S. HRG. 98-409

# THE PATENT LAW AMENDMENTS ACT OF 1983

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## HEARING

BEFORE THE

## SUBCOMMITTEE ON PATENTS, COPYRIGHTS AND TRADEMARKS

OF THE

## COMMITTEE ON THE JUDICIARY UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

FIRST SESSION

ON

## S. 1538

A BILL TO AMEND THE PATENT LAWS OF THE UNITED STATES

JULY 20, 1983

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# THE PATENT LAW AMENDMENTS ACT OF 1983

WEDNESDAY, JULY 20, 1983

U.S. SENATE,
SUBCOMMITTEE ON PATENTS, COPYRIGHTS AND TRADEMARKS,
COMMITTEE ON THE JUDICIARY,
*Washington, D.C.*

The subcommittee met, pursuant to notice, at 9:50 a.m., in room SD-226, Dirksen Senate Office Building, Senator Charles McC. Mathias, Jr. (chairman of the subcommittee) presiding.

Staff present: Ralph Oman, chief counsel, Pam Batstone, chief clerk, and Peggy Sanner, legal intern, Subcommittee on Patents, Copyrights and Trademarks; Sue McAndrew, counsel to Senator Leahy; Renn Patch, counsel to Senator Hatch; Beverly McKittrick, counsel to Senator Laxalt; Richard Day, counsel to Senator Simpson; and Wes Howard, counsel to Senator Metzenbaum.

## OPENING STATEMENT OF SENATOR CHARLES McC. MATHIAS, JR.

Senator MATHIAS. The subcommittee will come to order.

The Patents, Copyrights and Trademarks Subcommittee will hear testimony today on the Patent Law Amendments of 1983, a bill that was introduced 1 month ago. The bill makes several technical changes in the patent law. Hopefully, they will be an improvement.

And it institutes, as far as I know, for the first time a new kind of patent which might possibly be described as a defensive patent. It would work in the following way. A patent generally gives an inventor the right to prevent other people from using an invention. It may be that the inventor is indifferent as to whether or not somebody else uses the invention, but simply wants to have protection against a claim on the part of another person that he has made the discovery first.

The defensive patent would give the inventor this protection without forcing him or her to jump through the usual hoops that are required for the regular patent process, and by waiving the exclusive rights, the inventor will get quicker and cheaper protection. All that he or she has to do is to give the Patent Office the details of the invention in the usual way and pay a small fee. Then the defensive patent will issue and the inventor will have protection against suits for infringement against later claimants.

The defensive patent would be available to anyone, but it is especially well suited for Government agencies that deal extensively with patents. In many cases, all those agencies need is protection from suits from infringement. They are not interested in exclusive rights to the work.

Money and staff time could be saved in this patent alternative, both in the agencies that generate the research and in the Patent and Trademark Office. Of course, that is an area in which we are constantly looking for economies and troubled with the cost of operation.

So I want to welcome all of the witnesses today. I regret that we are under the necessity of imposing our 5-minute rule. A luxury I look forward to someday is to have an extended dialog in which we do not have to worry about the clock.

But we will keep the record open for 2 weeks from today for additional information and statements. Other members of the committee may have some questions to propound to the witnesses today and I would hope that the witnesses would be willing to respond in writing so that the questions and answers could be made part of the record.

[S. 1538, introduced by Senator Mathias, follows:]

II

98TH CONGRESS
1ST SESSION

# S. 1538

To amend the patent laws of the United States.

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IN THE SENATE OF THE UNITED STATES

JUNE 23 (legislative day, JUNE 20), 1983

Mr. MATHIAS (for himself and Mr. DOLE) introduced the following bill; which was read twice and referred to the Committee on the Judiciary

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# A BILL

To amend the patent laws of the United States.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That this Act may be cited as the "Patent Law Amendments of 1983".

SEC. 2. (a) Chapter 14 of title 35, United States Code, is amended by adding at the end thereof the following new section:

**"§ 156. Issuance of patents without examination.**

"(a) Notwithstanding any other provisions of this title, the Commissioner is authorized to issue a patent on an invention without the examination required by sections 131 and 132 of this title, except as may be required to conduct an

interference proceeding, to determine compliance with section 112 of this title, or to review for formalities required for printing, if the applicant—

"(1) waives all remedies with respect to the patent and any reissue thereof, arising under sections 183 and 271 through 289 of this title and under any other provision of Federal law, within such time as the Commissioner specifies, and

"(2) pays fees, which may be less than those specified in section 41 of this title, established by the Commissioner for the filing and issuance of such a patent.

"(b) The waiver under this section shall take effect upon issuance of the patent. No maintenance fees shall be required with respect to patents issued under this section.".

(b) The analysis for chapter 14 of title 35, United States Code, is amended by adding at the end the following:

"156. Issuance of patents without examination.".

SEC. 3. Section 134 of title 35, United States Code, is amended by striking out "primary".

SEC. 4. Section 151 of title 35, United States Code, is amended—

(1) by amending the second sentence in the first paragraph to read as follows: "The notice shall specify

the issue fee which shall be paid within three months thereafter, or within such shorter time, not less than one month, as fixed by the Commissioner in such notice."; and

(2) by striking out the third paragraph.

SEC. 5. Section 361(d) of title 35, United States Code, is amended by inserting "or within one month thereafter" after "application" in the first sentence.

SEC. 6. Section 366 of title 35, United States Code, is amended—

(1) by inserting "after the date of withdrawal," after "effect";

(2) by inserting ", unless a claim for the benefit of a prior filing date under section 365(c) of this part was made in a national application, or an international application designating the United States, filed before the date of such withdrawal" before the period at the end of the first sentence; and

(3) by inserting "withdrawn" after "such" in the second sentence.

SEC. 7. (a) Section 371(a) of title 35, United States Code, is amended by—

(1) striking out "is" and inserting in lieu thereof "may be"; and

(2) striking out ", except those filed in the Patent Office".

(b) Section 371(b) of title 35, United States Code, is amended to read as follows:

"(b) Subject to subsection (f) of this section, the national stage shall commence with the expiration of the applicable time limit under article 22 (1) or (2) of the treaty.".

(c) Section 371(c)(2) of title 35, United States Code, is amended by—

(1) striking out "received from" and inserting in lieu thereof "communicated by"; and

(2) striking out "verified" before "translation".

(d) Section 371(d) of title 35, United States Code, is amended to read as follows:

"(d) The requirements with respect to the national fee referred to in subsection (c)(1), the translation referred to in subsection (c)(2), and the oath or declaration referred to in subsection (c)(4) of this section shall be complied with by the commencement of the national stage or by such later time as may be fixed by the Commissioner. The copy of the international application referred to in subsection (c)(2) shall be submitted by the commencement of the national stage. Failure to comply with these requirements shall be regarded as abandonment of the application by the parties thereof, unless it be shown to the satisfaction of the Commissioner that such fail-

ure to comply was unavoidable. The payment of a surcharge may be required as a condition for accepting the national fee referred to in subsection (c)(1) or the oath or declaration referred to in subsection (c)(4) of this section if these requirements are not met by the commencement of the national stage. The requirements of subsection (c)(3) of this section shall be complied with by the commencement of the national stage, and failure to do so shall be regarded as a cancellation of the amendments to the claims in the international application made under article 19 of the treaty.".

SEC. 8. (a) Section 372(b) of title 35, United States Code, is amended by—

(1) striking out the period at the end of paragraph (2) and inserting in lieu thereof a semicolon; and

(2) inserting at the end thereof the following:

"(3) the Commissioner may require a verification of the translation of the international application or any other document pertaining thereto if the application or other document was filed in a language other than English.".

(b) Section 372 of title 35, United States Code, is amended by deleting subsection (c).

SEC. 9. Section 376(a) of title 35, United States Code, is amended by striking out paragraph (5) and redesignating paragraph (6) as paragraph (5).

SEC. 10. Title 35, United States Code, is amended by striking out "Patent Office" each place it appears and inserting in its place "Patent and Trademark Office".

SEC. 11. Notwithstanding section 2 of Public Law 96–517, no fee shall be collected for maintaining a plant patent in force.

SEC. 12. (a) Sections 10 and 11 of this Act shall take effect upon the date of enactment.

(b) Sections 1 through 9 of this Act shall take effect six months after the date of enactment.

O

Senator MATHIAS. We are privileged to have as our first witness today Mr. Gerald Mossinghoff, the Assistant Secretary of Commerce and the Commissioner of Patents and Trademarks.

STATEMENT OF GERALD J. MOSSINGHOFF, ASSISTANT SECRETARY OF COMMERCE AND COMMISSIONER OF PATENTS AND TRADEMARKS, U.S. DEPARTMENT OF COMMERCE, ACCOMPANIED BY DONALD J. QUIGG, DEPUTY ASSISTANT SECRETARY AND DEPUTY COMMISSIONER OF PATENTS, U.S. DEPARTMENT OF COMMERCE

Mr. MOSSINGHOFF. Good morning, Mr. Chairman. Thank you very much for this opportunity to appear once again before your subcommittee.

Accompanying me today is Mr. Don Quigg, the Deputy Assistant Secretary and Deputy Commissioner of Patents. On July 18, this past week, Secretary Baldrige sent to the Congress a provision, a legislative recommendation, called the Patent and Trademark Office Procedures Improvement Act of 1983.

Basically, that act would permit us to merge two of the boards that handle appeals and interferences, and the purpose is to simplify greatly the interference procedures. This is when two inventors are claiming to be the first inventor of the same invention.

Don has worked extensively over the past 6 months on the regulations and the procedures, and so if there are any questions, Don would be pleased to respond to those this morning.

In my prepared testimony, I described, though not as well as you did, the defensive patent proposal of section 2 of the bill, S. 1538. So, with your permission, Mr. Chairman, I will skip that part of my testimony and go on to page 3, in the interest of time.

As to the remainder of the bill, section 3 permits appeal from a second rejection of the claims in a patent application by any examiner. The present law only permits appeals from rejections by primary examiners, so this amendment will expedite our examination procedures.

Section 4 of the bill provides authority for the Commissioner to set a shortened period for payment of an issue fee. The statutory period is now 3 months, and we are proposing that the Commissioner be authorized to lessen that period to no less than 1 month under regulations that the Commissioner would issue.

Sections 5 through 9 of the bill contain very technical amendments to the patent laws that are based on several years' experience we have had operating under the International Patent Cooperation Treaty. They are very technical in nature. The amendments would also accord international applicants benefits similar to those given to national applicants.

Section 10 replaces references to the "Patent Office," the earlier name of the Office, with the "Patent and Trademark Office" where the older name was inadvertently used.

Section 11 insures that no maintenance fees are charged for plant patents, regardless of when filed. There is an anomaly in the law currently that for plant patents that are filed between the effective date of an earlier public law, Public Law 96-517, and a later law, the one just enacted, Public Law 97-247, that single group of

plant patent applicants would have to pay maintenance fees. We think they should be treated like all other plant patent applications. It really was an inadvertent result.

Again, with your permission, Mr. Chairman, let me detail very briefly the provision that Secretary Baldrige sent to the Congress on July 18, and I believe copies are available to you.

At present, if two or more inventors claim the same patentable invention, the Patent and Trademark Office is required to determine who was the first inventor and award a patent to that first inventor.

The administrative proceedings to determine that are known as interference proceedings. Since evidence of the dates when an invention was conceived and made, and the diligence exercised by an inventor between conception and making, may be necessary to prove inventorship, interference proceedings can be extremely complex, lengthy, and expensive.

For example, the longest interference, involving polypropylene, took over 13 years in the Patent and Trademark Office alone. Fortunately, Mr. Quigg had a distinguished career as the patent counsel of Phillips Petroleum and is the world's expert on the polypropylene interference, the 13-year interference.

While most interferences are not that long, the delays in issuing a patent due to the lengthy interference are harmful both to the applicants and the public. Applicants are unsure of what rights they will be granted and consequently delay the marketing of their invention. The public is harmed by the delay in disseminating the technology involved.

We will soon publish a comprehensive set of regulations to simplify and streamline the interference practice in the Office. Under these rules, all preliminary matters will be handled by a single individual. This will permit better management over proceedings than is currently possible. That improved control will result in all interferences normally being resolved within 24 months.

One of the reasons for the lengthy proceedings is the jurisdictional problem. By statute, the Patent and Trademark Office Board of Appeals is the final authority in the Office on whether something is patentable or not, and the Board of Patent Interferences is the final authority on priority.

If a question of patentability arises during an interference proceeding now, the proceeding must be suspended. By merging the two boards, we will be able to have a single person in the Board of Patent Interferences and Appeals to handle all issues that come up, patentability issues and priority issues.

Copies of that proposed bill, the sectional analysis, and a statement of purpose and need, are attached to my prepared statement and were provided to the committee in advance.

Mr. Chairman, this concludes my prepared statement. Don and I would be pleased to respond to any questions you or the subcommittee may have.

Senator MATHIAS. One of the objections that has been made to your proposed reduction of time in which the inventor must pay the issue fee from 90 days to 1 month is that that is going to impose a hardship on inventors.

Now, the stated goal of the Patent Office is to reduce total pendency time to 18 months within about 4 years. Is the proposed re-

duction from 90 days to 1 month for payment of the fee a crucial part of this total plan?

Mr. MOSSINGHOFF. No, it is not, Mr. Chairman. The administration is committed to bringing about an average pendency time of 18 months whether or not this legislation is enacted.

The 18-month goal, however, did cause us to focus on this 3-month period, and while certainly some of that period is necessary, we believe that with instantaneous worldwide communications and electronic banking, 3 months, which is a very long time, is simply too long a dead time.

When we achieve our goal of 18 months, one-sixth of the time will be simply waiting to have someone pay a fee. Now, we realize there are corporate decisions that need to be made by clients. But 3 months, it strikes us, is just simply too long a time.

Senator MATHIAS. So you are operating on the general principle of Benjamin Franklin that take care of the pennies and the dollars will take care of themselves?

Mr. MOSSINGHOFF. That is right.

Senator MATHIAS. What other time periods could be reduced as you work toward this goal?

Mr. MOSSINGHOFF. Well, by the time we get to 18 months average time of pendency, except for this 3-month period, some of which is clearly dead time now, we will have, I think, squeezed out of the system all of the time delays.

Last year at this time, it took 124 days for us to process a case before it went to the examiners. We are now down to our steady-state goal of 30 days, with filing receipts being mailed in 22 days. So, we have compressed the 124 days of preexamination time down to 30 days.

We need a certain amount of cushion just to make sure our examiners have a steady docket of work before them, and we have, I think, tightened the amount of time during prosecution of an application about as much as we reasonably could.

So, as we say, the 30 days may be too short, but we think 90 days is too long. There are certainly ways to expedite payment of fees.

Senator MATHIAS. Well, now, in connection with this we have discussed just paying the fee. But what else happens in that period, whether it is 90 days or 30 days?

Mr. MOSSINGHOFF. Well, clearly, a decision has to be made by the inventors, in consultation with their attorneys, or by the corporation if it is a corporately owned patent, on whether or not to let the patent be issued in light of what happened during prosecution.

There are some cases where the claim coverage of the patent would be too narrow and a corporation or an inventor could very well decide to go the trade secret route, and I think that is a perfectly valid decision for them to make.

So there have to be substantive decisions, but it just seems to us that——

Senator MATHIAS. Are any supplemental filings required?

Mr. MOSSINGHOFF. Well, there are occasions where we would, for example, require correction of drawings of an applicant. Now, in those cases we do not propose that 30 days be made the rigid rule. What we propose is that the Commissioner be given authority in

the normal case to reduce the time for paying a fee down to 30 days.

Now, let us say a drawing correction is needed—where a bonded draftsman would have to come into the Office and get a drawing and make the corrections—in cases where there was something extra to be done, clearly we would provide some cushion up to the 3-month period that we have now.

But in the normal, straightforward case where all they have to do is, one, make a decision on whether a patent should be issued or not and, two, pay the fee, it seems to us that that 3-month period could well be reduced.

Senator MATHIAS. Have you sounded out the bar on this question? What does the bar feel about it? What kind of objections do they raise or endorsements do they give?

Mr. MOSSINGHOFF. Well, we have heard their soundings, I guess that is the way I might say that, and there is some opposition in the patent bar. I think it would require a change in the way the law offices operate, and probably in the way the corporate patent departments operate.

Again, though, I cannot imagine that a corporation cannot make a decision in something less than 90 days on whether to pay the issue fee for a patent application which has already been filed and prosecuted through the Office.

In terms of the actual payment itself, I guess in big corporations there must be the same problem we have in the Government of issuing checks. But we have set up a deposit account system so they really do not have to write a check; all they have to do is have enough money in their deposit account to pay for the issue fee that we charge.

Senator MATHIAS. Now, the bill, as filed, provides that the defensive patent be issued, and I will quote the language of the bill, "without the examination required by sections 131 and 132 of this title."

Can an applicant obtain a defensive patent after the Patent Office has rejected the claim of his standard patent application on the same invention?

Mr. MOSSINGHOFF. It would be our proposal that they could. Now, obviously, we would have to work out a fee arrangement, because if we spend the time and the effort in the Office to examine the case, that would have to be taken into account. So it would seem to me that we would have to have a differential fee arrangement for those that underwent substantive novelty and unobviousness examinations as opposed to those that were issued without any novelty or unobviousness examination on our part.

Senator MATHIAS. So this does not prejudice——

Mr. MOSSINGHOFF. No. Indeed, I would think that many corporations might, after they see the first examination, decide that they really are not that interested; that the coverage is not going to be sufficient to fight through to a regular patent.

Nevertheless, because they are selling it themselves, they would want to preserve their right to do so, and I think would convert to the defensive patent.

Senator MATHIAS. Well, now, as you and I have discussed on other occasions, one of the great driving forces of our times is inter-

national competition. We are more deeply committed to the world economy than we have ever been in our history.

Is the defensive patent a novelty in the patent world or is it a legal creature that is known in other places?

Mr. MOSSINGHOFF. It is essentially a novelty for the following reason, and that is that the rest of the world, with the exceptions of Canada, the Philippines, and the United States, is on what is referred to as a first-to-file system with so-called universal prior art.

So, in most of the countries of the world, a publication is a bar to anyone who later files a patent application after the date of publication. In the United States, because we have chosen to retain the first-to-invent system of priority, a publication does not necessarily prevent someone who files within 1 year of that publication from obtaining a valid patent.

So, we have both a first-to-invent system and a 1-year grace period. So, if it is your invention and you publish it and I am a true inventor, I am a true originator myself, I have 1 year in which to file my patent application and get a valid patent and stop you from using your invention.

So, I think the novel aspects of the defensive patent stem primarily from the fact that we do have a first-to-invent system and we do have this grace period, so that a defensive patent is of a lot more value to you in defeating other claims against you in the United States, as opposed to a publication. Abroad, a publication would serve that same function.

Senator MATHIAS. Well, in other words, we are really reaching for the best of both worlds.

Mr. MOSSINGHOFF. Well, as long as we have a first-to-invent system with a grace period, I think there is room for a defensive patent system.

Senator MATHIAS. But the defensive patent really incorporates the features of other countries' patent systems.

Mr. MOSSINGHOFF. Yes, it serves the same purpose.

Senator MATHIAS. In effect, it will serve that same purpose.

Mr. MOSSINGHOFF. Yes.

Senator MATHIAS. So we will have both systems, then, if we adopt it?

Mr. MOSSINGHOFF. In effect, that is true.

Senator MATHIAS. What kind of international recognition do you anticipate it will have?

Mr. MOSSINGHOFF. Well, it would be regarded internationally as what patent lawyers refer to as prior art. It would be regarded as a publication as of the date it was published. Whether or not it would be accorded its filing date would depend on the law of the individual country. My suspicion is it would not in most countries.

Senator MATHIAS. Mr. Quigg, one of the great targets of congressional budget-cutters and the Office of Management and Budget is waste, fraud, and abuse. Is there any waste, fraud, and abuse, in this project? What possibility is there of duplication that might result from the merger of the Board of Appeals and the Board of Patent Interference?

Mr. QUIGG. I think this proposal will result in eliminating a lot of the waste that has gone before. We have had situations in which one of the boards has reversed the other board. There has been a

lot of time lost; a lot of expense not only in the Patent Office, but in the bar itself, in having to prosecute actions before the two boards, whereas with the new procedure this can be handled in one place and it will save a great amount of time as far as both the bar and the Office are concerned.

Senator MATHIAS. So you do not see that it will result in duplication, but you rather feel it will avoid duplication?

Mr. QUIGG. It will avoid a great deal of duplication, yes.

Senator MATHIAS. Well, we devoutly hope that you are right. Thank you very much, gentlemen.

Mr. MOSSINGHOFF. Thank you, Mr. Chairman.

[The prepared statement and additional material submitted by Mr. Mossinghoff follow:]

## PREPARED STATEMENT OF GERALD J. MOSSINGHOFF

Mr. Chairman and Members of the Subcommittee:

I welcome this opportunity to appear before your Subcommittee in support of S. 1538, the "Patent Law Amendments of 1983," and the Administration's proposal entitled the "Patent and Trademark Office Procedures Improvement Act of 1983." With your permission, Mr. Chairman, I will discuss S. 1538 first.

The most significant aspect of this proposed legislation is Section 2 which would establish a "defensive patent." We believe that this will benefit both private industry and Government agencies. In addition, Sections 3-11 contain a number of perfecting amendments to the patent laws.

At present, there is no simple, practical method by which an inventor may safeguard the right to work an invention without obtaining a patent. Section 2 of S. 1538 would establish a new procedure by which an inventor could acquire a patent that would be valid for defensive purposes only. Like a patent dedicated to the public, this defensive patent would not permit an inventor to exclude others from working the invention, but it would serve as a reference against future applications and protect the inventor from having a patent on the same invention later issued to someone else. In addition, this defensive patent could be obtained quicker and less expensively than a traditional patent.

To qualify for a defensive patent, an applicant would be required to execute a waiver of enforceability of the patent. This waiver would be effective at the time the patent issued and would apply to remedies for patent infringement under title 35, remedies for unfair competition in the importation of patented inventions under title 19, and unauthorized disclosure or use by the Federal Government under titles 22 and 28, respectively. By making the waiver, the patentee would authorize the free exploitation in the United States of the invention claimed in the patent. A patent issued under this Section would be the same in other respects as a traditional patent, including serving as the basis for a priority claim in a foreign application.

A defensive patent or an application which eventually issued under this Section could become involved in an "interference," which is a proceeding to determine which of rival inventors was the first to invent. I will discuss the nature and importance of interferences later in my statement. A defensive patent would constitute "prior art," that is, evidence of the state-of-the-art against which later-filed applications will be measured for patentability. This particular aspect is intended to overcome difficulties with the PTO's defensive publication program and with private defensive-type publications. Finally, the defensive patent will be published, classified, and cross-referenced like any other patent, disseminated to foreign patent offices, stored in the Patent and Trademark Office computer tapes made available in commercial data bases, and announced in the Official Gazette.

In exchange for the waiver of enforceability, an application for a patent under this Section would not be subjected to the normal examination process. The Patent and Trademark Office would only review the application for adherence to formal requirements and make a cursory check to ensure that the disclosure requirements were satisfied. Because there would be no substantive examination, fees charged by the Patent and Trademark Office for such patents could be less than those charged for examined patents. In addition, maintenance fees would not be charged for a patent issued under this Section.

The defensive patent would be available to any applicant. It would be of special interest to Government agencies and corporations that obtain patents for defensive purposes. Its use would be strictly optional. An applicant would be free to change from a defensive to a regular patent prior to its issuance. Of course, a defensive patent would not be useful to every applicant since the applicant would give up the exclusivity normally associated with a patent. However, it would provide inventors with one more option for the protection of their industrial property.

As to the remainder of the bill, Section 3 permits appeal from a second rejection of the claims by any examiner. The present law only permits appeal from rejections by primary examiners so that this amendment will expedite examination proceedings.

Section 4 provides authority for the Commissioner to set a shortened period for payment of an issue fee. It also deletes references to payments and fees that were abolished by P.L. 97-247.

Sections 5-9 contain technical amendments to the patent laws that would provide greater flexibility for our processing of international applications under the Patent Cooperation Treaty. The amendments would also accord international applicants benefits similar to those given to national applicants.

Section 10 replaces references to the "Patent Office" with the "Patent and Trademark Office" where the older name was used inadvertently.

Section 11 ensures that no maintenance fees are charged for plant patents, regardless of when filed. Without this provision, plant patent owners whose applications were filed between the dates of enactment of P.L. 96-517 and P.L. 97-247 would be subject to payment of maintenance fees, while plant patent owners whose applications were filed outside those dates would not be subject to such fees. This provision eliminates that inconsistency.

Section 12 provides for effective dates of the prior Sections.

With your permission, Mr. Chairman, I will turn now to our second proposal, the "Patent and Trademark Office Procedures Improvement Act of 1983".

At present, if two or more inventors claim the same patentable invention, the Patent and Trademark Office is required to determine who was the first inventor and award a patent to the first inventor. The administrative proceedings to determine inventorship are known as "interference proceedings." Since evidence of the dates of when an invention was conceived and made, and the diligence exercised by an inventor between conception and making, may be necessary to prove inventorship, interference proceedings can be extremely complex, lengthy, and expensive. For example, the longest interference (involving Polypropylene) took over 13 years in the Patent and Trademark Office alone.

While most interferences are not that long, the delays in issuing a patent due to the lengthy interference proceedings are harmful to both the applicants and the public. Applicants are unsure of what rights they will be granted and consequently delay the marketing of their inventions. The public is harmed by the delay in disseminating the technology involved.

We will soon publish a comprehensive set of regulations to simplify and streamline the interference practice in the Office. Under these proposed rules, all preliminary matters will be handled by a single individual. This will permit better management over the proceedings than is currently possible. That improved control will result in all interferences normally being resolved within 24 months.

One of the reasons for the lengthy proceedings in the PTO is a jurisdictional problem. By statute, the tribunal responsible for determining patentability is the Board of Appeals. The statutory tribunal responsible for determining who is the first inventor, the Board of Patent Interferences, is not authorized to address questions of patentability of the invention. If a question of patentability arises during an interference proceeding, the proceeding must be suspended pending a determination of patentability by the examiners and the Board of Appeals. This restriction on the jurisdiction of the Board of Interferences unduly complicates the procedures for obtaining patents for applicants involved in interference proceedings.

We propose that the Board of Appeals and the Board of Patent Interferences be combined. This new board, called the Board of Appeals and Interferences, would decide in a timely manner all questions that arise. We believe that this change, together with the proposed rules, will make procedures for patent applicants and patentees involved in interferences simpler, faster, and less costly.

Copies of the proposed bill, "Sectional Analysis", and "Statement of Purpose and Need" are attached to my prepared statement.

Mr. Chairman, this concludes my prepared statement. I will be pleased to respond to any questions that you or the Subcommittee may have.

A BILL

To amend the patent laws of the United States.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress Assembled, That this Act may be cited as the "Patent Law Amendments of 1983."

SEC. 2(a). Title 35, United States Code, is amended by adding the following section 156:

"Section 156. Issuance of patents without examination.

Notwithstanding any other provisions of this title, the Commissioner is authorized to issue a patent on an invention without the examination required by sections 131 and 132 of this title, except as may be required to conduct an interference proceeding, to determine compliance with section 112 of this title, or to review for formalities required for printing, if the applicant--

(1) waives all remedies with respect to the patent and any reissue thereof, arising under sections 183 and 271 through 289 of this title and under any section of any other title of the United States Code, within such time as the Commissioner specifies, and

(2) pays fees established by the Commissioner for the filing and issuance of such a patent, which fees may be less than those specified in section 41 of this title.

The waiver under this section shall take effect upon issuance of the patent. No maintenance fees shall be required with respect to patents issued under this section."

(b). The analysis for chapter 14 of title 35, United States Code, is amended by adding at the end the following: "156. Issuance of patents without examination."

SEC. 3. Section 134 of title 35, United States Code, is amended by deleting the word "primary".

SEC. 4. Section 151 of title 35, United States Code, is amended (1) in the first paragraph, second sentence, to read, "The notice shall specify the issue fee which shall be paid within three months thereafter, or within such shorter time, not less than one month, as

fixed by the Commissioner in such notice."; and (2) by deleting the third paragraph.

SEC. 5. Section 361(d) of title 35, United States Code, is amended by inserting the phrase "or within one month thereafter" immediately after the word "application" in the first sentence.

SEC. 6. Section 366 of title 35, United States Code, is amended (1) by inserting the phrase "after the date of withdrawal," immediately after the word "effect"; (2) by inserting the phrase ", unless a claim for the benefit of a prior filing date under section 365(c) of this part was made in a national application, or an international application designating the United States, filed before the date of such withdrawal" at the end of the first sentence; and (3) by inserting the word "withdrawn" immediately after the word "such" in the second sentence.

SEC. 7(a). Section 371(a) of title 35, United States Code, is amended by deleting "is" and inserting therefor "may be" and by deleting ", except those filed in the Patent Office".

(b) Section 371(b) of title 35, United States Code, is amended to read as follows:

"(b) Subject to subsection (f) of this section, the national stage shall commence with the expiration of the applicable time limit under article 22(1) or (2) of the treaty."

(c) Section 371(c)(2) of title 35, United States Code, is amended by (1) deleting the words "received from" and substituting the words "communicated by" therefor; and (2) by deleting the word "verified" immediately before the word "translation".

(d) Section 371(d) of title 35, United States Code, is amended to read as follows:

"(d) The requirements with respect to the national fee referred to in subsection (c)(1), the translation referred to in subsection (c)(2), and the oath or declaration referred to in subsection (c)(4) of this section shall be complied with by the commencement of the national stage or by such later times as may be fixed by the Commissioner. The copy of the international application referred to in subsection (c)(2) shall be submitted by the commencement of the national stage. Failure to comply with these requirements shall be regarded as abandonment of the application by the parties thereof, unless it be shown to the

satisfaction of the Commissioner that such failure to comply was unavoidable. The payment of a surcharge may be required as a condition for accepting the national fee referred to in subsection (c)(1) or the oath or declaration referred to in subsection (c)(4) of this section if these requirements are not met by the commencement of the national stage. The requirements of subsection (c)(3) of this section shall be complied with by the commencement of the national stage, and failure to do so shall be regarded as a cancellation of the amendments to the claims in the international application made under article 19 of the treaty."

SEC. 8(a). Section 372 of title 35, United States Code, is amended by replacing the period (.) with a semicolon (;) at the end of subsection (b)(2) and inserting the following subsection (b)(3):

"(3) the Commissioner may require a verification of the translation of the international application or any other document pertaining thereto if the application or other document was filed in a language other than English."

(b) Section 372 of title 35, United States Code, is amended by deleting subsection (c).

SEC. 9. Section 376(a) of title 35, United States Code, is amended by (1) deleting paragraph (5); and (2) redesignating paragraph (6) as paragraph (5).

SEC. 10. Title 35, United States Code, is amended by deleting "Patent Office" wherever it appears and inserting in its place "Patent and Trademark Office".

SEC. 11. Notwithstanding section 2 of Public Law 96-517, no fee shall be collected for maintaining a plant patent in force.

SEC. 12(a). Sections 10 and 11 of this Act shall take effect upon enactment.

(b) Sections 1-9 of this Act shall take effect six months after enactment.

SECTIONAL ANALYSIS

Section 1.

This section provides a short title for the Act.

Section 2.

This section provides a new, optional procedure by which an inventor may secure patent protection which is strictly defensive in nature. The law currently provides no simple, practical method by which an inventor may safeguard his or her right to work an invention without obtaining a patent. Without a patent an inventor runs the risk that he or she may be prevented from working the invention or forced to pay damages if another party subsequently acquires a patent. A patent secured under the procedure created by this section would confer upon its holder the same rights that a regular patent provides to prevent another from patenting the same invention. It would not, however, permit its holder to exclude others from making, using, or selling the invention.

An application for patent under this section would not be subjected to the normal examination process. If such an application became involved in an interference proceeding to determine priority, it would be subject to such examination as might be necessary for the interference. Otherwise, the Patent and Trademark Office would only review the application for adherence to formal requirements and make a cursory check to ensure that the requirements of 35 U.S.C. 112 were satisfied. Because there would be no substantive examination, fees charged by the Patent and Trademark Office for such patents would be substantially less than those charged for examined patents. In addition, maintenance fees would not be charged for a patent issued under this section.

An applicant desiring to have a patent issued under this section would be required to execute a waiver of enforcement of the patent. This waiver would be effective at the time the patent issued. Prior to that time, the original application could be replaced with a continuation application which did not include the waiver, thereby providing an applicant with flexibility during the prosecution period. The waiver would also be effective with respect to a reissue application, thereby preventing a patentee from using the reissue as a mechanism to reinstate the waived rights. Although the waived rights could not be reinstated through reissue, the owner of a defensive patent could file a reissue application under 35 U.S.C.

251 for purposes of copying claims to provoke an interference proceeding.

The waiver required by an applicant under this procedure would apply to remedies under sections 183 and 271 through 289 of title 35 and to remedies under all other titles of the United States Code. The remedies under other titles of the United States Code to which the waiver would apply include sections 1337 and 1337a of title 19, section 2356 of title 22, and section 1498 of title 28. This waiver of enforcement would apply only to the unexamined U.S. patent and not to any foreign patent for which it served as the basis for a priority claim. Likewise, the waiver would not prevent the patentee from asserting any defenses provided in sections 271 through 289 with respect to a charge of infringement of any other patent.

Although the required waiver would leave the patentee without the exclusivity normally associated with a patent, a patent issued under this section would be the same in other respects as a regular patent, including serving as the basis for a priority claim in a foreign application.

A patent so issued would be a U.S. patent for all defensive purposes: the application or the patent could become involved in an interference; it would be a "constructive reduction to practice" under 35 U.S.C. 102(g); it would be "prior art" under all applicable subsections of 35 U.S.C. 102; and it would be classified and cross-referenced like any other patent, disseminated to foreign patent offices, stored in the Patent and Trademark Office computer tapes made available in commercial data bases, and announced in the Official Gazette. This patent is intended to be a fully viable patent for defensive purposes, usable as a reference as of its filing date in the same manner as any other patent. It would also serve as a basis to initiate or participate in an interference or priority proceeding under 35 U.S.C. section 291 and could be used in defense of an infringement suit.

This ability to use a patent under this section as a reference for all purposes for which a patent may normally be used is intended to overcome some of the difficulties with the defensive publication program. Although publication under that program was intended to provide certain defensive rights, a publication under that program has been held not to be available as evidence of prior knowledge as of its filing date; it also cannot be considered as a constructive reduction to practice as of that date. Its use as a reference to prevent a patent from issuing on a subsequent application is therefore limited.

It is expected that some new procedures would be devised for handling applications and patents issued under this section. These would include provisions regarding the required waiver, special treatment of the application, appropriate notice to the public of the fact that the patent was not examined and is not enforceable, and review of the application for adherence to formal requirements. Except for such changes as are necessary for proper working of the program, it is expected that Patent and Trademark Office procedures for an application under this section would be the same as those for any other patent application.

Section 3.

This section would permit an appeal from a second rejection of claims by an examiner who is not a primary examiner. This would provide a remedy for an applicant who receives a second rejection from an examiner with partial signatory authority.

Section 4.

This section provides authority for the Commissioner to set a shortened period for payment of an issue fee. It also deletes reference to partial payment, balance of the issue fee, and lapse for failure to pay the balance. Since October 1, 1982, the effective date of the fee provisions of P.L. 97-247, the issue fee has been a fixed amount.

Section 5.

This section provides a one month grace period from the date of filing of an international application for payment of the international, transmittal, and search fees. Rule 96 of the Regulations under the Patent Cooperation Treaty now provides for a schedule of fees in which the amounts are expressed in Swiss francs only. This grace period will enable international applicants to avoid loss of substantive rights since currency fluctuations and periodically changed fee amounts do not afford enough certainty of correctness for an applicant at the time of filing.

Section 6.

This section clarifies the effect of withdrawal of an international application on claims for the benefit of its filing date. The withdrawal of an international application designating the United States will not deprive an applicant of the right to claim the benefit of the filing date of such an international application, provided the

claim is made before the international application is withdrawn. This makes it clear that withdrawing the designation of the United States in an international application is comparable to abandoning a national application as far as a claim for an earlier filing date is concerned.

Section 7.

This section provides greater flexibility for the Patent and Trademark Office in handling international applications. Also, this section, by relaxing the requirements which international applicants must satisfy by the commencement of the national stage, gives international applicants benefits similar to those given national applicants by P.L. 97-247 with respect to the time for filing the national fee and oath or declaration.

Amended subsection (a) will permit the Commissioner to determine under what circumstances copies of the international applications with amendments to the claims and the international search reports need not be forwarded to the Patent and Trademark Office. The recent addition of the European Patent Office (EPO) as an International Searching Authority opens the possibility that an application might be filed in the Patent and Trademark Office but designate the EPO as the searching authority, leaving the Patent and Trademark Office without a copy of the international search report. This amendment will permit the Commissioner to require the submission of items as needed and waive their submission when it would be duplicative, with the flexibility to handle any future administrative or procedural changes.

Amended subsection (b) eliminates the requirement that the applicant must have complied with all the requirements of subsection (c) by the commencement of the national stage. These include payment of the national fee and submission of the oath or declaration and translation of the international application. The requirement that the international application be submitted by commencement of the national stage is retained.

Subsection (c)(2) of section 371 is also amended to remove the requirement that the applicant submit a verified translation into English of an application filed in a language other than English. This amendment will prevent the loss of substantive rights which could result from inadvertent noncompliance with the provision during the time limits presently provided. A corresponding amendment in section 372 gives the Commissioner authority to call for a verification of the translation should this be necessary in a given

case. Insertion of the phrase "communicated by" in place of "received from" is a technical amendment to subsection (c)(2) to conform the language of the statute to that of the treaty.

Amended subsection (d) of section 371 authorizes the Commissioner to set a time later than commencement of the national stage for an international applicant to submit the national fee, the translation, and the oath or declaration. A surcharge is authorized as a condition for accepting a national fee or an oath or declaration not filed by commencement of the national stage. If the fee, oath or declaration, and translation are not submitted within the time limits set by the Commissioner, the application will be abandoned but may be revived under appropriate circumstances. Failure to submit any amendments by commencement of the national stage would result in cancellation of the amendments. Of course, the applicant could submit the same amendments during the national stage.

Section 8.

This section authorizes the Commissioner to require a verification of the translation of an international application or any other document pertaining thereto if the application or other document was filed in a language other than English. This amendment authorizing the Commissioner to require verification in appropriate cases is necessary since subsection (c)(2) of section 371 was amended to remove the requirement that the translation be verified in all cases.

Deletion of section 372(c) discontinues the requirement that an applicant pay a special fee to maintain claims in an international application which were not searched in the international stage by an international searching authority. The present requirement has no parallel in the processing procedure of purely national applications. Moreover, since an international application is handled in the national stage on the same basis as a national application, subject to the requirements of the treaty and Regulations, an international application would still be subject to the imposition of a restriction requirement. Thus, even if an international applicant paid the fee, he might not be able to maintain the claims in question in the same application by virtue of a restriction requirement imposed in the national stage.

Section 9.

This section deletes mention of the special fee in order to conform with the amendment of section 372(c).

Section 10.

This section replaces the term "Patent Office" with "Patent and Trademark Office" to conform with the provisions of Public Law 93-596.

Section 11.

This section ensures that no maintenance fees are charged for plant patents, regardless of when filed. Without this provision, plant patent owners whose applications were filed between the dates of enactment of P.L. 96-517 and P.L. 97-247 would be subject to payment of maintenance fees, while plant patent owners whose applications were filed outside those dates would not be subject to such fees. This provision eliminates that inconsistency.

Section 12.

This section makes sections 1-9 effective six months after enactment. The delay is intended to permit an orderly transition between the old and new procedures. Section 10 is made effective on enactment since this section makes no substantive changes in patent practice and merely reflects provisions which have previously been approved for the Patent and Trademark Office. Section 11 is also made effective on enactment in order to provide the immediate relief intended by that section.

THE SECRETARY OF COMMERCE,
*Washington, D.C., March 11, 1983.*

Hon. GEORGE BUSH,
*President of the Senate,*
*Washington, D.C.*

DEAR MR. PRESIDENT: I respectfully request favorable consideration by the Congress of the enclosed legislative proposal entitled "The Patent Law Amendments of 1983."

Its most significant feature is a new proposal for a defensive patent which will benefit both private industry and government agencies. This proposal establishes a new procedure that inventors can use when they do not wish to obtain exclusive rights, but only seek the freedom to practice their inventions by ensuring that no one else patents them. This new procedure would give them that protection cheaper and faster than they could get it by applying for a traditional patent and would save the Government considerable time and effort as well. The remainder of the bill contains amendments of a more technical nature to strengthen and simplify the patenting process. These amendments are more fully explained in the enclosed attachments.

The Office of Management and Budget has advised that there is no objection to its submission from the standpoint of the Administration's program.

Sincerely,

MALCOLM BALDRIGE,
*Secretary of Commerce.*

Senator MATHIAS. Our next witness is Mr. Donald W. Banner, the president of Intellectual Property Owners, Inc. Mr. Banner, it is a pleasure to welcome you here to this committee this morning.

STATEMENT OF DONALD W. BANNER, PRESIDENT, INTELLECTUAL PROPERTY OWNERS, INC., WASHINGTON, D.C.

Mr. BANNER. Thank you, Mr. Chairman.

Senator MATHIAS. We regret the necessity of laying you under the 5-minute rule, but we have to do it.

Mr. BANNER. Thank you; no problem about the 5-minute rule because much of what I was about to say has already been covered. I will certainly accept your excellent analysis of what a defensive patent is and we can go on from there.

Senator MATHIAS. Your full statement will, of course, be included in the record.

Mr. BANNER. Thank you, Mr. Chairman.

With respect, then, to the two points which I would like to make, I have just a few comments; one will be on defensive patents and one will be on section 4, which you have already discussed.

We think, in general, that the defensive patent is a good idea. We are interested in the exchange that you had with the Commissioner this morning about whether the defensive patent would be available to someone whose application has had an examination; we felt that there was a possible technical problem with the bill. We were not sure what was intended there.

I might also mention that there is one related point that might be given consideration. In the patent law, as you know, a patent speaks as prior art with respect to other later filed patents as of its filing date in the United States.

A question, of course, comes to mind as to whether it is intended here that a patent application filed on a continuing application or on a series of continuing applications would speak as of the filing date of the original patent application. That section of the bill might be given some clarification, which we think would be useful.

With respect to the application of defensive patents in the world of Government-owned patents, as we have pointed out at some length in our testimony, we feel it would be a good idea if almost all, at least of the Government-owned patents, would be of the defensive type.

We also have made a point in our testimony as to whether the Government should own any patents at all, defensive or otherwise, and especially if our suggestion is not followed that all the Government patents should be defensive patents, we would recommend that this subcommittee give some thought to that question of whether or not there should be Government-owned patents.

As you probably know, the section on patents of the domestic policy review conducted a couple of years ago and the Section of Patent, Trademark and Copyright Law of the American Bar Association all have taken the position that the Government should not be in the patent business.

That would, of course, substantially reduce the load on the Patent Office and increase the opportunity for the Patent Office to reduce the pendency time.

This is not to say that there are not important inventions that are made in Federal agencies. There are, but we think that systems could be worked out so that those inventions are conveyed to the

proper people outside the Government so that the private sector could develop those in a proper way.

You are completely familiar with legislation that has already been passed giving special consideration to small business, and the like, and I think those statutory guidelines might be followed.

With respect, sir, to the time for paying the issue fee and the change in the law incorporated in section 4 of the bill, we feel it would be improper and create some real difficulties to switch the present 3-month period to a 1-month period.

As we point out in the testimony here, oftentimes it is a complex question as to whether you want the patent to issue. I was the General Patent Counsel, for instance, of a large, internationally operating corporation for many years. Oftentimes that kind of a decision involves the inventor and it involves his boss with a particular divisional responsibility. It always also involves the patent department; it could involve a lot of people.

That is not to say it would be impossible to change it to 1 month. I am not saying that. I am just saying that it would be, on balance, much better to leave it at the 3-month period. And I am reasonably confident that the patent bar would take that position.

Mr. Chairman, I think that gets very close to my 5-minute period.

Senator MATHIAS. Well, I appreciate your economical use of time.

You have been around here long enough to have observed what is going on in Washington. The administration, for example, is out here trying to balance the budget and pay off the deficit by selling real estate in Prince George's County, and it takes a very proprietary interest in assets that are owned by the Federal Government.

There is no reason to believe that if they think they can squeeze a few dollars out of real estate that the Lord is not going to make again that they are going to want to squeeze a few dollars out of intellectual property rights. It does not have to be confined to real property.

So, what leads you to believe that this concept is going to sail through? And in addition to the OMB, you have got people like Russell Long and Admiral Rickover who feel very strongly about the property rights of the Government, and that these are proprietary rights that belong to the people and every cent should be squeezed out of them; not the ultimate benefit that comes to the economy, but right now we ought to get the money, get the cash, and let the credit go.

Mr. BANNER. I think the time-worn expression is, if the Government paid for it, the Government should own it.

Senator MATHIAS. You have heard that before?

Mr. BANNER. I think I have, yes, sir.

I spent many years, as I said, in a large corporation, and subsequent to my role as commissioner, I have been spending some years in private practice. I want to ask a rhetorical question. In a business sense, if we were spending our own money to create a mountain, if you will, of 28,000 unexpired U.S. patents—28,000 U.S. patents, 2 to 3 percent of all the patent applications filed in the Patent Office—and we have received back, in terms of money or other kinds of value, the miniscule amount we have, would we continue? Does that make sense?

I do not think that makes any sense at all. People who know a lot about this—the Section of Patent, Trademark and Copyright Law of the American Bar Association—by a vast majority agreed it did not make any sense. The Domestic Policy Review Panel on Patent Rights unanimously recommended it did not make any sense; I do not think it makes any sense.

The point of it is that if the Government paid for it, the Government owns it. We should, it seems to me—now I am speaking personally—we should be talking about the invention, not the patent right. The invention is a different thing. The Government, if it pays for an invention, should always have the unfettered right to use that invention without any question.

Senator MATHIAS. Which is really the only purpose of the defensive patent; it preserves your right to use it.

Mr. BANNER. That is exactly what the Government needs. Does it need the right, for example, as under the present law, to exclude somebody from making, using and selling something? Who is the Government going to exclude? I do not think that makes a great deal of sense.

There may be some special circumstances in which it might be advisable for the Government to own a patent. However, we are spending, and have spent, a great deal of money, time, and effort to create a mountain of unused patents. Unless we can show that that policy has reasonable fruits, I think we should reevaluate the policy.

Senator MATHIAS. And let us say that the Navy develops a method for titanium welding, which they would like very much to do. As long as they can use it, you would not hold it back from the commercial market?

Mr. BANNER. No, indeed not. I think the Navy, under that circumstance, should be free to use it without any question, and have it used for Navy purposes, if you will. But sell the invention to some commercial organization; if indeed they wanted to use it, and I would assume they did, sell it to them and get some money for that invention that way. I think that can be done. It is done all the time in the private sector.

Senator MATHIAS. Well, now, suppose there would be a change of heart. Suppose there was an application for a defensive patent and it should be decided, on national security grounds or any other grounds, that this is a technique that ought to be restricted in its use.

Would you at that point feel that there should be a conversion to an exclusive patent, or could there be?

Mr. BANNER. Well, if it has already been, for example, published—if the subject matter had been published in the sense of being made available to the world so everybody knew what this invention was, it would be difficult, of course, to police a stopping of this activity. It is really not a patent question at that time.

With respect to the more generic issue as to whether the Government might retain what we might call march-in rights with respect to inventions it has sold to somebody, for example, I do not see any reason why it could not even have march-in rights. We do it with licensing. I do not see why we could not have it in that circumstance, also.

Senator MATHIAS. Well, does not this whole issue raise the question of exactly what the Government's patent policy ought to be?

Mr. BANNER. Absolutely, sir; exactly correct. I think it has not been one that has been given the proper kind of thoughtful care that it needs, and that is why we are recommending that this is now the time to do it.

Senator MATHIAS. Now, you object to the reduction of time for paying the fee from 90 days to 30 days?

Mr. BANNER. Yes.

Senator MATHIAS. And you were present and heard the Commissioner testify that that was not a crucial part of his plan, but that if you are going to reduce the overall time, you have to start somewhere.

If you do not want to start here, where would you propose that we could make some timesaving steps?

Mr. BANNER. Well, first of all, I was very delighted to hear the Commissioner indicate that that was not the crucial part of the plan because, as I said, we thought that that 18-month pendency could, in fact, be accomplished without that kind of somewhat drastic action.

Now, how would we go about making it come to pass? Well, one of the ways, of course, is what we have in front of us in this defensive patent activity. Let us suppose, just for the purpose of discussion, we had all of the Government agencies obtain patents under circumstances in which the patent would be a defensive patent.

We would very substantially, by 2 or 3 percent, reduce the load on the Patent Office, probably. Another way is to increase the staff in the examining corps, and we are doing that. We are adding more examiners, and as these examiners we are now adding increase their proficiency, their expertise, their experience, that pendency time will become shorter and shorter.

Senator MATHIAS. So, basically, your recommendation is not to do anything differently, just to do it more efficiently and faster?

Mr. BANNER. Well, I would say the defensive patent approach is a very substantial difference. But, in addition, we would do the things we are doing now in a more efficient and business-like way.

Senator MATHIAS. Well, that is very helpful testimony and we appreciate very much your being with us here today.

Mr. BANNER. Thank you very much, Mr. Chairman. We appreciate the opportunity to be heard.

Senator MATHIAS. Thank you very much.

[The prepared statement of Mr. Banner follows:]

STATEMENT OF
DONALD W. BANNER, PRESIDENT
INTELLECTUAL PROPERTY OWNERS, INC.

Summary

* IPO favors giving private sector patent applicants the option of obtaining "defensive" patents.

* Defensive patents for the private sector would yield some cost savings for applicants and the Patent and Trademark Office (PTO). Defensive patents would encourage some applicants to make inventions public that otherwise would be kept secret.

* IPO proposes that the bill be amended to require that all U.S. patents obtained by Federal agencies be defensive patents.

  -- Defensive patents are adequate to establish the right of the government to use inventions made by the government.

  -- It is not cost effective for the government to have a portfolio of 28,000 patents for the purpose of commercializing inventions.

  -- If Federal agencies obtained only defensive patents, both the agencies and the PTO would realize substantial cost savings.

* IPO recommends that the Subcommittee consider prohibiting Federal agencies from obtaining any U.S. patents, even defensive patents, except in a few circumstances.

* IPO opposes the part of section 4 of the bill which would authorize the PTO to shorten the time for paying the patent issue fee from three months to one month.

* * *

Mr. Chairman and members of the Subcommittee:

Thank you for this opportunity to discuss S. 1538. I am appearing here today on behalf of Intellectual Property Owners, Inc. IPO is a nonprofit association whose members own patents, trademarks and copyrights. Our members include large corporations, small businesses, universities, and individuals.

IPO members are responsible for a significant amount of the research conducted in the United States. We believe the incentives provided by the patent system are critically important for encouraging research and commercial development of new technology.

Most of my remarks will be directed to Section 2 of the bill, which would authorize the Patent and Trademark Office to issue so-called "defensive patents". At the end of my statement I will comment on Section 4 of the bill, which would authorize the Patent an Trademark Office to shorten the period for paying the patent issue fee.

**Defensive Patents for the Private Sector**

The bill would allow both private sector patent applicants and Federal agency patent applicants to waive their rights to enforce patents, and obtain instead patents useful only for defensive purposes. I would like to address private sector applicants first. We favor making defensive patents available for private sector applicants.

If the defensive patent option were available, most private sector patent applicants would, of course, still seek normal patent protection. Many private sector companies and inventors who desired to prevent others from obtaining patents on the same subject matter would continue to do what they do today -- publish a description of the invention in a technical journal. It is easier and less expensive to publish in a journal than it is to prepare a patent application and pay the fees for the Patent and Trademark Office to publish it.

But some patent applicants would prefer defensive patenting. For instance, the defensive patent route would preserve the right to participate in interferences and the defensive patent application would constitute a reduction to practice at the date of filing. We believe enough applicants would be interested in defensive patents to make the bill worthwhile.

Defensive patents for private sector patent applicants would yield savings in patent prosecution expenses for applicants and some savings in examining and appeal expenses for the PTO. In addition, the defensive patent option should encourage some applicants to publish their applications for the benefit of the

public when the applicants otherwise might maintain their inventions as trade secrets.

We suggest that the scope of section 2 of the bill may need clarification. It is not clear to us whether an applicant can file a waiver of enforcement remedies and obtain a defensive patent after the PTO has made an examination of the application. Lines 11 and 12 of page 1 of the bill refer to defensive patents as being issued "without the examination required by sections 131 and 132 of this title." For example, can an applicant obtain a defensive patent after the PTO has rejected the claims of the application in view of the prior art?

We also suggest it should be made clear in the statute whether a defensive patent may be obtained on a continuing application filed under 35 USC 120; and if so, whether the defensive patent would be "prior art" as of the date of filing the parent application. If so, a new array of "secret" prior art might be created.

**Defensive Patents for Federal Agencies**

The defensive patent option would be particularly well-suited for government agencies. IPO recommends that S. 1538 be amended to make it mandatory for Federal agencies to obtain defensive patents in those cases where there is a need for agencies to obtain patents.

The United States government owns about 28,000 unexpired United States patents -- about twice as many as does anybody else in the United States. Some 2,000 government-owned applications are being filed every year in the PTO. This is about two percent of all of the patent applications that are filed.

Over 300 patent lawyers and patent agents work for government agencies. Many of those individuals spend their time filing and prosecuting United States patent applications.

Why are all these patents being obtained?

It is said that the government uses U. S. patents to

stimulate commercialization of inventions. But the government's record of being able to license inventions is dismal.

Commissioner Mossinghoff has stated that when he was with NASA only about one percent of NASA-owned patents on inventions made by contractors were commercialized. Estimates have been made that overall no more than 5 to 10 percent of inventions covered by government patents are in use.

The government obtains patents on technologies which, in the opinion of the private sector, do not provide attractive business opportunities. Moreover, the government is not able to market its patents as aggressively as private sector patent holders can. We are not persuaded that it is cost effective for the government to obtain normal patent protection for the purpose of commercializing inventions.

If Federal agencies obtained only defensive patents, the Patent and Trademark Office would be relieved of the burden of examining about two percent of the applications that must be examined today. Moreover, it would save money now spent by the agencies for salaries of patent attorneys who prosecute patent applications filed in the Patent and Trademark Office. And it would give the government all of the patent benefits that the government truly needs.

We propose that section 2 of S. 1538 be amended to require that all U. S. patents obtained by Federal agencies be defensive patents. This could be accomplished by adding the following provision to proposed 35 USC 156 in section 2 of the bill:

"(c) No patent may be issued to a Federal agency unless a waiver of remedies under this section is filed."

**Should Government Obtain Any U.S. Patents?**

Mr. Chairman, especially if our recommendation with respect to defensive patents for Federal agencies is not adopted, we suggest that it would be appropriate for this Subcommittee to determine whether Federal agencies should obtain any U. S.

patents. The cost to the government of preparing and filing patent applications is enormous even if the applications are not going to be examined by the PTO.

Most of the reasons that have been advanced for the government to obtain patents do not withstand analysis. As I have noted, we do not believe the government has been effective in licensing government-owned U. S. patents.

The government has taken the position that it should have U. S. patents so it can get into patent interference proceedings and take away claims from people who otherwise might assert them against the government. But if the government did not own patents it could still defend patent infringement suits on the ground of an earlier date of invention under 35 USC 102(g). Also, the government could publish inventions promptly in a government publication and use the publication as a defense in infringement suits.

It has been said that the government should have U. S. patent applications so the government can in turn file foreign applications. We support the idea of the United States government obtaining foreign patents in appropriate cases. But it is unnecessary to obtain a U. S. patent in order to obtain a foreign patent. The U. S. government can file in foreign patent offices directly, without having to rely on the existence of an earlier filed, corresponding United States application.

In cases where the government needs to get a foreign application on file quickly to avoid being barred from obtaining a foreign patent because the invention is about to be published somewhere, the government can file a patent application in the U. S. Patent and Trademark Office under the Patent Cooperation Treaty, but without designating the United States as one of the countries in which patent protection is to be obtained.

It has been said that the government needs to obtain patents in order to recognize the creativity of government employee inventors and record their contributions to science and

technology. We wonder if this is a sufficient reason for spending taxpayer funds to obtain patents.

Finally, there is the famous statement that if the government paid for it, the government should own it. This simplistic statement has, in no small degree, been responsible for an enormous waste of time and money. The real question is: Why should the government pay out large sums of money each year to obtain the right to exclude people in the U.S. from making, using, or selling something? The only thing the government gets when it obtains a patent is the right to exclude -- nothing more. Who is the government planning to exclude?

We can envision only a few situations where the government seems to have a real need to apply for any patent, even a defensive patent. One may be where the government needs to prevent others from obtaining a patent on the same subject matter but cannot publish the invention because the subject matter is secret. In such cases the government might need to apply for a defensive patent and have the PTO hold the application in secrecy.

Another situation could be where the government owned an invention with promise for commercial success, but needed time to transfer the rights to the private sector. The government could file a patent application in order to preserve patent rights and the private sector could take over prosecution of the application later. There may be other similar situations.

We believe that careful consideration should be given to the idea of limiting the authority of Federal agencies to apply for U. S. patents to a few specific circumstances such as those I have mentioned. The savings in Federal agency salaries could be substantial and might usefully be used to improve the reliability of the PTO's patent examination process, and to reduce PTO fees.

**Time for Paying Issue Fees**

We strongly oppose the part of Section 4 of S. 1538 which authorizes the Commissioner to shorten the time for paying the

patent issue fee from the present three months to a period not less than one month.

The Patent and Trademark Office has promised to reduce the average pendency time of patent applications to 18 months. Surely such an average pendency can be attained without placing unrealistic time constraints on patent applicants.

The decision whether to pay the patent issue fee is often a complex, mixed business and legal matter which requires exercise of judgment. Frequently, several people must be consulted, and they often are in geographically separated locations. The decision cannot be made instantly. Patent applicants cannot anticipate when the PTO is likely to notify them that a particular patent application is ready to issue. Mail delays occur in communications between the PTO and the patent attorneys, and between patent attorneys and their clients.

Before paying the issue fee, an applicant sometimes must reevaluate whether patent or trade secret protection is better; conditions may have changed since the patent application was filed. Frequently the applicant must evaluate the desirability of abandoning the application in favor of a continuing application under 35 USC 120.

Last year Congress raised the patent issue fee from an average of about $150 to $500. Many applicants have to evaluate carefully whether it is worth $500 to them to obtain a patent with the particular claims that have been allowed by the PTO examiner.

We urge most strongly that the issue fee payment time be left at three months, and that paragraph 1 of Section 4 of S. 1538 be deleted.

* * *

Mr. Chairman, this concludes my testimony. I will be pleased to answer any questions.

Senator MATHIAS. Our next witness is Mr. Leonard B. Mackey, the president of the American Patent Law Association. Mr. Mackey, we also regret laying you under the 5-minute rule, but, of course, your full statement will be included in the record.

## STATEMENT OF LEONARD B. MACKEY, PRESIDENT, AMERICAN PATENT LAW ASSOCIATION, ARLINGTON, VA.

Mr. MACKEY. Thank you very much, Senator, for the opportunity to be here.

We as an association support this bill, with the single exception of section 4(1) which we strongly oppose. Section 4(1) relates to the possibility of a shortened time for payment of fee.

Before I discuss that point, let me address myself to the defensive patent for just a moment. We think this proposed defensive patent or defensive publication is an excellent idea and we strongly endorse it.

We have, however, had some input suggesting that calling it a patent may not be the best term for it. It does raise the issue of whether the defensive patent is anything more than a statutory publication. So we advance the suggestion that it might very well be retitled "a statutory publication."

Second, we feel that a defensive statutory publication is an excellent idea. We would like to see the Government encouraged to use it, and therefore we suggest to the committee the possibility of Government use of the defensive patent.

With respect to the proposed shortened statutory period, or at least the possibility of a shortened statutory period for payment of the final fee, the experience of many of our members, and certainly mine personally, is that 30 days can very often be very much too little time.

One can chew up a week each way on mailing, particularly if you have foreign clients. In many instances, where there are foreign clients that have to be communicated with, you have 1 week to the client and 1 week back in the mails. If you are limited to 30 days, only 2 weeks are left for decision and action.

It seems to us that the really important issue is getting good patents and having strong patents issued by the Patent Office, and the mere saving of a month's time, if that precludes full consideration by the prospective patentee—full consideration of what needs to be done to get the patent to which the patentee or inventor is entitled—that additional time should be available.

Accordingly, we think it is just basically unreasonable to provide for a shortened period of time down to the point of 30 days.

In brief, the proposed time period is short. I understand the Commissioner, while having advanced this suggestion in his effort to shorten the time for pendency of cases before the Patent Office, may be a bit flexible in this regard. At least I got that impression from his testimony this morning.

I would like to close, if I may, by urging that I as a member of the patent bar and many, many of our clients are most interested in shortening the pendency of patents before the Patent Office. But the most important thing is that a patent which is issued is a good

patent which will stand up and on which we can base reasonable business decisions.

Accordingly, I do not believe that 18 months is, per se, magic; it is a goal. The important thing is a good patent. Thank you for the opportunity to appear.

Senator MATHIAS. Well, thank you very much. We appreciate your statement and your being here.

Since you speak for a major portion of the patent bar, let me ask you what suggestions you would have to reach what you call the goal of 18 months.

Mr. MACKEY. I think most of the things that can be done are in the process of being done. There has to be far more effective means for bringing to bear the prior art—that which has been done before. And the effort to automate many of the Patent Office operations, I think, will be a big step in that direction. There is a great deal of work to be done and it is not going to be done overnight.

Second, the Patent Office has to be able to obtain and retain top people. I think the Commissioner is working in that direction. As near as I can see, almost all of the steps necessary to get better patents and get them issued promptly are underway.

One point that is in this bill that is before us for discussion today is the possibility of taking the U.S. Government somewhat out of the patent business. I think that is a good move, and accordingly we endorse it and I find many of my colleagues also endorsing it.

Senator MATHIAS. Do you feel, as Mr. Banner has testified, that the defensive patents which would, as you suggest, take the Government out of the business, would in itself be a step that would reduce the workload of the Office, and therefore the time of pendency?

Mr. MACKEY. It would certainly reduce the workload of the Office. Whether it reduces the period of pendency significantly depends a great deal on whether the Office can continue to retain sufficient examiners to deal with the remaining workload.

Senator MATHIAS. Well, what you are implying, or at least what I am reading into your words is that the minute that the workload goes down, the budget cutters are going to say, "You do not have as much work anymore, so we will cut back on the number of personnel slots."

Mr. MACKEY. That I cannot predict, but it is certainly a possibility and it happens in many organizations.

Senator MATHIAS. Let me turn it on you. It is going to be up to you and to members of the bar to make it clearly understood to the Congress and to the public at large what the needs of the Office are. And if it is improper to use that kind of a numerical yardstick, to just simply do it by cold statistics—that if the number of full patent applications drops by 10 percent, you can cut the number of personnel by 10 percent—that is a case that you are going to have to make.

I think it would fall very heavily on the Patent Law Association to be heard as to the correlation between the volume of the workload and the number of people that are necessarily to handle it.

So I will charge you personally and your association with keeping this committee full informed on that.

Mr. MACKEY. Well, we will certainly step up to the challenge.

Senator MATHIAS. Thank you very much for being here.
Mr. MACKEY. Thank you.
[The prepared statement of Mr. Mackey follows:]

## Prepared Statement of Leonard B. Mackey

Mr. Chairman and Members of the Subcommittee:

My name is Leonard B. Mackey, and I am the current President of the American Patent Law Association (APLA). I very much appreciate the opportunity and the privilege of appearing here today to offer you the position of the Association on S. 1538.

The APLA is a national society of more than 4600 lawyers engaged in the practice of patent, trademark, copyright, licensing, and related fields of law relating to commercial and intellectual property rights. APLA membership includes lawyers in private, corporate, and government practice; lawyers associated with universities, small business, and large business; and lawyers active in both the domestic and international transfer of technology areas.

The APLA supports the provisions of S. 1538 with the single exception of Section 4(1) which we strongly oppose.

We offer for the consideration of the Subcommittee two observations on Section 2 of the bill which authorizes the issuance of a patent without examination in certain circumstances.

Firstly, the bill authorizes the issuance of what we would describe as a "defensive" patent or perhaps more accurately as a "defensive publication." This new type of "patent" would be fundamentally different from a regular patent in that it confers no right to exclude others from practicing the invention described. The right to exclude is fundamental to the long established and commonly understood meaning of the word patent. Today, if a product is marked "patented" or "patent pending" the meaning and legal implica-

tions are clear. However, if this new type of "patent" is authorized, confusion, be it intentional or unintentional, might result.

We would urge the Subcommittee to seriously consider more precisely defining this instrument with words such as a "statutory publication". The problem might also at least be mitigated by specifying in proposed Section 156(a)(1) that notice of the waiver provided for shall appear on the face page of the issued "patent".

Secondly, we believe the enactment of Section 2 will have significant potential benefit to Government agencies which currently finance applications for patents on inventions made by Government employees. The Government does not need the right to exclude others from practicing an invention because it does not manufacture products. A primary reason patents are obtained by the Government is to guard against having to pay royalties on inventions first made by an agency employee but subsequently patented by another. The "defensive patents" will solve that problem. However, because the use of this new procedure is wholly voluntary, we question whether agencies will readily change existing practices and utilize it. We urge the Subcommittee to consider whether the bill would be strengthened by specifically empowering an official or office in the Executive Branch to promulgate regulations for the use of the section by Government agencies.

The APLA strongly objects to Section 4(1) of S. 1538 and urges the Committee to reject the proposal therein.

Section 4(1) would amend 35 USC 151 to authorize the Commissioner to reduce from three months to one month the time during which an inventor or an assignee has to pay the patent issue fee after the Office has given notice the

application is allowed. In many cases, for a variety of practical reasons, the current three-month period is too short. To reduce this period to one month is unreasonable.

Furthermore, we perceive no reason, compelling or otherwise, to support adoption of this amendment. The Commissioner has announced that his goal is to reduce the average time patent applications pend to 18 months. We support that goal because we understand it to mean that the Patent Office would provide more prompt service in the future. While it is true that this amendment would reduce patent pendency time, it would also place unwarranted and possibly prejudicial burdens on inventors. For that reason, the adoption of this amendment worsens rather than improves PTO service.

Rather than relating to pendency time, we believe the proposed amendment may be the result of a serious misunderstanding by the Patent Office of the importance of this period of time. Close to the termination of the successful prosecution of a patent application, the examiner issues a notice that the application is allowed and sends it to the attorney for the inventor. Under current practice, the applicant is allowed three months from the day the notice is sent to pay the issue fee. If the issue fee fails to reach the Patent Office within three months of the day the notice of allowance was sent, the application is legally abandoned.

Once the notice of allowance is received, a number of significant decisions relating to the invention must be made. Reaching these decisions involves at the very minimum consultation among the attorney and the inventor, often a foreign client, and corporate management if the inventor is an employee and the application has been assigned. Some of the issues to be resolved are:

- Should the patent issue or should the invention be retained as a trade secret? This is especially relevant if the application as allowed has been considerably narrowed in scope from the original application.
- Should a continuation or divisional application be filed?
- Is an amendment pursuant to 37 CFR 1.312 required? If the application is allowed on the first action by the Office, very frequently, especially if the application is based on a foreign filed application, revisions in the form of a "Rule 312 Amendment" are indicated or the patent will issue in improper form.
- Is a supplemental declaration required by 37 CFR 1.67 necessary? If the claims in the application have been amended, often the inventor must file a declaration stating, in effect, that the changes made are descriptive of his invention.

We submit it is clearly unreasonable to require that several parties review files against an allowed application, consider the legal and practical implications surrounding the case, communicate with each other and perhaps with other parties, reach a decision on how to proceed, prepare papers if required and have them properly executed, and then notify the Patent Office in one month less the time the notice was in the mails before being received. Vacations or work related travel of even a short duration by attorneys or inventors in and of themselves could cause cases to be abandoned. Of course, when the inventor resides in a foreign country, as is the case of 40 percent of all pending applica-

tions, possibility of complying with the proposed amendment becomes even more remote.

It is also possible the notice of allowance may be accompanied by an attachment which specifies that the drawings in the application must be revised. If so, the attorney must retain a bonded draftsman who must go to the Patent Office, inspect the application file, prepare new drawings, submit the drawings to the attorney for review, and then the amended drawings must be filed with the Patent Office. Under current practice, this procedure alone is often difficult to accomplish in three months.

In sum, the time between receiving a notice of allowance and paying the issue fee is a busy and important period of time in the prosecution of every patent application. Every inventor, and his attorney, have the right to have the patent issue in optimal condition as to form and content or not to issue at all. In many cases, three months may not be required and so the issue fee will be paid before the time has run. In many cases, every day of the three-month period is necessary. The proposal to reduce this period from three months to one month is unwise and should be rejected.

Mr. Chairman, this completes our statement. I would be pleased to answer any questions you or members of the Subcommittee have.

Senator MATHIAS. Our final witness this morning is Mr. A. L. Kwitnieski, Director of the Navy Patent Program and Patent Counsel of the Office of Naval Research.

**STATEMENT OF ALFONS F. KWITNIESKI, DIRECTOR, NAVY PATENT PROGRAM, AND PATENT COUNSEL FOR THE NAVY, U.S. DEPARTMENT OF THE NAVY, ACCOMPANIED BY FRANK G. NIEMAN, PRINCIPAL ADVISER TO THE PATENT COUNSEL FOR THE NAVY**

Mr. KWITNIESKI. Thank you, Mr. Chairman, for inviting me to address you briefly today. I plan to utilize the full 5 minutes allotted to me. I am accompanied by Frank Nieman, who is my Principal Adviser at the Office of Naval Research.

The subject is the defensive patent, which looks like, acts like and has the same effect in all respects as the patents we are all familiar with, except that it is unenforceable against any infringers. For those who rarely enforce their patents against infringers, it is like having your appendix removed—no one but a doctor will ever know it unless they see the scar, and since there are no side effects, you will never miss it after you recover from the initial trauma. Let's examine the defensive patent and see what kind of a scar it leaves, how readily apparent it is, what the side effects are, and then discuss what the benefits need to be for the Navy to routinely utilize it.

Senator MATHIAS. Let me interrupt you to ask you how you like the name "defensive patent." When we introduce a bill, we are conscious—and this is not coming out of your time now—but we are conscious that any bill that is introduced can be improved, so you do not have to feel tender on that subject.

Mr. KWITNIESKI. Well, I like defensive patent, Mr. Chairman, much better than statutory publication, which we presently have in the Patent Office and is not working.

The defensive patent should enjoy all the benefits of a patent because it will issue as a patent, be classified and cataloged as a patent, be cited as prior art as a patent, and can be involved in interference proceedings. Since the Navy files many patent applications per year and rarely enforces its patents against infringers, it is a prime candidate to take advantage of its benefits.

Senator MATHIAS. You say "many." How many, just off the cuff?

Mr. KWITNIESKI. Approximately 450 patent applications were filed last year, Mr. Chairman. But, what are the benefits? The first and foremost is that the fees for the filing and issuance of a defensive patent may be less. For this patent, the labor-intensive effort by the highly skilled and highly trained patent examiners will be eliminated. We expect the total filing and issuance fees to be no more than half of the current fees. Thus, from a purely cost point of view, the defensive patent offers a significant annual savings.

The scar that will remain forever is that all remedies for enforcing the patent have been waived. If this is emphasized and prominently displayed, it will be like hanging a scarlet "A" on the patent, and we believe this will nullify many of its advantages. The courts, the patent examiners, and patent practitioners will ignore and forget that the purpose of the defensive patent is to protect a

product line or a weapon system from those who would like to claim it for their own.

We also feel that the prominence or publicity given to the fact that the remedies have been waived will have an adverse impact on the morale of Navy inventors. It will remove much of the incentive for Navy employees to disclose inventions. Fewer reported inventions will result, in less protection for the Navy.

We would like to see the defensive patent printed without the notice of waiver. The fact that the remedies are waived could be maintained in the Patent and Trademark Office files and published separately from the patent.

As I indicated, the Navy files approximately 450 patent applications per year. We anticipate that we will use the defensive patent in approximately 75 percent of the patent applications filed. This would result in a savings of $135,000 per year, and the Navy is but one agency in the Government.

A defensive patent presents additional advantages in the advancement of technology. It will become available to the general public in a shorter period of time than the 18 to 30 months required to issue a patent which undergoes the complete examination and prosecution before the Patent and Trademark Office.

One final point, Mr. Chairman, that is very important to us is the interpretation of the language that the applicant waives all remedies, and I quote, "arising under section 183 and 271 through 289 of this title and under any other provisions of Federal law." The Government's liability by a suit in the Claims Court for patent infringement is based on section 2356 of title 22 and section 1498 of title 28. Additional remedies controlling the importation of goods covered by a U.S. patent are contained in section 1337 of title 19. We understand the wisdom of using the catch-all words of "under any other provisions of Federal law." We want the legislative history on this bill to make reference to these three sections of the law, and thereby eliminate any doubt that the remedies against the Government are intentionally waived by this bill.

The Navy believes that the defensive patent is a positive step forward. We want to use it. We expect that the implementing regulations will provide the necessary cost savings incentive to warrant its use. We believe that the most important factor affecting the sucess of the defensive patent is the recognition and weight given to it by the courts. If the courts give it the full faith and credit that it deserves, then an improvement in the patent system has been achieved. We intend to use the defensive patent for several years and then reassess our position.

The Navy proposes no amendments to S. 1538. However, we do want this subcommittee in the section-by-section analysis in the committee report on this bill to address our concerns on the pitfalls that will influence the use of the defensive patent by governmental agencies. The fees for fillng and issuance of a defensive patent should not be more than half of the filing and issuance fee of a patent that undergoes examination by the Patent and Trademark Office. The waiver of remedies under any other provisions of Federal law includes, but is not limited to, the three previously identified. The public record that the applicant has waived all remedies

with respect to the patent should be maintained separate from the printed patent.

This concludes the summary of my formal statement, Mr. Chairman. I will try to answer any questions you may have.

Senator MATHIAS. Well, thank you very much.

You said that you thought the Navy would utilize the defensive patent for 75 percent of the applications it files. What would be the criterion on which you would make the decision to go for a defensive patent or for a full patent?

Mr. KWITNIESKI. Our statistics show that—and it is included in my formal statement—in about 8 percent of our inventions, title remains in the employee and we merely get a license. So it would be unfair to the employee not to permit him to enforce his patents.

Senator MATHIAS. And that would be included in the 25 percent?

Mr. KWITNIESKI. That is correct. All of these figures would be included in the 25 percent.

Senator MATHIAS. Yes.

Mr. KWITNIESKI. Another 10 percent of our inventions have some commercial application possibilities. These would be able to be utilized in our licensing program in which we non-exclusively or exclusively license people who would want to use the Navy patents and commercialize them.

Senator MATHIAS. Now, let me just clarify that a little bit. Let us take a flak jacket, which would normally be a piece of infantry equipment but could be used on naval vessels, and should be used on naval vessels if my own experience is any measure. It would also be useful for firemen and policemen, and so commercial manufacturers, seeing a market for municipalities buying it for firemen and policemen, would want to pick it up.

Is this the kind of thing that you mean by commercial possibilities?

Mr. KWITNIESKI. No, Mr. Chairman. I mean commercial opportunities to the general public. We do work in the medical field, for instance. In my own organization, the Office of Naval Research, we do a lot of basic research and, in this way, come up with basic inventions as well that could be utilized in many areas.

Some that I could think of offhand would be a rust remover that had come up as a result of some of our work at the Naval Research Laboratory, or a tough new resin that could be used instead of plastics in some materials. In the medical field, we have other instances where we have licensed our patents; for instance, a bone-healing device from which we have actually received royalties from the exclusive licensee. These are the types of inventions that I mean.

Senator MATHIAS. Now, we are up to 18 percent.

Mr. KWITNIESKI. OK, and another 5 to 10 percent are basic-type inventions that do not necessarily have commercial view at the early days, but we can look at them to give us protection should we be sued later on by somebody else's patent. We could show that we have done work in this area, and we can use it as a counterclaim or to leverage and thus pay fewer dollars in liability.

Senator MATHIAS. Well, now, why would not the defensive patent be good for that purpose?

Mr. KWITNIESKI. Because we would have no quid to give for the patent owner's quo.

Senator MATHIAS. In other words, you are looking for a negotiated settlement in that area?

Mr. KWITNIESKI. Exactly, Mr. Chairman, and we have a policy in the Navy that if we are either sued in the Claims Court or an administrative claim of patent infringement is filed against us and we have done work in this area, we will utilize our Navy patents as either counterclaims or setoffs or just to negotiate cross licenses, if we can.

Senator MATHIAS. What about the Government's interest in defense components that may have some security significance?

Mr. KWITNIESKI. This is one area I did not mention, but if we were to get any protection at all for the dollars expended in doing research, be it in our own Navy laboratories or by Navy contractors, in areas that are classified, the only way we could get this protection would be by filing patent applications and the defensive patent would be a good mechanism to use in this regard as well.

We have, I would guess, about 9,000 patents presently that are in existence, and about 1,200 secrecy order cases. So, it is in about 12 percent or more of our total cases that we have classified subject matter for which we still need the protection.

Senator MATHIAS. Well, now, you suggest that the defensive patent would be weakened by the publication of the fact that it lacks enforcement remedies. It would not change the facts any, whether you publish it or whether you do not, but you think the perception itself is a problem.

Mr. KWITNIESKI. I think that is a very important problem, Mr. Chairman. It is the perception that we as patent attorneys give to it, that our clients will take from us, that our own supervisors in Navy will take from us, and that our inventors likewise will take from us.

There are those who would call this a second-class patent, if you will, or something less than a patent that should be given full faith and credit.

Senator MATHIAS. What would you do as an alternative?

Mr. KWITNIESKI. My initial thought would be that if anybody were searching the prior patent art—on either a right to make or an infringement search—and found a patent of interest that they may be infringing, or if they ran across a group of patents of this type, they could call the Patent Office and determine whether or not these patents are defensive patents. But that would add a burden to the Patent Office.

So, what I have suggested in my formal testimony would be the publishing of a list, separate and distinct from the actual copy of the patent. This list would be the list of those patents that are defensive patents that anybody could refer to at any time.

Senator MATHIAS. So the defensive patent on its face would look just like any other patent?

Mr. KWITNIESKI. Exactly, and the perception would be to give it that weight, which I feel is very important.

Senator MATHIAS. Well, we put great store on the Hill these days in truth in packaging. Do you not think that is just a little bit misleading?

Mr. KWITNIESKI. Not at all, because there is a list that is available that you may check.

Senator MATHIAS. If you have a copy.

Mr. KWITNIESKI. Well, it would be given wide distribution, as most of the Patent Office publications presently have.

Senator MATHIAS. Well, as I said before, we are interested in improving the bill and we are open to any amendments, but I think we will have to think about that one a little while.

Mr. KWITNIESKI. That may be something to pick up in the regulations, Mr. Chairman.

Senator MATHIAS. As I understand it, one aspect of that suggestion is that you think it will discourage your Navy inventors. As you say, they are getting a second-class patent, so they must be second-class inventors.

Mr. KWITNIESKI. Exactly.

Senator MATHIAS. Is it not just about as damaging to their morale to know that they are on a second-class list? [Laughter.]

Mr. KWITNIESKI. A very good question. When the patent applications would be filed, the inventor would be advised that we are getting this patent for defensive purposes and he would be apprised of that fact and he would know it.

However, at the time the patent issues and his commanding officer is giving patent awards to those inventors that receive patents that month, he would stand right alongside another inventor who has a nondefensive patent, get the same award, get the same recognition, and feel just as proud.

Senator MATHIAS. What you are describing is a scene I have been through once or twice in which you sit on the platform at a graduation ceremony at some distinguished university and the people that really work for their degrees march up and get them and then those of us who did not are handed one, too. [Laughter.]

Mr. KWITNIESKI. Not at all, Mr. Chairman, because this contribution that this inventor made to get the defensive patent was a very large one, because he may have come up with an invention that is very important militarily and from a national security standpoint, but has no commercial use.

Senator MATHIAS. Well, I take your point, and let us see if we can improve the bill in that respect that will do justice to everyone that is involved.

I mean it that we are anxious to improve it if we can. We take no pride in the present construction of it and I am sure it can be improved, so we will think very carefully about that.

As I announced earlier, we will keep the record open so that if you or other witnesses have further thoughts, we will be glad to have them. Other members of the committee may wish to propound some questions to you.

Thank you very much for being here today.

Mr. KWITNIESKI. Thank you for having me, Mr. Chairman.

Senator MATHIAS. How are we coming on titanium welding, by the way?

Mr. KWITNIESKI. We are working at it.

[The Department of the Navy statement, submitted by Mr. Kwitnieski, follows:]

THE DEPARTMENT OF THE NAVY

STATEMENT ON SECTION 2, S. 1538,

"PATENT LAW AMENDMENTS OF 1983"

BY

ALFONS F. KWITNIESKI

DIRECTOR, NAVY PATENT PROGRAM/
PATENT COUNSEL FOR THE NAVY

Mr. Chairman, I am Alfons F. Kwitnieski. I am with the Office of Naval Research and serve in the capacity of Director, Navy Patent Program/Patent Counsel for the Navy. With me today is Frank G. Nieman, also with the Office of Naval Research, who serves as Principal Adviser to the Patent Counsel for the Navy.

I am pleased to appear this morning before the Subcommittee on Patents, Copyrights and Trademarks, to express the views of the Department of the Navy concerning Section 2 of S. 1538, the Patent Law Amendments of 1983, which relates to a new type of patent called a defensive patent.

This patent looks like, acts like, and has the same effect in all respects as the patents we are all familiar with except that it is unenforceable against any infringers. For those who rarely enforce their patents against infringers, it is like having your appendix removed--no one but a doctor will ever know it unless they see the scar, and since there are no side effects, you will never miss it after you recover from the initial trauma. Let's examine the defensive patent and see what kind of a scar it leaves, how readily apparent it is, what the side effects are, and then discuss what the benefits need to be for the Navy to routinely utilize the defensive patent.

The defensive patent, as proposed in S. 1538 and its counterpart, H.R. 2610, is going to enjoy all of the benefits of a patent

because it will issue as a patent, be classified and catalogued as a patent, be cited as prior art as a patent, and can be involved in interference proceedings. The only difference is that the patent owner must waive the right to enforce the patent against infringers. Since the Navy files many patent applications per year, and rarely enforces its patents against infringers, the Navy is a prime candidate to take advantage of the benefits of a defensive patent.

But, what are the benefits? The first and foremost benefit is that the fees for the filing and issuance of a defensive patent "may be less than those specified in section 41 of this title". For a defensive patent the labor intensive effort by the highly skilled and highly paid Patent Examiners will be eliminated. We expect the total filing and issuance fees for a defensive patent to be no more than half of the current fees. The Navy, if it were to use the defensive patent exclusively, would save $180,000 per year in filing and issuance fees, plus an additional savings for Navy patent advisers' time spent in prosecuting the application before the Patent and Trademark Office. Thus, from a purely cost point of view, the defensive patent is the way to go because it offers a significant annual savings.

The scar that will remain forever is the fact that all remedies for enforcing the patent have been waived. If this fact is emphasized and prominently displayed on the patent, it will be like hanging a scarlet "A" on the patent, and we believe this will nullify many of the advantages of a defensive patent. It will not have the stature of a patent as prior art before the courts, in the eyes of the Patent Examiner and patent attorney, and may effectively eliminate the necessary incentive for a Patent Examiner to declare an interference proceeding. The courts, the Examiners and the patent practitioners will ignore and forget that the purpose of the defensive patent is to protect a product line

or a weapon system from those who would like to claim it for their own.

We also feel that the prominence or publicity given to the publication of the fact that the remedies have been waived will have an adverse impact on the morale of Navy inventors and patent advisers. This adverse impact will remove much of the incentive for Navy employees to disclose inventions. Fewer reported inventions will result in less protection for the Navy.

We would like to see the defensive patent printed without the notice of waiver. The fact that the remedies are waived could be maintained in Patent and Trademark Office files and published separately from the patent.

The Navy files approximately 450 patent applications per year. While we believe that we will use the defensive patent in the majority of these cases, we do not expect to use it for all of our patent applications. In about 8% of the patent applications that we file, the Navy inventor retains title and the Government has a license. It would not be fair to our employee to require him to waive the remedies required for a defensive patent. Another approximately 10% of our inventions have suitable commercial application in addition to a purely military application. For this 10%, we would not waive the remedies because these inventions would be suitable candidates for our licensing program, whose aim is to make the results of federally financed research available to the taxpayer through improved products in the market place. In addition to these two categories, 5 to 10% of our patent applications are for basic inventions which can enjoy a significant position in an emerging field of technology. For these patents we would want broad claims that have undergone the close scrutiny of an examination by the Patent and Trademark Office. This class of patents would be used as a leverage or

counterclaim in a patent infringement suit. Thus, the Navy anticipates that it will use the defensive patent for approximately 75% of the patent applications it files each year. This would reduce the maximum savings of $180,000 per year to $135,000 per year, which is still a significant savings, and the Navy is but one agency in the Government.

So far we have addressed only the Navy's use of the defensive patent. We believe the defensive patent is also a good candidate for Navy contractors to use in protecting inventions made under our research and development contracts. While we cannot direct that contractors make use of the defensive patent, we can influence their decisions by controlling which patent costs we pay for. In those contractor patents in which the Government has a license, we could limit the patent costs that we pay to only those needed for a defensive patent. This would be a further, but unknown, savings of the taxpayers' dollars.

A defensive patent presents additional advantages in the advancement of technology in that it will become available to the general public in a shorter period of time than the 18-30 months required to issue a patent which undergoes the complete examination and prosecution before the Patent and Trademark Office. There is one caveat to this early disclosure. Early publication of a defensive patent could result in the inadvertent disclosure of material detrimental to the national security. However, the Patent and Trademark Office and the Department of Defense are working together to establish a system whereby there is early identification of the approximately 7% of all patent applications that might contain such information. We believe that we will be able to establish adequate procedures that are acceptable to the public to prevent the inadvertent disclosure of information detrimental to the national security through publication by a defensive patent.

We would like to raise one final point which is very important to us and that is the interpretation of the language that the applicant waives all remedies "arising under sections 183 and 271 through 289 of this title and under any other provisions of Federal law". The Government's liability by a suit in the Claims Court for patent infringement is based on section 2356 of Title 22 and section 1498 of Title 28. Additional remedies controlling the importation of goods covered by a U.S. patent are contained in section 1337 of Title 19. We understand the wisdom of using the catch-all words of "under any other provisions of Federal law". We want the legislative history on this bill to make reference to these three sections of the law and thereby eliminate any doubt that remedies against the Government are intentionally waived by this bill.

The Navy believes the defensive patent is a positive step forward. We want to use the defensive patent. We expect that the implementing regulations will provide the necessary cost savings incentive to warrant the use of the defensive patent. We believe that the most important factor affecting the success of the defensive patent is the recognition and weight given to it by the Courts. If the Courts give the defensive patent the full faith and credit that it deserves, then we have achieved an improvement in the patent system. We in the Navy intend to use the defensive patent for several years and then we will reassess our position.

In summary, the Navy proposes no amendments to S. 1538. However, we do want this Subcommittee and the section-by-section analysis in the Committee report on this bill to address our concerns on the pitfalls that will influence the use of the defensive patent by governmental agencies, corporations and the general public. The fees for filing and issuance of a defensive patent should not be more than half of the filing and issuance

fees of a patent that undergoes examination by the Patent and Trademark Office. The waiver of remedies "under any other provisions of Federal law" includes, but is not limited to, those contained in section 1337 of Title 19, section 2356 of Title 22, and section 1498 of Title 28. The public record that the applicant has waived all remedies with respect to the patent and any reissue should be maintained separate from the printed patent.

This concludes my formal statement, Mr. Chairman. Thank you for asking me to appear before your Subcommittee. I will be happy to try to answer any questions.

Senator MATHIAS. The subcommittee will stand in recess, subject to the call of the Chair.

[Whereupon, at 10:53 a.m., the subcommittee was adjourned.]

# APPENDIX

## ADDITIONAL SUBMISSIONS FOR THE RECORD

### Statement on Behalf of the Patent, Trademark and Copyright Law Section of the Bar Association of the District of Columbia on S.1538

The Patent, Trademark and Copyright Law Section of the Bar Association of the District of Columbia is a non-profit membership organization of over 250 attorneys interested in all aspects of intellectual property law, including patents and related anti-trust and unfair competition concepts Section membership is not restricted to any segment of the profession, and its members and their clients thus represent widely divergent interests and views. Section members, who include attorneys in private practice as well as those employed by corporations and those in government, regularly represent patentees and accused infringers and are thus concerned both with enforcement of patents and with challenges to patents. This Statement is made on behalf of the Patent, Trademark and Copyright Law Section.

The Patent, Trademark and Copyright Law Section appreciates having the opportunity to present its views on S.1538. We applaud the Administration's interest in and effort toward improving the patent law of the United States. The patent law is a vital part of the stimulus to economic growth of the country. Many of the provisions of S.1538 are directed to improving this important law. However, we believe that Section 4 of S.1538 is inappropriate because it would not improve the nation's patent system but instead would possibly weaken it. Also, we believe that in its present form Section 2 of S.1538 has great potential for weakening the patent system. By a minor amendment, Section 2 can be made to have its desired effect and can strengthen the patent system.

1. Payment of The Patent Issue Fee Within One Month.

Section 4 of S.1538 proposes to amend Section 151 of Title 35 to make a minor housekeeping change and also to authorize the Commissioner of Patents and Trademarks to require payment of the issue fee for an allowed patent application within one month of allowance. We expect that if given this authority, the Commissioner would likely make such a requirement standard. We believe that, given the realities of the practice of patent law, one month is wholly insufficient for this function.

The decision to pay the issue fee, and so to have the patent issue, is not simply ministerial once the patent application is allowed. Substantive decisions must be made by the attorney and the applicant. The scope of protection of the allowed claims of the patent application must be carefully compared with the commercial form of the invention, which may have changed since the patent application was filed, to determine whether that protection is adequate. If the allowed claims do not cover the commercial form of the invention and viable variations of it, a review must be made to determine whether broader protection might be available in view of the prior art which was uncovered during the prosecution of the patent application. A decision that better protection may be available could result in a decision not to pay the issue fee, but instead to file a continuing application in order to seek that broader protection. Such broader protection is clearly appropriate and helps stimulate innovation. Alternatively, the review may show that further improvements have been made which call for the filing of another application even if the allowed application is permitted to issue. However, that new application must be prepared and filed before the allowed application is issued as a patent in order to be pending at the same time and so obtain the benefit of the allowed application's filing date as to common subject matter. On the other hand, in certain circumstances a decision that better

protection is not available could result in a decision not to pay the issue fee, but instead to permit the allowed application to become abandoned and to protect the invention as a trade secret. Again, the protection thus obtained helps stimulate innovation.

Review of the application and the technology may show that an amendment is required to the application even though it has been allowed. This is particularly likely for the applications allowed on the first action by the Examiner. Many applications from foreign applicants require such amendments due to not being in idiomatic English or not being in altogether correct form under United States patent practice.

In numerous situations, for example a large corporation having decentralized research and development activities and a centralized patent staff, such review and decision making cannot be completed in one month. As another example, an applicant may deal directly with an attorney in general practice who forwards correspondence from the patent attorney to the applicant and instructions from the applicant to the patent attorney, perhaps adding his own comments and suggestions. Similarly, foreign patent applicants are often represented by a United States patent attorney who corresponds with the applicant through a patent agent or attorney in the applicant's home country. Such corresponding attorneys add at least one layer to the correspondence that is required, again making it impossible to complete the necessary review and make the required decision in only one month. The attorney to whom the Notice of Allowance is sent by the Patent and Trademark Office, initiating the proposed one-month period, may be out of his office on business for several days, delaying the forwarding of the Notice to those who must participate in the review. Postal delays within the United States, as well as between the United States and some foreign countries, make obtaining even a ministerial decision difficult. During holiday periods mail may be particularly slow. Furthermore, during

holiday or vacation times such as late December and mid-summer, people who must participate in the review and decision making may not be available for extended periods.

Certain other activities often must take place during the period provided for payment of the issue fee. These include having made any drawing corrections which may have been approved during the examination of the application, obtaining and recording any assignment of the application to assure issuance of the patent to the assignee and obtaining and filing a small entity declaration. Obtaining approval for and completing these acts can be time consuming, requiring more than one month.

A practical effect which a one month period would bring about would be to make the attorney representing the small, moderately financed applicant into a banker on behalf of such applicant, at the attorney's risk and, all too often, loss. Small applicants, with limited funds, must be particularly concerned about whether the patent protection to be obtained by payment of the issue fee is economically justified. Some applicants may be asked to submit the money for such fee, or any other fee, in advance of the fee being paid by the attorney. If the fee must be paid within one month, the attorney is going to be faced with the decision of whether to pay the fee or whether to permit the allowed application to be abandoned before the attorney can receive authorization from the small applicant or payment from the applicant. The attorney may conclude that ethically the attorney must pay the fee in the absence of contrary instructions from the applicant. If the applicant then decides that he or she does not want to expend his or her limited funds on the issue fee, or if the applicant does not reimburse the attorney, the attorney will bear the loss, which when multiplied by the number of applicants represented by an attorney, can clearly be significant.

The Commissioner of Patents and Trademarks has committed the Patent and Trademark Office to reducing the average time

between filing of a patent application and issuance of a patent to eighteen months. We commend this goal. However, its achievement must not be accomplished, even in part, by gaining a critical two months in this manner. Requiring payment of the issue fee within one month might bring the Patent and Trademark Office two months closer to its goal of eighteen month average pendancy time by 1987, but it would significantly weaken the patent system.

For all the above reasons, we urge that the Commissioner not be given authority to require payment of the issue fee within less than the statutorily stated three months. To this end, we urge that Section 4 of S.1538 be amended by changing the first comma on page 3, line 2 to a period and by deleting the remainder of that line 2, all of line 3, and everything through the period in line 4 of page 3.

2. Defensive "Patents"

Section 2 of S.1538 proposes to add to the patent statute provisions under which, on request of an applicant, the Patent and Trademark Office would be authorized to issue a patent without examination as to the merits of the invention, provided the applicant waives all rights to enforcement of the patent against infringers. The original idea of such unenforceable patents is understood to have been with reference to inventions owned by the United States Government, since the Government seldom seeks to enforce its patents. The idea has since been expanded to permit any applicant to obtain such a patent. Such expansion to cover all applicants is appropriate since any applicant may have a reason for desiring a patent as available under present law, even though the applicant has no interest in preventing infringement of the patent or otherwise keeping third parties from practicing the invention. Such patents are often sought for defensive purposes--to assure that some later inventor of the same invention does not obtain a patent which would prevent the first inventor from

practicing the invention. In this respect, the first inventor uses the patent as a publication to prevent the later inventor from obtaining a patent. Such use of present day patents is often referred to as a defensive use. Thus, the proposal for unenforceable patents has come to be known as a proposal for "defensive patents."

Section 2 of S.1538 seeks to implement this proposal. We feel that the proposal for issuance of a defensive document is good and should be enacted. However, as presently worded, S.1538 refers to these documents as "patents" and it is possible that the Patent and Trademark Office will designate them as "Defensive Patents" should Section 2 of S.1538 be enacted in its present wording.

We are concerned that designating these documents as "patents" weakens the United States patent system. Such defensive patents would not be based on Article I, Section 8 of the Constitution, since they would not secure to their inventors the exclusive right to their respective discoveries or inventions, even for a limited time. If a class of patents that are not examined as to the merits of the invention is created, all patents are likely to be less respected. Courts before which enforceable patents, issued from thoroughly examined applications, are brought for enforcement may become confused as to the weight to be given to the issuance of the patent by the Patent and Trademark Office. Foreign governments and their patent offices are likely to fail to distinguish between enforceable patents and defensive patents and so will lose respect for the entire United States patent system. Furthermore, we believe that a serious question exists as to whether such a document would meet the definition of a "patent" which has been proposed for incorporation into The International Union for the Protection of Industrial Property (popularly known as the Paris Convention) and that labeling these documents as any type of patent would create questions and

confusion with regard to the right of priority given patent applications under The Paris Convention.

In sum, we fear that labeling these worthwhile documents as any type of "patent" will have a negative effect on the United States patent system.

This potential problem can be avoided by substituting another designation for "patent," and for this purpose we suggest "certificate".

To achieve this, we suggest that Section 2 of S.1538 be amended as follows:

a) Page 1, line 8, page 2, line 15, and page 2, between lines 19 and 20, change "patents" to "certificates".

b) Page 1, line 10 and page 2, lines 12, and 14, change "patent" to "certificate".

c) Page 2, line 5, change "patent and any reissue thereof, arising" to "invention which otherwise might arise".

Summary

In summary, we believe most of the objectives of S.1538 are commendable. However, we urge that the Commissioner not be given the authority to require payment of the issue fee within one month. We further urge that applications issued without examination as to the merits of the invention be designated "publications" or "defensive publications" and not any form of patent.

Thank you for the opportunity to present our views.

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July 21, 1983

The Honorable Charles McC. Mathias
Senate Judiciary Committee
Chairman, Subcommittee on Patents,
Copyrights and Trademarks
United States Senate
Washington, D.C. 20510

Re: S.1538, The Patent Law Amendments
of 1983 - Opposition to Section 4

Dear Senator Mathias:

Birch, Stewart, Kolasch and Birch is a medium-size law firm (12 professionals) specializing in the practice of Patent, Trademark and Copyright law. Our clients are from a broad spectrum including both foreign and domestic corporations of all sizes and private inventors. Therefore, we believe that the potential effects of the proposed amendments to the Patent Laws in Section 4 of S. 1538 on our firm are representative and typical of the potential effects on the other United States patent law firms.

It is the unanimous opinion of all members of our firm that the proposed shortening of the period for payment of a patent issue fee from three (3) months to one (1) month, or any period less than three (3) months, would inflict a serious hardship on our firm and be detrimental to the quality of the U.S. Patent System.

Before turning to the specific reasons for our opposition to Section 4 I would like to emphasize that any shortening of the present three month period would be injurious to the U.S. Patent System, the full period being needed in most instances to make financial, administrative and legal decisions.

Furthermore, although the Commissioner has testified that flexible rulemaking can be implemented, such as extensions of time, to minimize some of the potential administrative problems which I will list below, I respectfully submit that we have been subjected to enough rule changes in the past two years. They are becoming a financial and administrative burden to all parties. In addition, any implementation of rules permitting extensions of time, which now must be paid for by statute, adds an additional financial burden on applicants on top of the recent fee increases of 1982. In short, U.S. Patent Lawyers, inventors and corporations should not be subjected to these additional burdens. This is especially true because there is no justification for the Commissioner's proposal other than to come closer to an eighteen (18) month pendency goal for U.S. Patents. It seems that this goal could be reached just as easily by changing the definition of pendency to the time between filing an application and mailing

a Notice of Allowance in patent applications. Of course this would be ridiculous but it would be similar in motive and effect to the proposals of Section 4.

The following are our primary reasons for opposition to the proposed changes of Section 4:

I. Financial Burden to U.S. Law Firms

With a one-month due date for the payment of Issue Fees, it would be impossible to bill a client for payment of the fee following receipt of a Notice of Allowance, and obtain payment from the client by the due date for the fee. Accordingly, all law firms would have the burden of advancing Issue Fees for clients which could bankrupt some small firms and significantly increase the debt of others.

This could also be a financial burden on some small businesses because they may not have sufficient time within a one-month period to make a determination as to whether or not the fee should even be paid. In some cases, the scope of coverage obtained during patent prosecution may not be sufficient to pay the cost of the final fee. Decisions of this nature are difficult to make, and almost impossible to make within a one-month period.

II. Drawing Corrections

A one-month period of time to make drawing corrections is totally inadequate, and especially in view of the fact that the Patent and Trademark Office has abolished their own drafting branch. That is, drawing corrections for the most part are made only by bonded draftsman, and the bonded draftsman are having trouble making the corrections even within the present three-month period. Certainly, this situation would become even worse, and result in the abandonment of many patent applications.

I might add that under the present procedure, failure to make drawing corrections by the time of payment of the Issue Fee is fatal, and no extensions of time are available for making these corrections. Therefore, with these rigid rules, there is no way that the system can successfully operate with only a one-month period being available to make drawing corrections.

Furthermore, it is quite possible that the PTO could lose or misplace drawings (this is often done), making it impossible for the applicant to correct the drawings within the required time. This would require the preparation of new drawings by a draftsman, which would take even more time than the normal corrections.

Accordingly, the drawing correction system is not working well even within the present three-month period, and to shorten the period to one month would result in a disaster for all concerned.

Furthermore, a new rule permitting extensions of time for drawing corrections would be unacceptable because of the increased financial burden on applicants to pay extension fees.

III. Trade Secrets

Patent applications are maintained secret during their pendency, and it is the common practice and right of corporations and inventors to wait and see the scope of protection that they will obtain before deciding to let the patent issue and become a publication. That is, inventors or corporations have the right to determine if they want to preserve their inventions as trade secrets if the scope of coverage that they obtain would not appear to be as valuable commercially as the retention of the trade secret. Decisions of this nature can only be made after the Notice of Allowance is received by the inventor or assignee, and these decisions are very time-consuming and difficult to make. In corporations, these decisions usually require the approval of upper management levels, and because of their busy schedules and traveling, it is almost impossible for them to make decisions of this nature within a one-month period. Accordingly, to shorten the present three-month period to a one-month period would seriously jeopardize applicant's rights to make an election between patent or trade secret protection.

IV. Decisions To File Continuing Applications

It is customary during the prosecution of a patent application to defer the decision of whether to file a continuation or divisional application until the parent application is allowed. Therefore, the present three-month period between the Notice of Allowance and the payment of the Issue Fee is utilized to make decisions of this nature. In addition, at the time of allowance, it is common practice for attorneys to review the content of the application with respect to best mode requirements or any other relevant factors and determine if a continuation-in-part application may be needed or any other related continuing applications, as discussed above. A one-month period simply is not long enough to provide this review, and therefore, would result in the loss of many of applicant's rights. In fact, the full three-month period is generally needed for this review.

V. Amendments Under 37 C.F.R. 1.312

At the time of receipt of the Notice of Allowance, it is normal practice for a U.S. patent attorney to thoroughly review the application specification, claims and drawings to see if any amendments are necessary before the application issues. In many instances the Notice of Allowance is the first Office Action received in the case, and there have

not been any previous opportunitites to make these amendments. It is difficult enough to make this review and prepare and file these amendments within a non-extendable three-month period, and it would be essentially impossible to perform these tasks within a non-extendable one-month period. Accordingly, many patents would issue replete with errors which would be detrimental to both the applicants and the public at large.

VI. Supplemental Declarations Required By Rule 37 C.F.R. 1.67

Rule 67 requires that an application having a substantial number of amendments to the claims or which present amendments to the claims not embraced by the original statement of the invention in the application, have a supplemental declaration filed by the inventor stating, in effect, that the changes or amendments to the application and claims were, in fact, part of his original invention. It is impractical to file this supplemental declaration until the Notice of Allowance is received because there may be many amendments made during prosecution, and it would be impractical to file a supplemental declaration with every amendment. Accordingly, the three-month period following the Notice of Allowance is the period in which this Declaration must be executed and filed in the Patent Office. There simply is not enough time within a one-month period to locate the inventor, obtain his execution, have him return the declaration to an attorney's office, and file the same with the Patent office within the period.

VII. Aside from the technical reasons for opposing Section 4 special to patent practitioners, a one-month period for reviewing and decision making on matters of importance would be difficult to complete for any type of business entity. Mailing time would eat-up at least half of the decision making time. Vacation time, especially during August and December, could consume the remaining time. The result would be a large number of abandoned patent applications in September and January without question and many other unnecessary abandonments in the other months.

The above are the primary reasons that we oppose the proposed change. We consider the above to be the most compelling reasons; but I am sure that there are many other problems which will surface if Section 4 becomes law.

Please let me know if I can be of any further assistance in explaining our firm's position.

Sincerely yours,

BIRCH, STEWART, KOLASCH & BIRCH

By Anthony L. Birch
Anthony L. Birch

American Chemical Society

OFFICE OF THE
PRESIDENT

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*Immediate Past President, 1984*

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August 12, 1983

The Honorable Charles McC. Mathias
Chairman
Subcommittee on Patents, Copyrights
& Trademarks
Committee on The Judiciary
United States Senate
Washington, D.C. 20510

Dear Senator McC. Mathias:

The American Chemical Society favors efforts to improve the U.S. patent laws by appropriate and prudent amendments. In S.1538, "Patent Law Amendments of 1983," Sections 5-9 are proposals that eliminate or reduce obstacles to the implementation of the Patent Cooperation Treaty. The ACS supports these provisions since they enable the new patent system to be more useful for the public good. However, Sections 2-4 of the bill are of concern to the Society and are discussed below.

Issuance of Patents Without Examination

Section 2 would amend Chapter 14 of 35 U.S.C. by adding a provision for the issuance of patents without examination. The stated objectives of the section--a cheaper, faster form of protection for inventors and the saving of time and expense for the government--are desirable. The realities, however, may be otherwise. The basic philosophy of the patent system contemplates the full disclosure of advances in science to the public in return for a limited monopoly. Section 2 of S.1538 would establish a category of patents, indistinguishable from traditional patents except for their use as a purely defensive measure, without the safeguards provided by fulfillment of the standards of patentability required for other patents. There is a serious question as to whether the proposed provision is consistent with Article 1, Section 8, Clause 8 of the Constitution. This Clause empowers Congress "to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries."

The most distinguishing characteristic of the patents proposed under Section 2 is that they would not secure exclusive rights for anyone, because they would require a waiver of the right of exclusivity as a condition for obtaining the patent. Congress, therefore, would not be complying with a necessary condition required by the enabling Clause, i.e., the securing of exclusive rights for inventors.

Apart from the Constitutional issue, there are other cogent reasons for not supporting the adoption of this provision. If no more than defensive protection is being sought, this could be achieved through the already existing defensive publication procedure. This procedure gives an inventor the right to contest priority of inventions with a contemporaneous or subsequent applicant. The present procedure, therefore, grants an inventor the same degree of protection as would be afforded by the proposed legislation.

The new defensive patent would be available as prior art as of its filing date, rather than as of the date of its publication. The principal effect of this provision would not be felt by the holder of the unexamined patent, but by other inventors. Since this type of patent would not be required to meet the requisite standards of patentability, such as novelty, unobviousness and utility, the ACS has serious reservations as to whether an application should be accorded the status of prior art with respect to other pending applications, particularly when it was, in fact, unavailable to the public between the time of filing and publication.

The ability to obtain a patent without complying with current patentability requirements would tend to clutter the scientific literature. These disclosures, in many instances, would not be able to meet either the test of peer review required for publication in scientific journals or the test of patentability required for a traditional patent. The likely result would be a proliferation of patents that would increase, rather than decrease, the operating costs of the Patent Office, and would add nothing of value to the inventor that is not already available.

The ACS is not opposed to providing defensive protection to inventors at minimal cost. However, the Society does believe that there are better means for accomplishing the same result without distorting the patent system by the issuance of non-examined patents.

Primary Examiners

Section 3 of the bill would amend Section 134 of 35 U.S.C. to read as follows: "An applicant for a patent, any of whose claims has been twice rejected, may appeal from the decision of the examiner to the Board of Appeals, having once paid the fee for such appeal."

Under the rules of practice presently in effect, a second (or any subsequent) rejection of any claim by an examiner may be made final by the examiner, in which case the only recourse for the applicant is to appeal to the Board of Appeals. In addition, an applicant whose claim has been rejected twice, even though the examiner has not characterized the rejection as final, may appeal to the Board of Appeals. The American Chemical Society is concerned that the proposed omission of the word "primary" which precedes the word "examiner" in the current text of Section 134 might lead to a less careful issuance of a final rejection. A primary examiner may be expected to bring a higher degree of expertise to bear on both the merit and subject matter of the pending application than an examiner of less signatory authority. A final rejection puts a considerable burden on the applicant in terms of either pursuing an appeal or drafting a new application. It is therefore of paramount importance that a primary examiner sign such a rejection to indicate that a full review of the application on its merits has been made. Accordingly, the ACS proposes to add the following sentence to Section 134: "A final rejection shall be reviewed and signed by a primary examiner."

Issue Fees

Section 4 of the bill, amending Section 151 of Title 35, U.S.C., would provide the Commissioner with authority to set a period as short as one month after the notice of allowance for the payment of an issue fee. Normally, the Society would be sympathetic to efforts directed toward reducing the time to issue patents. In this instance, however, the American Chemical Society opposes such a change.

The current three month statutory period allows the inventor's patent counsel adequate time to assess: (1) the coverage of allowed claims with the inventor and management personnel; and, (2) the necessity of refiling or filing divisional applications if important new technology is brought to the attention of counsel or if technical errors are present that would possibly affect the validity of the patent. Adequate time also is allowed under the current three month statutory period for delays in completing the foregoing evaluations in the face of vacation time, business travel, and other commitments on the part of counsel, inventor(s), and management. Reduction of the time period would subject both inventors and counsel to unnecessary pressure without adequate countervailing advantage.

The preceding comments address the obvious problems that would be posed by the enactment of S.1538. The Society hopes these comments, which have been approved by the ACS Board of Directors, will assist the Subcommittee in its deliberations on the bill.

Sincerely yours,

Fred Basolo

Fred Basolo

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