NEWS & COMMENT

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BILL TO INCREASE PTO USER FEES IS INTRODUCED

Legislation (H.R. 5602) that would impose substantial increases in the user fees charged by the Patent and Trademark Office was introduced February 24th by Representative Robert W. Kastenmeier (D-Wis.). The bill is designed to achieve 100% cost recovery for patent and trademark application processing.

Background

P.L. 96-517, enacted December 12, 1980 (see 509 PTCJ A-1, 506 PTCJ E-1), provided for increases in the PTO's filing fees for patent and trademark applications. Specifically, fees for the processing of a patent application were increased so as to recover 25% of the costs to the PTO, while fees for the processing of a trademark application were increased so as to recover 50% of the PTO's costs. The law also established a system of maintenance fees, designed to recover 25% of the PTO's patent processing costs. The increased fees are scheduled to go into effect October 1, 1982.

Last November, in a speech before the American Patent Law Association (see 554 PTCJ A-1, D-1), Commissioner of Patents and Trademarks Gerald J. Mossinghoff unveiled a proposal for additional increases in PTO user fees. Under his proposal, the recovery ratio for trademark processing would be increased from 50% to 100%. The 25%/25% recovery formula in P.L. 96-517 for the patent process would be changed to a 50%/50% fee recovery plan.

In a recent briefing before the Chicago Patent Law Association (see 566 PTCJ A-5), Commissioner Mossinghoff indicated that increased fees "are absolutely essential to the continued vitality of the U.S. patent and trademark system." The only realistic alternative, he contended, is "a PTO program well below the present unacceptable level."

New Bill

At the request of Secretary of Commerce Malcolm Baldrige and Commissioner Mossinghoff, Representative Robert W. Kastenmeier (D-Wis.) introduced H.R. 5602, a bill that incorporates the Administration's 100% cost recovery proposal. Under Section 3 of the bill, the full costs of processing patent applications would be recovered through a combination of "front-end" fees (filing and issuance) and maintenance fees. The front-end fees, other than for design patents, would be increased to recover not more than 50% of the processing costs. After maintenance fees are in full effect, the Commissioner would be authorized to adjust fees so that maintenance fees recover more than 50% of the Office costs. Fees for processing design patent applications, which would remain front-end fees, would be increased to recover 100% of Office costs. Trademark fees would be increased to recover 100% of the PTO's costs, but these revenues could be used only to carry out activities of the trademark registration process. (Ed. Note: A fact sheet prepared by the American Patent Law Association and the Patent, Trademark and Copyright Section of the Virginia State Bar reveals that if H.R. 5602 is enacted, the total fees paid by an inventor to obtain and maintain a patent throughout its 17-year term will approach $4,000. Currently, according to the fact sheet, an inventor pays an average of $235 in fees to obtain a patent.)

H.R. 5602 also authorizes appropriations of $68 million for fiscal year 1983 to cover the payment of salaries and necessary expenses of the PTO. The additional fees collected by the PTO under Section 3 of the bill would augment the authorized appropriation.

A host of proposed amendments to the patent and trademark laws are also contained in H.R. 5602. The amendments provide, in part, as follows:

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• The filing date of a patent application would be that on which the specification and drawings are received by the PTO. The oath and filing fee could be submitted at such later time as established by the Commissioner, without any loss of the original filing date.

• The possibilities for correcting misnamed inventive entities would be enlarged.

• The continued trademark use required to be shown on the sixth year under Section 8(a) of the Trademark Act would have to be use "in commerce."

• Opposition and cancellation petitions would no longer have to be verified.

• The date of registration, rather than the date of publication, would become the critical date for purposes of incontestability.

H.R. 5602 has been referred to the Judiciary Committee. A hearing before the Subcommittee on Courts, Civil Liberties and the Administration of Justice is scheduled for March 10th.

Reaction

In response to the introduction of H.R. 5602, the American Bar Association's Section of Patent, Trademark and Copyright Law has called a special meeting for the purpose of adopting a formal position on the PTO fee proposal. In a February 19th letter to section members, chairman Joseph A. DeGrandi stated that "[h]aving the users pay 100% of the cost of operating the PTO may well be counterproductive in the long run." The meeting will be held March 23rd at the Hyatt Regency Crystal City Hotel, in Arlington, Virginia, beginning at 9:00 a.m.

The United States Trademark Association is already on record in opposition to the proposed fee hikes. See 563 PTCJ at A-16.

H.R. 5602, as well as a section-by-section analysis (as published in the February 23rd issue of the Congressional Record, p. H456), appears in text at page D-1.

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CCPA FOCUSES ON IMPACT ON COMPETITION IN RULING THAT DESIGN IS NONFUNCTIONAL

In determining whether a particular design qualified for trademark protection, the U.S. Court of Customs and Patent Appeals rules, the effect upon competition "is really the crux of the matter." While concluding that a container design should not have been denied registration on grounds of functionality, the court remands the case of a determination of distinctiveness. (In re Morton-Norwich Products, Inc., 2/18/82)

Background

Applicant sought to register as a trademark the design of a household cleaner container comprising both a bottle and spray top. Patents covering the container's design and spray top mechanism were previously issued.

The examiner refused to register the design, concluding it was neither distinctive nor nonfunctional. The Trademark Trial and Appeal Board sustained the examiner's action. The board determined that appellant's design was "dictated primarily by functional (utilitarian) considerations, and is therefore unregisterable." See 209 USPQ 437 (TTAB 1980).

Functionality

The principal issue on appeal, the CCPA says, is whether appellant's design is functional. Judge Rich notes that while "the *entire* design of an article (or its container) could, without other means of identification, * * * be protected as a trademark," such protection is limited "to those designs * * * which [are] 'nonfunctional'" and which "serve to identify its manufacturer or seller." The court also makes clear that a discussion of "functionality" is *always* "in reference to the design of the thing under consideration (in the sense of its *appearance*) and not the thing itself." "It is the 'utilitarian' *design* of a 'utilitarian' *object* with which we are concerned."

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