 408 of the Water Resources and Development Act of 1978 (42 U.S.C. 7879; 92 Stat. 1360). The Act creating this chapter shall be construed to take precedence over any future Act unless that Act specifically cites this Act and provides that it shall take precedence over this Act.

"(b) Nothing in this chapter is intended to alter the effect of the laws cited in paragraph (a) of this section or any other laws with respect to the disposition of rights in inventions made in the performance of funding agreements with persons other than nonprofit organizations or small business firms.

"(c) Nothing in this chapter is intended to limit the authority of agencies to agree to the disposition of rights in inventions made in the performance of work under funding agreements with persons other than nonprofit organizations or small business firms in accordance with the Statement of Government Patent Policy issued on August 23, 1971 (36 Fed. Reg. 16887), agency regulations, or other applicable regulations or to otherwise limit the authority of agencies to

allow such persons to retain ownership of inventions. Any disposition of rights in inventions made in accordance with the Statement or implementing regulations, including any disposition occurring before enactment of this section, are hereby authorized.

"(d) Nothing in this chapter shall be construed to require the disclosure of intelligence sources or methods or to otherwise affect the authority granted to the Director of Central Intelligence by statute or Executive order for the protection of intelligence sources or methods.

"§ 211. Relationship to antitrust laws

"Nothing in this chapter shall be deemed to convey to any person immunity from civil or criminal liability, or to create any defenses to actions, under any antitrust law.".

(b) The table of chapters for title 35, United States Code, is amended by adding immediately after the item relating to chapter 37 the following:

"38. Patent rights in inventions made with Federal assistance.".

SEC. 7. Amendments to Other Acts.—The following Acts are amended as follows:

(a) Section 156 of the Atomic Energy Act of 1954 (42 U.S.C. 2186; 68 Stat. 947) is amended by deleting the words "held by the Commission or".

(b) The National Aeronautics and Space Act of 1958 is amended by repealing paragraph (g) of section 305 (42 U.S.C. 2457(g); 72 Stat. 436).

(c) The Federal Nonnuclear Energy Research and Development Act of 1974 is amended by repealing paragraphs (g), (h), and (i) of section 9 (42 U.S.C. 3908 (g), (h), and (i); 88 Stat. 1889–1891).

SEC. 8. (a) Sections 2, 4, and 5 of this Act will take effect upon enactment.

(b) Section 1 of this Act will take effect on the first day of the seventh month beginning after its enactment and will apply to patents in force as of that date or issued thereafter.

(c) Section 3 of this Act will take effect on the first day of the first fiscal year beginning on or after one calendar year after enactment. However, until section 3 takes effect, the Commissioner may credit the Patent and Trademark Office appropriation account in the Treasury of the United States with the revenues from collected reexamination fees, which will be available *to pay the costs to the Office of reexamination* proceedings.

(d) Any fee in effect as of the date of enactment of this Act will remain in effect until a corresponding fee established under section 41 of title 35, United States Code, or section 1113 of title 15, United States Code, takes effect.

(e) Fees for maintaining a patent in force will not be applicable to patents applied for prior to the date of enactment of this Act.

(f) Sections 6 and 7 of this Act will take effect on the first day of the seventh month *beginning after its enactment.* Implementing regulations may be issued earlier.

(g) Sections 8 and 9 will take effect on the date of enactment of this Act.

SEC. 9. The Commissioner of Patents and Trademarks shall report to Congress, within 2 years after the effective date of this Act, a plan to identify, and if necessary develop or have developed, computerized data and retrieval systems equivalent to the latest state of the art which can be applied to all aspects of the operation of the Patent and Trademark Office, and particularly to the *patent search file, the patent classification* system, and the trademark search file. The report shall specify the cost of implementing the plan, how rapidly the plan can be implemented by the Patent and Trademark Office, without regard to funding which is or which may be available for this purpose in the future.

SEC. 10. (a) Section 101 of title 17 of the United States Code is amended to add at the end thereof the following new language:

"A 'computer program' is a set of statements or instructions to be used directly or *indirectly in a computer in order to bring* about a certain result.".

(b) Section 117 of title 17 of the United States Code is amended to read as follows:

"§ 117. Limitations on exclusive rights: Computer programs

"Notwithstanding the provisions of section 106, it is not an infringement for the owner of a copy of a computer program to make or authorize the making of another copy or adaptation of that computer program provided:

"(1) that such a new copy or adaptation is created as an essential step in the utilization of the computer program in conjunction with a machine and that it is used in no other manner, or

"(2) that such new copy or adaptation is for archival purposes only and that all archival copies are destroyed in the event that continued possession of the computer program should cease to be rightful.

"Any exact copies prepared in accordance with the provisions of this section may be leased, sold, or otherwise transferred, along with the copy from which such copies were prepared, only as part of the lease, sale, or other transfer of all rights in the program. Adaptations so prepared may be transferred only with the authorization of the copyright owner.".

Amend the title so as to read: "A bill to amend the patent and trademark laws.".

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment was agreed to.

The PRESIDING OFFICER. If there be no further amendment to be proposed, the question is on the engrossment of the amendment and the third reading of the bill.

The amendment was ordered to be engrossed and the bill to be read a third time.

● Mr. BAYH. Mr. President, there has been no more troubling issue before this Congress than the disturbing slump in American innovation and productivity. This trend strikes at the very heart of our economy and leads to a loss of jobs, a weakening of the dollar, and a poor balance of trade.

There are many complex reasons for this unhealthy trend, yet virtually every expert who has testified before the Congress has mentioned the weaknesses in our present patent laws as a significant contributor to the problem. The amendment that I am offering to the House-passed bill, H.R. 6933, represents an important step in solving this patent problem.

The amendment that I am offering represents in essence the patent policy incorporated in S. 414, which was overwhelmingly passed by the Senate after being unanimously reported out of the Senate Judiciary Committee.

This new policy will make federally supported research and development more productive by allowing the private sector to develop many inventions now left gathering dust on the shelves of Government agencies. This patent policy revision will give small businesses and universities conducting research and development for the Government the incentive to develop and market the inventions that they make while fully protecting the rights of the Government and the public. This concept has received wide support from both sides of the aisle because of the overwhelming evidence of the present inefficiencies in the present patent policies. The full legislative history of this provision is found in the Senate Judiciary Committee report on S. 414 (96–480) which fully spells out the intent of the Congress and specifies how this patent policy is to be implemented.

Section 210(c) is intended to make clear that the disposition of rights in inventions to contractors not covered by *this act shall continue to be governed* by the President's statement on Government patent policy and implementing agency regulations. Implementing regulations and policies granting ownership rights to such contractors are not intended to be adversely affected by enactment of this act; and dispositions pursuant to such statements and implementing regulations prior to enactment of this act are expressly authorized by this act.

The other provisions of the present amendment will allow the Patent and Trademark Office to reexamine issued patents. This concept was unanimously supported by the Senate when it passed my bill, S. 2446. The present reexamination procedure is that passed by the House, which is essentially the same as that already passed by the Senate.

Reexamination will allow patent holders and challengers to avoid the present costs and delays of patent litigation. The *American Patent Law Association* testified to the Judiciary Committee that patent litigation can cost both parties $250,000 and take years to settle. Quite obviously, this sum is beyond the means of many patent holders, particularly small businesses and independent inventors, and is a sizable burden to any business. Patent reexamination will also reduce the burden on our overworked courts by drawing on the expertise of the Patent and Trademark Office for an estimated $1,000 to $1,500 per case. Reexamination has been endorsed by the American Bar Association and the American Patent Law Association and is a much needed improvement in our present system that will strengthen the American patent system.

The Senate Judiciary Committee and the Appropriations Committee have been concerned about the continued underfunding of the Patent Office. The amend*ment that I am offering includes the first* increase in patent and trademark fees in 15 years. The language is that already approved by the House.

The House provision includes a system of maintenance fees so that a patent holder can spread out his payments over a number of years. I believe that the Senate should accept this concept with the provision that patent holders be per*sonally notified through the mail shortly* before their payments are due. I fear that unless this is done small business patent holders or independent inventors might inadvertently miss a deadline and thereby permit their patent to lapse. So with this one minor addition in the legislative history of the fee provision, I recommend that it be accepted. There should also be provisions made in the implementing regulations of the Patent *and Trademark Office to extend* the deadline if a patent holder should inadvertently miss payment through no fault of their own.

Few would argue that trademark fee adjustments are not needed. They have not been increased for years. Rather than merely increasing fees, this bill ties them to recovering an established percentage of average estimated costs, without any feeling or control. Unquestionably, support for fee increases based on a percentage of cost recovery waned dramatically when the language creating a Patent and Trademark Office independent of the Department of Commerce, an action I actively sought, was deleted from this legislation. In any case, this open-ended structure should not be construed as a "blank check."

Today, conditions in the trademark office are nothing short of a national disgrace and although remedies are being *sought, we are far from realizing an ef*ficiently run operation. Some estimate that, in 5 years, the length of time it takes to receive a registration may stretch from over 2 years to a deplorable 7 years. Reasonably, this period should not exceed 1 year. Furthermore, when registrations are issued, they are frequently mailed to the wrong company, much of the Office's official correspondence is handled in longhand due to a shortage of clerk typists and the statutorily required publication of the official gazette, when it does occur, is months behind and has resulted in an inordinate backlog. It will cost a great deal of money to straighten out this disastrous mess and increased fees will help. However, I am certain that it is not the intent of my colleagues that American businesses and individuals be forced to pay the cost of past management errors in the Patent and Trademark Office (PTO) and the Department of Commerce. Additionally, while there is no provision in this legislation to prohibit the commingling of patent and trademark fees revenues to offset expenditures of the PTO, it is the intent of this body that they be kept separate.

Of even more serious import to U.S. trademark owners is the impact on fees that will result should the Senate ratify the Trademark Registration Treaty. This *treaty, as it substantially reduces for* foreign nationals to file, makes it easier for them to present their applications for processing. Cost of trademark operations within the PTO cannot help but soar and backlog will certainly be magnified. The number of oppositions will increase and printing costs will be much higher. Because this legislation does not take this possibility into account and bases the fees which American businesses must pay on aggregate costs, I have confidence that Congress will examine this new trademark fee structure when it considers the impact on the PTO of the treaty to insure that American trademark owners, both individuals and busi-

nesses, do not subsidize the costs of their foreign competitors.

The Congress should exercise an oversight of the implementing regulations as this increase in patent and trademark fees goes into effect to insure that it does not have a negative impact on independent inventors and small businesses. It is not the intent of the Senate that fees should be raised to the point that these important sources of innovation are discouraged or prohibited from filing patent and trademark applications by their financial limitations. It would be counterproductive to the patent and trademark system if this concern were not carefully weighed by the Patent and Trademark Office.

As required by the Regulatory Flexibility Act (Public Law 96-354) and the present act (H.R. 6933), the Patent and Trademark Office is required to adopt regulations for the patent fees of section 41(a) of this act that will reflect the ability of small entities to pay such charges. Consideration must be given to several tiers of processing, filing, and maintenance charges.

My amendment will also authorize a 2-year study of the feasibility of computerizing many of the operations of the Patent and Trademark Office. The Judiciary Committee has been very concerned with reports it has received about missing patent files and the uncertainty of many issued U.S. patents. Computerization should significantly modernize the operations of the Office and this study will be very important in determining how best to proceed.

Finally, Mr. President, this amendment clarifies the 1976 Copyright Act as it is related to the ability to obtain copyrights on computer software. This language reflects that proposed by the Commission on New Technological Uses of Copyrighted Works and is supported by the Copyright Office.

This amendment represents a satisfactory compromise between the positions of the Senate and the House. This bill will be a significant step forward not only for the patent system, but for American innovation and productivity. I urge my colleagues to join with me in supporting this vitally important legislation.●