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SENATE

{ REPORT
105-42

THE OMNIBUS PATENT ACT OF 1997

JULY 1, 1997.—Ordered to be printed

Filed under authority of the order of the Senate of June 27, 1997

Mr. HATCH, from the Committee on the Judiciary,
submitted the following

REPORT

together with

ADDITIONAL VIEWS

[To accompany S. 507]

The Committee on the Judiciary, to which was referred the bill (S. 507) to establish the United States Patent and Trademark Organization as a Government corporation, to amend the provisions of title 35, United States Code, relating to procedures for patent applications, commercial use of patents, reexamination reform, and for other purposes, having considered the same, reports favorably thereon, with an amendment in the nature of a substitute, and recommends that the bill as amended do pass.

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The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the “Omnibus Patent Act of 1997”.

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TITLE I—UNITED STATES PATENT AND TRADEMARK ORGANIZATION

SEC. 101. SHORT TITLE.

This title may be cited as the “United States Patent and Trademark Organization Act of 1997”.

Subtitle A—Establishment of the United States Patent and Trademark Organization

SEC. 111. ESTABLISHMENT OF THE UNITED STATES PATENT AND TRADEMARK ORGANIZATION AS A GOVERNMENT CORPORATION.

(a) **ESTABLISHMENT.**—The United States Patent and Trademark Organization is established as a wholly owned Government corporation subject to chapter 91 of title 31, separate from any department, and shall be an agency of the United States under the policy direction of the Secretary of Commerce.

(b) **OFFICES.**—The United States Patent and Trademark Organization shall maintain its principal office in the District of Columbia, or the metropolitan area thereof, for the service of process and papers and for the purpose of carrying out its powers, duties, and obligations under this title. The United States Patent and Trademark Organization shall be deemed, for purposes of venue in civil actions, to be a resident of the district in which its principal office is located except where jurisdiction is otherwise provided by law. The United States Patent and Trademark Organization may establish satellite offices in such places within the United States as it considers necessary and appropriate in the conduct of its business.

(c) **REFERENCE.**—For purposes of this title, a reference to the “Organization” shall be a reference to the United States Patent and Trademark Organization, unless the context provides otherwise.

SEC. 112. POWERS AND DUTIES.

(a) **IN GENERAL.**—The United States Patent and Trademark Organization, under the policy direction of the Secretary of Commerce, shall be responsible for—

- (1) the granting and issuing of patents and the registration of trademarks;
- (2) conducting studies, programs, or exchanges of items or services regarding domestic and international patent and trademark law, the administration of the Organization, or any other function vested in the Organization by law, including programs to recognize, identify, assess, and forecast the technology of patented inventions and their utility to industry;
- (3)(A) authorizing or conducting studies and programs cooperatively with foreign patent and trademark offices and international organizations, in connection with the granting and issuing of patents and the registration of trademarks; and
 - (B) with the concurrence of the Secretary of State, authorizing the transfer of not to exceed \$100,000 in any year to the Department of State for the purpose of making special payments to international intergovernmental organizations for studies and programs for advancing international cooperation concerning patents, trademarks, and related matters; and
- (4) disseminating to the public information with respect to patents and trademarks.

(b) **SPECIAL PAYMENTS.**—The special payments under subsection (a)(3)(B) may be in addition to any other payments or contributions to international organizations and shall not be subject to any limitations imposed by law on the amounts of such other payments or contributions by the United States Government.

(c) **SPECIFIC POWERS.**—The Organization—

- (1) shall have perpetual succession;
- (2) shall adopt and use a corporate seal, which shall be judicially noticed and with which letters patent, certificates of trademark registrations, and papers issued by the Organization shall be authenticated;
- (3) may sue and be sued in its corporate name and be represented by its own attorneys in all judicial and administrative proceedings, subject to the provisions of section 116;
- (4) may indemnify the Director of the United States Patent and Trademark Organization, the Commissioner of Patents, the Commissioner of Trademarks, and other officers, attorneys, agents, and employees (including members of the Management Advisory Boards of the Patent Office and the Trademark Office)

of the Organization for liabilities and expenses incurred within the scope of their employment;

(5) may adopt, amend, and repeal bylaws, rules, regulations, and determinations, which—

(A) shall govern the manner in which its business will be conducted and the powers granted to it by law will be exercised; and

(B) shall be made after notice and opportunity for full participation by interested public and private parties;

(6)(A) may acquire, construct, purchase, lease, hold, manage, operate, improve, alter, and renovate any real, personal, or mixed property, or any interest therein, as it considers necessary to carry out its functions; and

(B) sell, lease, grant, and dispose of such property as it considers necessary to effectuate the purposes of this Act;

(7)(A) may make such purchases, contracts for the construction, maintenance, or management and operation of facilities, and contracts for supplies or services, without regard to the provisions of the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 471 et seq.), the Public Buildings Act (40 U.S.C. 601 et seq.), and the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. 11301 et seq.); and

(B) may enter into and perform such purchases and contracts for printing services, including the process of composition, platemaking, presswork, silk screen processes, binding, microform, and the products of such processes, as it considers necessary to carry out the functions of the Organization, without regard to sections 501 through 517 and 1101 through 1123 of title 44, United States Code;

(8) may use, with their consent, services, equipment, personnel, and facilities of other departments, agencies, and instrumentalities of the Federal Government, on a reimbursable basis, and cooperate with such other departments, agencies, and instrumentalities in the establishment and use of services, equipment, and facilities of the Organization;

(9) may obtain from the Administrator of General Services such services as the Administrator is authorized to provide to other agencies of the United States, on the same basis as those services are provided to other agencies of the United States;

(10) may use, with the consent of the United States and the agency, government, or international organization concerned, the services, records, facilities, or personnel of any State or local government agency or instrumentality or foreign government or international organization to perform functions on its behalf;

(11) may determine the character of, and the necessity for, its obligations and expenditures and the manner in which they shall be incurred, allowed, and paid, subject to the provisions of title 35, United States Code and the Act of July 5, 1946 (commonly referred to as the Trademark Act of 1946);

(12) may retain and use all of its revenues and receipts, including revenues from the sale, lease, or disposal of any real, personal, or mixed property, or any interest therein, of the Organization, including for research and development and capital investment, subject to the provisions of section 10101 of the Omnibus Budget Reconciliation Act of 1990 (35 U.S.C. 41 note);

(13) shall have the priority of the United States with respect to the payment of debts from bankrupt, insolvent, and decedents' estates;

(14) may accept monetary gifts or donations of services, or of real, personal, intellectual, or mixed property, in order to enhance libraries and museums operated by the Organization, support the educational programs of the Organization, or otherwise carry out the functions of the Organization;

(15) may execute, in accordance with its bylaws, rules, and regulations, all instruments necessary and appropriate in the exercise of any of its powers; and

(16) may provide for liability insurance and insurance against any loss in connection with its property, other assets, or operations either by contract or by self-insurance.

(d) RESTRICTIONS ON GIFTS.—Any acceptance of a gift or donation under subsection (c)(14) shall be subject to section 201 of title 18, United States Code. The Director shall establish regulations for the acceptance of such gifts and donations including regulations prohibiting gifts or donations to the Organization by foreign countries.

(e) RULE OF CONSTRUCTION.—Nothing in this section shall be construed to nullify, void, cancel, or interrupt any pending request-for-proposal let or contract issued by the General Services Administration for the specific purpose of relocating or leasing space to the United States Patent and Trademark Organization.

SEC. 113. ORGANIZATION AND MANAGEMENT.

(a) OFFICES.—The United States Patent and Trademark Organization shall consist of—

- (1) the Office of the Director;
- (2) the United States Patent Office; and
- (3) the United States Trademark Office.

(b) Director.—

(1) IN GENERAL.—The management of the United States Patent and Trademark Organization shall be vested in a Director of the United States Patent and Trademark Organization (hereafter in this title referred to as the “Director”, unless the context provides otherwise), who shall be a citizen of the United States and who shall be appointed by the President, by and with the advice and consent of the Senate. The Director shall be a person who, by reason of professional background and experience in patent or trademark law, is especially qualified to manage the Organization.

(2) DUTIES.—(A) The Director shall—

- (i) be responsible for the Management and direction of the Organization and shall perform this duty in a fair, impartial, and equitable manner; and
- (ii) strive to meet the goals set forth in the performance agreement described under paragraph (4).

(B) The Director shall advise the President, through and under the policy direction of the Secretary of Commerce, of all activities of the Organization undertaken in response to obligations of the United States under treaties and executive agreements, or which relate to cooperative programs with those authorities of foreign governments that are responsible for granting patents or registering trademarks. The Director shall also recommend to the President, through and under the policy direction of the Secretary of Commerce, changes in law or policy which may improve the ability of United States citizens to secure and enforce patent and trademark rights in the United States or in foreign countries.

(C)(i) At the direction of the President, the Director may represent the United States in international negotiations on matters of patents or trademarks, or may designate an officer or officers of the Organization to participate in such negotiations.

(ii) Nothing in this subparagraph shall be construed to alter any statutory responsibility of the Secretary of State or the United States Trade Representative.

(D) The Director, in consultation with the Director of the Office of Personnel Management, shall maintain a program for identifying national security positions and providing for appropriate security clearances.

(E) The Director may perform such personnel, procurement, and other functions, with respect to the United States Patent Office and the United States Trademark Office, where a centralized administration of such functions would improve the efficiency of the Offices, by continuous unanimous agreement of the Director, the Commissioner of Patents, and the Commissioner of Trademarks. The agreement shall be in writing and shall indicate the allocation of costs among the Office of the Director, the United States Patent Office, and the United States Trademark Office.

(F) Except as otherwise provided in this title, the Director shall ensure that—

- (i) the United States Patent Office and the United States Trademark Office, respectively, shall—

(I) prepare all appropriation requests under section 1108 of title 31, United States Code, for each office for submission by the Director;

(II) adjust fees to provide sufficient revenues to cover the expenses of such office; and

(III) expend funds derived from such fees for only the functions of such office; and

- (ii) each such office is not involved in the management of any other office.

(G) The Director shall submit to Congress annually such information as is required under chapter 91 of title 31, United States Code, including—

- (i) the total monies received and expended by the Organization;
- (ii) the purpose for which the monies were spent;
- (iii) the amount of any surplus revenues retained by the Organization;
- (iv) the quality and quantity of the work of the Organization; and
- (v) other information relating to the Organization.

(3) OATH.—The Director shall, before taking office, take an oath to discharge faithfully the duties of the Organization.

(4) COMPENSATION.—The Director shall receive compensation at the rate of pay in effect for level III of the Executive Schedule under section 5314 of title 5, United States Code and, in addition, may receive as a bonus, an amount

which would raise total compensation to the equivalent of the level of the rate of pay in effect for level II of the Executive Schedule under section 5313 of title 5, based upon an evaluation by the Secretary of Commerce of the Director's performance as defined in an annual performance agreement between the Director and the Secretary. The annual performance agreement shall incorporate measurable goals as delineated in an annual performance plan agreed to by the Director and the Secretary.

(5) REMOVAL.—The Director shall serve at the pleasure of the President.

(6) DESIGNEE OF DIRECTOR.—The Director shall designate an officer of the Organization who shall be vested with the authority to act in the capacity of the Director in the event of the absence or incapacity of the Director.

(7) RELATIONSHIP WITH EXISTING AUTHORITIES.—Nothing in this section shall derogate from the duties or functions of the Register of Copyrights.

(c) OFFICERS AND EMPLOYEES OF THE ORGANIZATION.—

(1) COMMISSIONERS OF PATENTS AND TRADEMARKS.—The Director shall appoint a Commissioner of Patents and a Commissioner of Trademarks under section 3 of title 35, United States Code and section 53 of the Act of July 5, 1946 (commonly referred to as the Trademark Act of 1946), respectively, as amended by this Act.

(2) OTHER OFFICERS AND EMPLOYEES.—The Director shall—

(A) appoint officers, employees (including attorneys), and agents of the Organization, who shall be citizens of the United States, as the Director considers necessary to carry out its functions;

(B) fix the compensation of such officers and employees, except as provided in subsection (e); and

(C) define the authority and duties of such officers and employees and delegate to them such of the powers vested in the Organization as the Director may determine.

(3) PERSONNEL LIMITATIONS.—The Organization shall not be subject to any administratively or statutorily imposed limitation on positions or personnel, and no positions or personnel of the Organization shall be taken into account for purposes of applying any such limitation.

(d) LIMITS ON COMPENSATION.—Except as otherwise provided by law, the annual rate of basic pay of an officer or employee of the Organization may not be fixed at a rate that exceeds, and total compensation payable to any such officer or employee for any year may not exceed, the annual rate of basic pay in effect for level II of the Executive Schedule under section 5313 of title 5, United States Code. The Director shall prescribe such regulations as may be necessary to carry out this subsection.

(e) INAPPLICABILITY OF TITLE 5, UNITED STATES CODE, GENERALLY.—Except as otherwise provided in this section, officers and employees of the Organization shall not be subject to the provisions of title 5, United States Code, relating to Federal employees.

(f) CONTINUED APPLICABILITY OF CERTAIN PROVISIONS OF TITLE 5, UNITED STATES CODE.—

(1) IN GENERAL.—The following provisions of title 5, United States Code, shall apply to the Organization and its officers and employees:

(A) Section 3110 (relating to employment of relatives; restrictions).

(B) Subchapter II of chapter 55 (relating to withholding pay).

(C) Subchapters II and III of chapter 73 (relating to employment limitations and political activities, respectively).

(D) Chapter 71 (relating to labor-management relations), subject to paragraph (2) and subsection (g).

(E) Section 3303 (relating to political recommendations).

(F) Subchapter II of chapter 61 (relating to flexible and compressed work schedules).

(G) Section 2302(b)(8) (relating to whistleblower protection) and whistleblower related provisions of chapter 12 (covering the role of the Office of Special Counsel).

(2) COMPENSATION SUBJECT TO COLLECTIVE BARGAINING.—

(A) IN GENERAL.—Notwithstanding any other provision of law, for purposes of applying chapter 71 of title 5, United States Code, pursuant to paragraph (1)(D), basic pay and other forms of compensation shall be considered to be among the matters as to which the duty to bargain in good faith extends under such chapter.

(B) EXCEPTIONS.—The duty to bargain in good faith shall not, by reason of subparagraph (A), be considered to extend to any benefit under title 5,

United States Code, which is afforded by paragraph (1), (2), (3), or (4) of subsection (g).

(C) LIMITATIONS APPLY.—Nothing in this subsection shall be considered to allow any limitation under subsection (d) to be exceeded.

(g) PROVISIONS OF TITLE 5, UNITED STATES CODE, THAT CONTINUE TO APPLY, SUBJECT TO CERTAIN REQUIREMENTS.—

(1) RETIREMENT.—(A) The provisions of subchapter III of chapter 83 and chapter 84 of title 5, United States Code, shall apply to the Organization and its officers and employees, subject to subparagraph (B).

(B)(i) The amount required of the Organization under the second sentence of section 8334(a)(1) of title 5, United States Code, with respect to any particular individual shall, instead of the amount which would otherwise apply, be equal to the normal-cost percentage (determined with respect to officers and employees of the Organization using dynamic assumptions, as defined by section 8401(9) of such title) of the individual's basic pay, minus the amount required to be withheld from such pay under such section 8334(a)(1).

(ii) The amount required of the Organization under section 8334(k)(1)(B) of title 5, United States Code, with respect to any particular individual shall be equal to an amount computed in a manner similar to that specified in clause (i), as determined in accordance with clause (iii).

(iii) Any regulations necessary to carry out this subparagraph shall be prescribed by the Office of Personnel Management.

(C) The United States Patent and Trademark Organization may supplement the benefits provided under the preceding provisions of this paragraph.

(2) HEALTH BENEFITS.—(A) The provisions of chapter 89 of title 5, United States Code, shall apply to the Organization and its officers and employees, subject to subparagraph (B).

(B)(i) With respect to any individual who becomes an officer or employee of the Organization pursuant to subsection (i), the eligibility of such individual to participate in such program as an annuitant (or of any other person to participate in such program as an annuitant based on the death of such individual) shall be determined disregarding the requirements of section 8905(b) of title 5, United States Code. The preceding sentence shall not apply if the individual ceases to be an officer or employee of the Organization for any period of time after becoming an officer or employee of the Organization pursuant to subsection (i) and before separation.

(ii) The Government contributions authorized by section 8906 of title 5, United States Code, for health benefits for anyone participating in the health benefits program pursuant to this subparagraph shall be made by the Organization in the same manner as provided under section 8906(g)(2) of such title with respect to the United States Postal Service for individuals associated therewith.

(iii) For purposes of this subparagraph, the term "annuitant" has the meaning given such term by section 8901(3) of title 5, United States Code.

(C) The Organization may supplement the benefits provided under the preceding provisions of this paragraph.

(3) LIFE INSURANCE.—(A) The provisions of chapter 87 of title 5, United States Code, shall apply to the Organization and its officers and employees, subject to subparagraph (B).

(B)(i) Eligibility for life insurance coverage after retirement or while in receipt of compensation under subchapter I of chapter 81 of title 5, United States Code, shall be determined, in the case of any individual who becomes an officer or employee of the Organization pursuant to subsection (i), without regard to the requirements of section 8706(b) (1) or (2) of such title, but subject to the condition specified in the last sentence of paragraph (2)(B)(i) of this subsection.

(ii) Government contributions under section 8708(d) of such title on behalf of any such individual shall be made by the Organization in the same manner as provided under paragraph (3) thereof with respect to the United States Postal Service for individuals associated therewith.

(C) The Organization may supplement the benefits provided under the preceding provisions of this paragraph.

(4) EMPLOYEES' COMPENSATION FUND.—(A) Officers and employees of the Organization shall not become ineligible to participate in the program under chapter 81 of title 5, United States Code, relating to compensation for work injuries, by reason of subsection (e).

(B) The Organization shall remain responsible for reimbursing the Employees' Compensation Fund, pursuant to section 8147 of title 5, United States Code, for compensation paid or payable after the effective date of this title in accordance with chapter 81 of title 5, United States Code, with regard to any injury, dis-

ability, or death due to events arising before such date, whether or not a claim has been filed or is final on such date.

(h) LABOR-MANAGEMENT RELATIONS.—

(1) LABOR RELATIONS AND EMPLOYEE RELATIONS PROGRAMS.—The Organization shall develop hiring practices, labor relations and employee relations programs with the objective of improving productivity and efficiency, incorporating the following principles:

(A) Such programs shall be consistent with the merit principles in section 2301(b) of title 5, United States Code.

(B) Such programs shall provide veterans preference protections equivalent to those established by sections 2108, 3308 through 3318, 3320, 3502, and 3504 of title 5, United States Code.

(C)(i) The right to work shall not be subject to undue restraint or coercion. The right to work shall not be infringed or restricted in any way based on membership in, affiliation with, or financial support of a labor organization.

(ii) No person shall be required, as a condition of employment or continuation of employment—

(I) to resign or refrain from voluntary membership in, voluntary affiliation with, or voluntary financial support of a labor organization;

(II) to become or remain a member of a labor organization;

(III) to pay any dues, fees, assessments, or other charges of any kind or amount to a labor organization;

(IV) to pay to any charity or other third party, in lieu of such payments, any amount equivalent to or a pro rata portion of dues, fees, assessments, or other charges regularly required of members of a labor organization; or

(V) to be recommended, approved, referred, or cleared by or through a labor organization.

(iii) This subparagraph shall not apply to a person described in section 7103(a)(2)(v) of title 5, United States Code, or a “supervisor”, “management official”, or “confidential employee” as those terms are defined in 7103(a)(10), (11), and (13) of such title.

(iv) Any labor organization recognized by the Organization as the exclusive representative of a unit of employees of the Organization shall represent the interests of all employees in that unit without discrimination and without regard to labor organization membership.

(2) ADOPTION OF EXISTING LABOR AGREEMENTS.—The Organization shall adopt all labor agreements which are in effect, as of the day before the effective date of this title, with respect to such Organization (as then in effect).

(i) CARRYOVER OF PERSONNEL.—

(1) FROM PTO.—Effective as of the effective date of this title, all officers and employees of the Patent and Trademark Office on the day before such effective date shall become officers and employees of the Organization, without a break in service.

(2) OTHER PERSONNEL.—(A) Any individual who, on the day before the effective date of this title, is an officer or employee of the Department of Commerce (other than an officer or employee under paragraph (1)) shall be transferred to the Organization if—

(i) such individual serves in a position for which a major function is the performance of work reimbursed by the Patent and Trademark Office, as determined by the Secretary of Commerce;

(ii) such individual serves in a position that performed work in support of the Patent and Trademark Office during at least half of the incumbent’s work time, as determined by the Secretary of Commerce; or

(iii) such transfer would be in the interest of the Organization, as determined by the Secretary of Commerce in consultation with the Director.

(B) Any transfer under this paragraph shall be effective as of the same effective date as referred to in paragraph (1), and shall be made without a break in service.

(3) ACCUMULATED LEAVE.—The amount of sick and annual leave and compensatory time accumulated under title 5, United States Code, before the effective date described in paragraph (1), by any individual who becomes an officer or employee of the Organization under this subsection, are obligations of the Organization.

(4) TERMINATION RIGHTS.—Any employee referred to in paragraph (1) or (2) of this subsection whose employment with the Organization is terminated during the 1-year period beginning on the effective date of this title shall be enti-

tled to rights and benefits, to be afforded by the Organization, similar to those such employee would have had under Federal law if termination had occurred immediately before such date. An employee who would have been entitled to appeal any such termination to the Merit Systems Protection Board, if such termination had occurred immediately before such effective date, may appeal any such termination occurring within such 1-year period to the Board under such procedures as it may prescribe.

(5) TRANSITION PROVISIONS.—(A)(i) On or after the effective date of this title, the President shall appoint a Director of the United States Patent and Trademark Organization who shall serve until the earlier of—

(I) the date on which a Director qualifies under subsection (b); or

(II) the date occurring 1 year after the effective date of this title.

(ii) The President shall not make more than 1 appointment under this subparagraph.

(B) The individual serving as the Assistant Commissioner of Patents on the day before the effective date of this title shall serve as the Commissioner of Patents until the date on which a Commissioner of Patents is appointed under section 3 of title 35, United States Code, as amended by this Act.

(C) The individual serving as the Assistant Commissioner of Trademarks on the day before the effective date of this title shall serve as the Commissioner of Trademarks until the date on which a Commissioner of Trademarks is appointed under section 53 of the Act of July 5, 1946 (commonly referred to as the Trademark Act of 1946), as amended by this Act.

(j) COMPETITIVE STATUS.—For purposes of appointment to a position in the competitive service for which an officer or employee of the Organization is qualified, such officer or employee shall not forfeit any competitive status, acquired by such officer or employee before the effective date of this title, by reason of becoming an officer or employee of the Organization under subsection (i).

(k) SAVINGS PROVISIONS.—Compensation, benefits, and other terms and conditions of employment in effect immediately before the effective date of this title, whether provided by statute or by rules and regulations of the former Patent and Trademark Office or the executive branch of the Government of the United States, shall continue to apply to officers and employees of the Organization, until changed in accordance with this section (whether by action of the Director or otherwise).

(l) REMOVAL OF QUASI-JUDICIAL EXAMINERS.—The Organization may remove a patent examiner or examiner-in-chief, or a trademark examiner or member of a Trademark Trial and Appeal Board only for such cause as will promote the efficiency of the Organization.

SEC. 114. UNITED STATES PATENT OFFICE.

(a) ESTABLISHMENT OF THE PATENT OFFICE AS A SEPARATE ADMINISTRATIVE UNIT.—Section 1 of title 35, United States Code, is amended to read as follows:

“§ 1. Establishment

“(a) ESTABLISHMENT.—United States Patent Office is established as a separate administrative unit of the United States Patent and Trademark Organization, where records, books, drawings, specifications, and other papers and things pertaining to patents shall be kept and preserved, except as otherwise provided by law.

“(b) REFERENCE.—For purposes of this title, the United States Patent Office shall also be referred to as the ‘Office’ and the ‘Patent Office’.”

(b) POWERS AND DUTIES.—Section 2 of title 35, United States Code, is amended to read as follows:

“§ 2. Powers and duties

“The United States Patent Office, under the policy direction of the Secretary of Commerce through the Director of the United States Patent and Trademark Organization, shall be responsible for—

“(1) granting and issuing patents;

“(2) conducting studies, programs, or exchanges of items or services regarding domestic and international patent law, the administration of the Organization, or any other function vested in the Organization by law, including programs to recognize, identify, assess, and forecast the technology of patented inventions and their utility to industry;

“(3) authorizing or conducting studies and programs cooperatively with foreign patent offices and international organizations, in connection with the granting and issuing of patents; and

“(4) disseminating to the public information with respect to patents.”

(c) ORGANIZATION AND MANAGEMENT.—Section 3 of title 35, United States Code, is amended to read as follows:

“§ 3. Officers and employees

“(a) COMMISSIONER.—

“(1) IN GENERAL.—The management of the United States Patent Office shall be vested in a Commissioner of Patents, who shall be a citizen of the United States and who shall be appointed by the Director of the United States Patent and Trademark Organization and shall serve at the pleasure of the Director of the United States Patent and Trademark Organization. The Commissioner of Patents shall be a person who, by reason of professional background and experience in patent law, is especially qualified to manage the Office.

“(2) DUTIES.—

“(A) IN GENERAL.—The Commissioner shall be responsible for all aspects of the management, administration, and operation of the Office, including the granting and issuing of patents, and shall perform these duties in a fair, impartial, and equitable manner.

“(B) ADVISING THE DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK ORGANIZATION.—The Commissioner of Patents shall advise the Director of the United States Patent and Trademark Organization of all activities of the Office undertaken in response to obligations of the United States under treaties and executive agreements, or which relate to cooperative programs with those authorities of foreign governments that are responsible for granting patents. The Commissioner of Patents shall advise the Director of the United States Patent and Trademark Organization on matters of patent law and shall recommend to the Director of the United States Patent and Trademark Organization changes in law or policy which may improve the ability of United States citizens to secure and enforce patent rights in the United States or in foreign countries.

“(C) REGULATIONS.—The Commissioner may establish regulations, not inconsistent with law, for the conduct of proceedings in the Patent Office. The Director of the United States Patent and Trademark Organization shall determine whether such regulations are consistent with the policy direction of the Secretary of Commerce.

“(D) CONSULTATION WITH THE MANAGEMENT ADVISORY BOARD.—(i) The Commissioner shall consult with the Management Advisory Board established in section 5—

“(I) on a regular basis on matters relating to the operation of the Office; and

“(II) before submitting budgetary proposals to the Director of the United States Patent and Trademark Organization for submission to the Office of Management and Budget or changing or proposing to change patent user fees or patent regulations.

“(ii) The Director of the United States Patent and Trademark Organization shall determine whether such fees or regulations are consistent with the policy direction of the Secretary of Commerce.

“(3) OATH.—The Commissioner shall, before taking office, take an oath to discharge faithfully the duties of the Office.

“(4) COMPENSATION.—

“(A) IN GENERAL.—The Commissioner shall receive compensation at the rate of pay in effect for level IV of the Executive Schedule under section 5315 of title 5.

“(B) BONUS.—In addition to compensation under subparagraph (A), the Commissioner may, at the discretion of the Director of the United States Patent and Trademark Organization, receive as a bonus, an amount which would raise total compensation to the equivalent of the rate of pay in effect for level III of the Executive Schedule under section 5314 of title 5.

“(b) OFFICERS AND EMPLOYEES.—

“(1) DEPUTY COMMISSIONER OF PATENTS.—The Commissioner shall appoint a Deputy Commissioner of Patents who shall be vested with the authority to act in the capacity of the Commissioner in the event of the absence or incapacity of the Commissioner. In the event of a vacancy in the office of Commissioner, the Deputy Commissioner shall fill the office of Commissioner until a new Commissioner is appointed and takes office.

“(2) OMBUDSMAN.—The Commissioner shall appoint an ombudsman to advise the Commissioner on the concerns of independent inventors, nonprofit organizations, and small business concerns.

“(3) OTHER OFFICERS AND EMPLOYEES.—Other officers, attorneys, employees, and agents shall be selected and appointed by the Commissioner, and shall be vested with such powers and duties as the Commissioner may determine.”

(d) MANAGEMENT ADVISORY BOARD.—Chapter 1 of part I of title 35, United States Code, is amended by inserting after section 4 the following:

“§ 5. Patent Office Management Advisory Board

“(a) ESTABLISHMENT OF MANAGEMENT ADVISORY BOARD.—

“(1) APPOINTMENT.—The United States Patent Office shall have a Management Advisory Board (hereafter in this title referred to as the ‘Advisory Board’) of 5 members, who shall be appointed by the President and shall serve at the pleasure of the President. Not more than 3 of the 5 members shall be members of the same political party. At least 1 member shall be an independent inventor, as defined in regulations issued by the Commissioner.

“(2) CHAIR.—The President shall designate a Chair of the Advisory Board, whose term as chair shall be for 3 years.

“(3) TIMING OF APPOINTMENTS.—Initial appointments to the Advisory Board shall be made within 3 months after the effective date of the United States Patent and Trademark Organization Act of 1997. Vacancies shall be filled in the manner in which the original appointment was made under this subsection within 3 months after they occur.

“(b) BASIS FOR APPOINTMENTS.—Members of the Advisory Board shall be citizens of the United States who shall be chosen so as to represent the interests of diverse users of the United States Patent Office, and shall include individuals with substantial background and achievement in corporate finance and management.

“(c) MEETINGS.—The Advisory Board shall meet at the call of the Chair to consider an agenda set by the Chair.

“(d) DUTIES.—The Advisory Board shall—

“(1) review the policies, goals, performance, budget, and user fees of the United States Patent Office, and advise the Commissioner on these matters;

“(2) within 60 days after the end of each fiscal year—

“(A) prepare an annual report on the matters referred to in paragraph (1);

“(B) transmit the report to the Director of the United States Patent and Trademark Organization, the President, and the Committees on the Judiciary of the Senate and the House of Representatives; and

“(C) publish the report in the Patent Office Official Gazette.

“(f) COMPENSATION.—Each member of the Advisory Board shall be compensated for each day (including travel time) during which such member is attending meetings or conferences of the Advisory Board or otherwise engaged in the business of the Advisory Board, at the rate which is the daily equivalent of the annual rate of basic pay in effect for level III of the Executive Schedule under section 5314 of title 5, and while away from such member’s home or regular place of business such member may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5.

“(g) ACCESS TO INFORMATION.—Members of the Advisory Board shall be provided access to records and information in the United States Patent Office, except for personnel or other privileged information and information concerning patent applications required to be kept in confidence by section 122.

“(h) APPLICABILITY OF CERTAIN ETHICS LAWS.—Members of the Advisory Board shall be special Government employees within the meaning of section 202 of title 18.”

(e) CONFORMING AMENDMENTS.—Section 6 of title 35, United States Code, and the item relating to such section in the table of contents for chapter 1 of title 35, United States Code, are repealed.

(f) BOARD OF PATENT APPEALS AND INTERFERENCES.—Section 7 of title 35, United States Code, is amended to read as follows:

“§ 7. Board of Patent Appeals and Interferences

“(a) ESTABLISHMENT AND COMPOSITION.—There shall be in the United States Patent Office a Board of Patent Appeals and Interferences. The Commissioner, the Deputy Commissioner, and the administrative patent judges shall constitute the Board. The administrative patent judges shall be persons of competent legal knowledge and scientific ability.

“(b) DUTIES.—

“(1) IN GENERAL.—The Board of Patent Appeals and Interferences shall, on written appeal of an applicant, a patent owner, or a third-party requester in a reexamination proceeding—

“(A) review adverse decisions of examiners—

“(i) upon applications for patents; and

“(ii) in reexamination proceedings; and

“(B) determine priority and patentability of invention in interferences declared under section 135(a).

“(2) HEARINGS.—Each appeal and interference shall be heard by at least 3 members of the Board, who shall be designated by the Deputy Commissioner. Only the Board of Patent Appeals and Interferences may grant rehearings.”

(g) ANNUAL REPORT OF COMMISSIONER.—Section 14 of title 35, United States Code, is amended to read as follows:

“§ 14. Annual report to Congress

“The Commissioner shall report to the Director of the United States Patent and Trademark Organization such information as the Director is required to submit to Congress annually under section 157(d) of this title, and under chapter 91 of title 31, including—

- “(1) the total of the moneys received and expended by the Office;
- “(2) the purposes for which the moneys were spent;
- “(3) the quality and quantity of the work of the Office; and
- “(4) other information relating to the Office.”

(h) PRACTICE BEFORE PATENT OFFICE.—

(1) IN GENERAL.—Section 31 of title 35, United States Code, is amended to read as follows:

“§ 31. Regulations for agents and attorneys

“The Commissioner may prescribe regulations governing the recognition and conduct of agents, attorneys, or other persons representing applicants or other parties before the Office. The regulations may require such persons, before being recognized as representatives of applicants or other persons, to show that they are of good moral character and reputation and are possessed of the necessary qualifications to render to applicants or other persons valuable service, advice, and assistance in the presentation or prosecution of their applications or other business before the Office.”

(2) DESIGNATION OF ATTORNEY TO CONDUCT HEARING.—Section 32 of title 35, United States Code, is amended in the first sentence by striking “Patent and Trademark Office” and inserting “Patent Office” and by inserting before the last sentence the following: “The Commissioner shall have the discretion to designate any attorney who is an officer or employee of the United States Patent Office to conduct the hearing required by this section.”

(i) FUNDING.—

(1) ADJUSTMENT OF FEES.—Section 41(f) of title 35, United States Code, is amended to read as follows:

“(f) The Commissioner, after consulting with the Patent Office Management Advisory Board pursuant to section 3(a)(2)(C) of this title and after notice and opportunity for full participation by interested public and private parties, may, by regulation, adjust the fees established in this section. The Director of the United States Patent and Trademark Organization shall determine whether such fees are consistent with the policy direction of the Secretary of Commerce.”

(2) PATENT OFFICE FUNDING.—Section 42 of title 35, United States Code, is amended to read as follows:

“§ 42. Patent Office funding

“(a) FEES PAYABLE TO THE OFFICE.—All fees for services performed by or materials furnished by the United States Patent Office shall be payable to the Office.

“(b) USE OF MONEYS.—Moneys from fees shall be available to the United States Patent Office to carry out, to the extent provided in appropriations Acts, the functions of the Office. Moneys of the Office not otherwise used to carry out the functions of the Office shall be kept in cash on hand or on deposit, or invested in obligations of the United States or guaranteed by the United States, or in obligations or other instruments which are lawful investments for fiduciary, trust, or public funds. Fees available to the Commissioner under this title shall be used only for the processing of patent applications and for other services and materials relating to patents, including the agreed upon share of any centralized function, as set forth in section 113(b)(2)(E) of the United States Patent and Trademark Organization Act of 1997.

“(c) CONTRIBUTION TO THE OFFICE OF THE DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK ORGANIZATION.—The Patent Office shall contribute 50 percent of the annual budget of the Office of the Director of the United States Patent and Trademark Organization.”

SEC. 115. UNITED STATES TRADEMARK OFFICE.

(a) ESTABLISHMENT OF THE UNITED STATES TRADEMARK OFFICE AS A SEPARATE ADMINISTRATIVE UNIT.—The Act of July 5, 1946 (commonly referred to as the Trademark Act of 1946) is amended—

- (1) by redesignating titles X and XI as titles XI and XII, respectively;
- (2) by redesignating sections 45, 46, 47, 48, 49, 50, and 51 as sections 61, 71, 72, 73, 74, 75, and 76, respectively; and
- (3) by inserting after title IX the following new title:

“TITLE X—UNITED STATES TRADEMARK OFFICE**“SEC. 51. ESTABLISHMENT.**

“(a) ESTABLISHMENT.—The United States Trademark Office is established as a separate administrative unit of the United States Patent and Trademark Organization.

“(b) REFERENCE.—For purposes of this chapter, the United States Trademark Office shall also be referred to as the ‘Office’ and the ‘Trademark Office’.

“SEC. 52. POWERS AND DUTIES.

“The United States Trademark Office, under the policy direction of the Secretary of Commerce through the Director of the United States Patent and Trademark Organization, shall be responsible for—

- “(1) the registration of trademarks;
- “(2) conducting studies, programs, or exchanges of items or services regarding domestic and international trademark law or the administration of the Office;
- “(3) authorizing or conducting studies and programs cooperatively with foreign trademark offices and international organizations, in connection with the registration of trademarks; and
- “(4) disseminating to the public information with respect to trademarks.

“SEC. 53. OFFICERS AND EMPLOYEES.

“(a) COMMISSIONER.—

“(1) IN GENERAL.—The management of the United States Trademark Office shall be vested in a Commissioner of Trademarks, who shall be a citizen of the United States and who shall be appointed by the Director of the United States Patent and Trademark Organization and shall serve at the pleasure of the Director of the United States Patent and Trademark Organization. The Commissioner of Trademarks shall be a person who, by reason of professional background and experience in trademark law, is especially qualified to manage the Office.

“(2) DUTIES.—

“(A) IN GENERAL.—The Commissioner shall be responsible for all aspects of the management, administration, and operation of the Office, including the registration of trademarks, and shall perform these duties in a fair, impartial, and equitable manner.

“(B) ADVISING THE DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK ORGANIZATION.—The Commissioner of Trademarks shall advise the Director of the United States Patent and Trademark Organization of all activities of the Office undertaken in response to obligations of the United States under treaties and executive agreements, or which relate to cooperative programs with those authorities of foreign governments that are responsible for registering trademarks. The Commissioner of Trademarks shall advise the Director of the United States Patent and Trademark Organization on matters of trademark law and shall recommend to the Director of the United States Patent and Trademark Organization changes in law or policy which may improve the ability of United States citizens to secure and enforce trademark rights in the United States or in foreign countries.

“(C) REGULATIONS.—The Commissioner may establish regulations, not inconsistent with law, for the conduct of proceedings in the Trademark Office. The Director of the United States Patent and Trademark Organization shall determine whether such regulations are consistent with the policy direction of the Secretary of Commerce.

“(D) CONSULTATION WITH THE MANAGEMENT ADVISORY BOARD.—(i) The Commissioner shall consult with the Trademark Office Management Advisory Board established under section 54—

“(I) on a regular basis on matters relating to the operation of the Office; and

“(II) before submitting budgetary proposals to the Director of the United States Patent and Trademark Organization for submission to the Office of Management and Budget or changing or proposing to change trademark user fees or trademark regulations.

“(ii) The Director of the United States Patent and Trademark Organization shall determine whether such fees or regulations are consistent with the policy direction of the Secretary of Commerce.

“(E) PUBLICATIONS.—(i) The Commissioner may print, or cause to be printed, the following:

“(I) Certificates of trademark registrations, including statements and drawings, together with copies of the same.

“(II) The Official Gazette of the United States Trademark Office.

“(III) Annual indexes of trademarks and registrants.

“(IV) Annual volumes of decisions in trademark cases.

“(V) Pamphlet copies of laws and rules relating to trademarks and circulars or other publications relating to the business of the Office.

“(ii) The Commissioner may exchange any of the publications specified under clause (i) for publications desirable for the use of the Trademark Office.

“(3) OATH.—The Commissioner shall, before taking office, take an oath to discharge faithfully the duties of the Office.

“(4) COMPENSATION.—

“(A) IN GENERAL.—The Commissioner shall receive compensation at the rate of pay in effect for level IV of the Executive Schedule under section 5315 of title 5, United States Code.

“(B) BONUS.—In addition to compensation under subparagraph (A), the Commissioner may, at the discretion of the Director of the United States Patent and Trademark Organization, receive as a bonus, an amount which would raise total compensation to the equivalent of the rate of pay in effect for level III of the Executive Schedule under section 5314 of title 5.

“(b) OFFICERS AND EMPLOYEES.—The Commissioner shall appoint a Deputy Commissioner of Trademarks who shall be vested with the authority to act in the capacity of the Commissioner in the event of the absence or incapacity of the Commissioner. In the event of a vacancy in the office of Commissioner, the Deputy Commissioner shall fill the office of Commissioner until a new Commissioner is appointed and takes office. Other officers, attorneys, employees, and agents shall be selected and appointed by the Commissioner, and shall be vested with such powers and duties as the Commissioner may determine.

“SEC. 54. TRADEMARK OFFICE MANAGEMENT ADVISORY BOARD.

“(a) ESTABLISHMENT OF MANAGEMENT ADVISORY BOARD.—

“(1) APPOINTMENT.—The United States Trademark Office shall have a Management Advisory Board (hereafter in this title referred to as the ‘Advisory Board’) of 5 members, who shall be appointed by the President and shall serve at the pleasure of the President. Not more than 3 of the 5 members shall be members of the same political party.

“(2) CHAIR.—The President shall designate a Chair of the Advisory Board, whose term as chair shall be for 3 years.

“(3) TIMING OF APPOINTMENTS.—Initial appointments to the Advisory Board shall be made within 3 months after the effective date of the United States Patent and Trademark Organization Act of 1997. Vacancies shall be filled in the manner in which the original appointment was made under this section within 3 months after they occur.

“(b) BASIS FOR APPOINTMENTS.—Members of the Advisory Board shall be citizens of the United States who shall be chosen so as to represent the interests of diverse users of the United States Trademark Office, and shall include individuals with substantial background and achievement in corporate finance and management.

“(c) MEETINGS.—The Advisory Board shall meet at the call of the Chair to consider an agenda set by the Chair.

“(d) DUTIES.—The Advisory Board shall—

“(1) review the policies, goals, performance, budget, and user fees of the United States Trademark Office, and advise the Commissioner on these matters; and

“(2) within 60 days after the end of each fiscal year—

“(A) prepare an annual report on the matters referred to under paragraph (1);

“(B) transmit the report to the Director of the United States Patent and Trademark Organization, the President, and the Committees on the Judiciary of the Senate and the House of Representatives; and

“(C) publish the report in the Trademark Office Official Gazette.

“(f) COMPENSATION.—Each member of the Advisory Board shall be compensated for each day (including travel time) during which such member is attending meetings or conferences of the Advisory Board or otherwise engaged in the business of the Advisory Board, at the rate which is the daily equivalent of the annual rate of basic pay in effect for level III of the Executive Schedule under section 5314 of title 5, United States Code, and while away from such member’s home or regular place of business such member may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code.

“(g) ACCESS TO INFORMATION.—Members of the Advisory Board shall be provided access to records and information in the United States Trademark Office, except for personnel or other privileged information.

“(h) APPLICABILITY OF CERTAIN ETHIC LAWS.—Members of the Advisory Board shall be special Government employees within the meaning of section 202 of title 18.

“SEC. 55. ANNUAL REPORT TO CONGRESS.

“The Commissioner shall report to the Director of the United States Patent and Trademark Organization such information as the Director is required to report to Congress annually under chapter 91 of title 5, including—

- “(1) the moneys received and expended by the Office;
- “(2) the purposes for which the moneys were spent;
- “(3) the quality and quantity of the work of the Office; and
- “(4) other information relating to the Office.

“SEC. 56. TRADEMARK OFFICE FUNDING.

“(a) FEES PAYABLE TO THE OFFICE.—All fees for services performed by or materials furnished by the United States Trademark Office shall be payable to the Office.

“(b) USE OF MONEYS.—Moneys from fees shall be available to the United States Trademark Office to carry out, to the extent provided in appropriations Acts, the functions of the Office. Moneys of the Office not otherwise used to carry out the functions of the Office shall be kept in cash on hand or on deposit, or invested in obligations of the United States or guaranteed by the United States, or in obligations or other instruments which are lawful investments for fiduciary, trust, or public funds. Fees available to the Commissioner under this chapter shall be used only for the registration of trademarks and for other services and materials relating to trademarks, including the agreed upon share of any centralized function, as set forth in section 113(b)(2)(E) of the United States Patent and Trademark Organization Act of 1997.

“(c) CONTRIBUTION TO THE OFFICE OF THE DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK ORGANIZATION.—The Trademark Office shall contribute 50 percent of the annual budget of the Office of the Director of the United States Patent and Trademark Organization.”.

(b) TRADEMARK TRIAL AND APPEAL BOARD.—Section 17 of the Act of July 5, 1946 (commonly referred to as the Trademark Act of 1946) (15 U.S.C. 1067) is amended to read as follows:

“SEC. 17. (a) In every case of interference, opposition to registration, application to register as a lawful concurrent user, or application to cancel the registration of a mark, the Commissioner shall give notice to all parties and shall direct a Trademark Trial and Appeal Board to determine and decide the respective rights of registration.

“(b) The Trademark Trial and Appeal Board shall include the Commissioner of Trademarks, the Deputy Commissioner of Trademarks, and administrative trademark judges competent in trademark law who are appointed by the Commissioner.”.

(c) DETERMINATION OF FEES.—Section 31(a) of the Act of July 5, 1946 (commonly referred to as the Trademark Act of 1946) (15 U.S.C. 1067(a)) is amended by striking the second and third sentences and inserting the following: “Fees established under this subsection may be adjusted by the Commissioner, after consulting with the Trademark Office Management Advisory Board in accordance with section 53(a)(2)(C) of this Act and after notice and opportunity for full participation by interested public and private parties. The Director of the United States Patent and Trademark Organization shall determine whether such fees are consistent with the policy direction of the Secretary of Commerce.”.

SEC. 116. SUITS BY AND AGAINST THE ORGANIZATION.

(a) **ACTIONS UNDER UNITED STATES LAW.**—Any civil action or proceeding to which the United States Patent and Trademark Organization is a party is deemed to arise under the laws of the United States. The Federal courts shall have exclusive jurisdiction over all civil actions by or against the Organization.

(b) **REPRESENTATION BY THE DEPARTMENT OF JUSTICE.**—The United States Patent and Trademark Organization shall be deemed an agency of the United States for purposes of section 516 of title 28, United States Code.

(c) **PROHIBITION ON ATTACHMENT, LIENS, OR SIMILAR PROCESS.**—No attachment, garnishment, lien, or similar process, intermediate or final, in law or equity, may be issued against property of the Organization.

SEC. 117. FUNDING.

(a) **IN GENERAL.**—The activities of the United States Patent and Trademark Organization and each office of the Organization shall be funded entirely through fees payable to the United States Patent Office (under section 42 of title 35, United States Code) and the United States Trademark Office (under section 56 of the Act of July 5, 1946 (commonly known as the Trademark Act of 1946)), and surcharges appropriated by Congress, to the extent provided in appropriations Acts and subject to the provisions of subsection (b).

(b) **BORROWING AUTHORITY.**—

(1) **IN GENERAL.**—The United States Patent and Trademark Organization is authorized to issue from time to time for purchase by the Secretary of the Treasury its debentures, bonds, notes, and other evidences of indebtedness (hereafter in this subsection referred to as “obligations”) to assist in financing the activities of the United States Patent Office and the United States Trademark Office. Borrowing under this section shall be subject to prior approval in appropriations Acts. Such borrowing shall not exceed amounts approved in appropriations Acts.

(2) **BORROWING AUTHORITY.**—Any borrowing under this subsection shall be repaid only from fees paid to the Office for which such obligations were issued and surcharges appropriated by Congress. Such obligations shall be redeemable at the option of the United States Patent and Trademark Organization before maturity in the manner stipulated in such obligations and shall have such maturity as is determined by the United States Patent and Trademark Organization with the approval of the Secretary of the Treasury. Each such obligation issued to the Treasury shall bear interest at a rate not less than the current yield on outstanding marketable obligations of the United States of comparable maturity during the month preceding the issuance of the obligation as determined by the Secretary of the Treasury.

(3) **PURCHASE OF OBLIGATIONS.**—The Secretary of the Treasury shall purchase any obligations of the United States Patent and Trademark Organization issued under this subsection and for such purpose the Secretary of the Treasury is authorized to use as a public-debt transaction the proceeds of any securities issued under chapter 31 of title 31, United States Code, and the purposes for which securities may be issued under that chapter are extended to include such purpose.

(4) **TREATMENT.**—Payment under this subsection of the purchase price of such obligations of the United States Patent and Trademark Organization shall be treated as public debt transactions of the United States.

SEC. 118. TRANSFERS.

(a) **TRANSFER OF FUNCTIONS.**—Except as relates to the direction of patent and trademark policy, there are transferred to, and vested in, the United States Patent and Trademark Organization all functions, powers, and duties vested by law in the Secretary of Commerce or the Department of Commerce or in the officers or components in the Department of Commerce with respect to the authority to grant patents and register trademarks, and in the Patent and Trademark Office, as in effect on the day before the effective date of this title, and in the officers and components of such office.

(b) **TRANSFER OF FUNDS AND PROPERTY.**—The Secretary of Commerce shall transfer to the United States Patent and Trademark Organization, on the effective date of this title, so much of the assets, liabilities, contracts, property, records, and unexpended and unobligated balances of appropriations, authorizations, allocations, and other funds employed, held, used, arising from, available to, or to be made available to the Department of Commerce, including funds set aside for accounts receivable which are related to functions, powers, and duties which are vested in the United States Patent and Trademark Office by this title.

SEC. 119. USE OF ORGANIZATION NAME.

The use of the terms “United States Patent and Trademark Organization”, “Patent and Trademark Office”, “United States Patent Office”, “Patent Office”, “United States Trademark Office”, “Trademark Office”, or any combination of such terms, as the name or part thereof under which an individual or entity does business, is prohibited. A violation of this section may be enjoined by any Federal court at the suit of the Organization. In any such suit, the Organization shall be entitled to statutory damages of \$1,000 for each day during which such violation continues or is repeated following notice by the Organization and, in addition, may recover actual damages flowing from such violations.

Subtitle B—Effective Date; Technical Amendments

SEC. 131. EFFECTIVE DATE.

This title and the amendments made by this title shall take effect 4 months after the date of the enactment of this Act.

SEC. 132. TECHNICAL AND CONFORMING AMENDMENTS.**(a) AMENDMENTS TO TITLE 35.—**

(1) Table of parts.—The item relating to part I in the table of parts for title 35, United States Code, is amended to read as follows:

“I. United States Patent Office..... 1”.

(2) HEADING.—The heading for part I of title 35, United States Code, is amended to read as follows:

“PART I—UNITED STATES PATENT OFFICE”.

(3) TABLE OF CHAPTERS.—The table of chapters for part I of title 35, United States Code, is amended by amending the item relating to chapter 1 to read as follows:

“1. Establishment, Officers and Employees, Functions..... 1”.

(4) TABLE OF SECTIONS.—The table of sections for chapter 1 of title 35, United States Code, is amended to read as follows:

**“CHAPTER 1—ESTABLISHMENT, OFFICERS AND EMPLOYEES,
FUNCTIONS**

“Sec.

“1. Establishment.

“2. Powers and duties.

“3. Officers and employees.

“4. Restrictions on officers and employees as to interest in patents.

“5. Patent Office Management Advisory Board.

“6. Duties of Commissioner.

“7. Board of Patent Appeals and Interferences.

“8. Library.

“9. Classification of patents.

“10. Certified copies of records.

“11. Publications.

“12. Exchange of copies of patents with foreign countries.

“13. Copies of patents for public libraries.

“14. Annual report to Congress.”.

(5) COMMISSIONER OF PATENTS AND TRADEMARKS.—(A) Section 41(h)(1) of title 35, United States Code, is amended by striking “Commissioner of Patents and Trademarks” and inserting “Commissioner”.

(B) Section 155 of title 35, United States Code, is amended by striking “Commissioner of Patents and” and inserting “Commissioner”.

(C) Section 155A(c) of title 35, United States Code, is amended by striking “Commissioner of Patents” and inserting “Commissioner”.

(6) PATENT AND TRADEMARK OFFICE.—The provisions of title 35, United States Code, are amended by striking “Patent and Trademark Office” each place it appears and inserting “Patent Office”.

(7) SECRETARY OF COMMERCE.—Section 157(d) of title 35, United States Code, is amended by striking “Secretary of Commerce” and inserting “Director of the United States Patent and Trademark Organization”.

(b) AMENDMENTS TO THE TRADEMARK ACT OF 1946.—

(1) REFERENCES.—All amendments in this subsection refer to the Act of July 5, 1946 (commonly referred to as the Trademark Act of 1946).

(2) AMENDMENTS RELATING TO COMMISSIONER.—Section 61 (as redesignated by section 115(a)(2) of this Act) is amended by striking the undesignated paragraph relating to the definition of the term “Commissioner” and inserting the following:

“The term ‘Commissioner’ means the Commissioner of Trademarks.”.

(3) AMENDMENTS RELATING TO PATENT AND TRADEMARK OFFICE.—(A) Section 1(a)(1) is amended by striking “Patent and Trademark Office” and inserting “Trademark Office”.

(B) Section 1(a)(2) is amended by striking “Patent and Trademark Office” and inserting “Trademark Office”.

(C) Section 1(b)(1) is amended by striking “Patent and Trademark Office” and inserting “Trademark Office”.

(D) Section 1(b)(2) is amended by striking “Patent and Trademark Office” and inserting “Trademark Office”.

(E) Section 1(d)(1) is amended by striking “Patent and Trademark Office” each place such term appears and inserting “Trademark Office”.

(F) Section 1(e) is amended by striking “Patent and Trademark Office” and inserting “Trademark Office”.

(G) Section 2(d) is amended by striking “Patent and Trademark Office” and inserting “Trademark Office”.

(H) Section 7(a) is amended by striking “Patent and Trademark Office” each place such term appears and inserting “Trademark Office”.

(I) Section 7(d) is amended by striking “Patent and Trademark Office” and inserting “Trademark Office”.

(J) Section 7(e) is amended by striking “Patent and Trademark Office” each place such term appears and inserting “Trademark Office”.

(K) Section 7(f) is amended by striking “Patent and Trademark Office” each place such term appears and inserting “Trademark Office”.

(L) Section 7(g) is amended by striking “Patent and Trademark Office” each place such term appears and inserting “Trademark Office”.

(M) Section 8(a) is amended by striking “Patent and Trademark Office” and inserting “Trademark Office”.

(N) Section 8(b) is amended by striking “Patent and Trademark Office” and inserting “Trademark Office”.

(O) Section 10 is amended by striking “Patent and Trademark Office” each place such term appears and inserting “Trademark Office”.

(P) Section 12(a) is amended by striking “Patent and Trademark Office” and inserting “Trademark Office”.

(Q) Section 13(a) is amended by striking “Patent and Trademark Office” and inserting “Trademark Office”.

(R) Section 13(b)(1) is amended by striking “Patent and Trademark Office” each place such term appears and inserting “Trademark Office”.

(S) Section 15(2) is amended by striking “Patent and Trademark Office” and inserting “Trademark Office”.

(T) Section 17 is amended by striking “Patent and Trademark Office” and inserting “Trademark Office”.

(U) Section 21(a)(2) is amended by striking “Patent and Trademark Office” and inserting “Trademark Office”.

(V) Section 21(a)(3) is amended by striking “Patent and Trademark Office” each place such term appears and inserting “Trademark Office”.

(W) Section 21(a)(4) is amended by striking “Patent and Trademark Office” each place such term appears and inserting “Trademark Office”.

(X) Section 21(b)(3) is amended by striking “Patent and Trademark Office” each place such term appears and inserting “Trademark Office”.

(Y) Section 21(b)(4) is amended by striking “Patent and Trademark Office” and inserting “Trademark Office”.

(Z) Section 24 is amended by striking “Patent and Trademark Office” and inserting “Trademark Office”.

(AA) Section 29 is amended by striking “Patent and Trademark Office” each place such term appears and inserting “Trademark Office”.

(BB) Section 30 is amended by striking “Patent and Trademark Office” and inserting “Trademark Office”.

(CC) Section 31(a) is amended by striking “Patent and Trademark Office” and inserting “Trademark Office”.

(DD) Section 34(a) is amended by striking “Patent and Trademark Office” and inserting “Trademark Office”.

(EE) Section 34(d)(1)(B)(i) is amended by striking “Patent and Trademark Office” and inserting “Trademark Office”.

(FF) Section 35(a) is amended by striking “Patent and Trademark Office” and inserting “Trademark Office”.

(GG) Section 36 is amended by striking “Patent and Trademark” and inserting “Trademark Office”.

(HH) Section 37 is amended by striking “Patent and Trademark Office” and inserting “Trademark Office”.

(II) Section 38 is amended by striking “Patent and Trademark Office” and inserting “Trademark Office”.

(JJ) Section 39(b) is amended by striking “Patent and Trademark Office” and inserting “Trademark Office”.

(KK) Section 41 is amended by striking “Patent and Trademark Office” and inserting “Trademark Office”.

(LL) Section 61 (as redesignated under section 115(a)(2) of this Act) is amended in the undesignated paragraph relating to the definition of “registered mark”—

(i) by striking “Patent and Trade Mark Office” and inserting “Trademark Office”; and

(ii) by striking “Patent and Trade Office” and inserting “Trademark Office”.

(MM) Section 72(a) (as redesignated under section 115(a)(2) of this Act) is amended by striking “Patent and Trademark Office” and inserting “Trademark Office”.

(NN) Section 75 (as redesignated under section 115(a)(2) of this Act) is amended by striking “Patent and Trademark Office” and inserting “Trademark Office”.

(c) AMENDMENTS TO TITLE 5.—Title 5, United States Code, is amended—

(1) in section 5102(c)(23)—

(A) by striking “examiners-in-chief” in each place it appears and inserting “administrative patent judges”; and

(B) by striking “Office, Department of Commerce” and inserting “Organization”; and

(2) in section 5316—

(A) by striking “Commissioner of Patents, Department of Commerce.”; and

(B) by striking:
 “Deputy Commissioner of Patents and Trademarks.
 “Assistant Commissioner for Patents.
 “Assistant Commissioner for Trademarks.”.

(d) AMENDMENT TO TITLE 31.—Section 9101(3) of title 31, United States Code, is amended by adding at the end the following:

“(O) the United States Patent and Trademark Organization.”.

(e) AMENDMENTS TO INSPECTOR GENERAL ACT OF 1978.—Section 11 of the Inspector General Act of 1978 (5 U.S.C. App.) is amended—

(1) in paragraph (1) by striking “or the Commissioner of Social Security, Social Security Administration;” and inserting “the Commissioner of Social Security, Social Security Administration; or the Director of the United States Patent and Trademark Organization, United States Patent and Trademark Organization;” and

(2) in paragraph (2) by striking “or the Veterans’ Administration, or the Social Security Administration;” and inserting “the Veterans’ Administration, the Social Security Administration, or the United States Patent and Trademark Organization;”.

Subtitle C—Miscellaneous Provisions

SEC. 141. REFERENCES.

Any reference in any other Federal law, Executive order, rule, regulation, or delegation of authority, or any document of or pertaining to a department, agency, or office from which a function is transferred by this title—

(1) to the head of such department, agency, or office is deemed to refer to the head of the department, agency, or office to which such function is transferred; or

(2) to such department, agency, or office is deemed to refer to the department, agency, or office to which such function is transferred.

SEC. 142. EXERCISE OF AUTHORITIES.

Except as otherwise provided by law, a Federal official to whom a function is transferred by this title may, for purposes of performing the function, exercise all authorities under any other provision of law that were available with respect to the performance of that function to the official responsible for the performance of the function immediately before the effective date of the transfer of the function under this title.

SEC. 143. SAVINGS PROVISIONS.

(a) **LEGAL DOCUMENTS.**—All orders, determinations, rules, regulations, permits, grants, loans, contracts, agreements, certificates, licenses, and privileges that—

(1) have been issued, made, granted, or allowed to become effective by the President, the Secretary of Commerce, any officer or employee of any office transferred by this title, or any other Government official, or by a court of competent jurisdiction, in the performance of any function that is transferred by this title, and

(2) are in effect on the effective date of such transfer (or become effective after such date pursuant to their terms as in effect on such effective date), shall continue in effect according to their terms until modified, terminated, superseded, set aside, or revoked in accordance with law by the President, any other authorized official, a court of competent jurisdiction, or operation of law.

(b) **PROCEEDINGS.**—This title shall not affect any proceedings or any application for any benefits, service, license, permit, certificate, or financial assistance pending on the effective date of this title before an office transferred by this title, but such proceedings and applications shall be continued. Orders shall be issued in such proceedings, appeals shall be taken therefrom, and payments shall be made pursuant to such orders, as if this title had not been enacted, and orders issued in any such proceeding shall continue in effect until modified, terminated, superseded, or revoked by a duly authorized official, by a court of competent jurisdiction, or by operation of law. Nothing in this subsection shall be considered to prohibit the discontinuance or modification of any such proceeding under the same terms and conditions and to the same extent that such proceeding could have been discontinued or modified if this title had not been enacted.

(c) **SUITS.**—This title shall not affect suits commenced before the effective date of this title, and in all such suits, proceedings shall be had, appeals taken, and judgments rendered in the same manner and with the same effect as if this title had not been enacted.

(d) **NONABATEMENT OF ACTIONS.**—No suit, action, or other proceeding commenced by or against the Department of Commerce or the Secretary of Commerce, or by or against any individual in the official capacity of such individual as an officer or employee of an office transferred by this title, shall abate by reason of the enactment of this title.

(e) **CONTINUANCE OF SUITS.**—If any Government officer in the official capacity of such officer is party to a suit with respect to a function of the officer, and under this title such function is transferred to any other officer or office, then such suit shall be continued with the other officer or the head of such other office, as applicable, substituted or added as a party.

(f) **ADMINISTRATIVE PROCEDURE AND JUDICIAL REVIEW.**—Except as otherwise provided by this title, any statutory requirements relating to notice, hearings, action upon the record, or administrative or judicial review that apply to any function transferred by this title shall apply to the exercise of such function by the head of the Federal agency, and other officers of the agency, to which such function is transferred by this title.

SEC. 144. TRANSFER OF ASSETS.

Except as otherwise provided in this title, so much of the personnel, property, records, and unexpended balances of appropriations, allocations, and other funds employed, used, held, available, or to be made available in connection with a function transferred to an official or agency by this title shall be available to the official or the head of that agency, respectively, at such time or times as the Director of the Office of Management and Budget directs for use in connection with the functions transferred.

SEC. 145. DELEGATION AND ASSIGNMENT.

(a) **IN GENERAL.**—Except as otherwise expressly prohibited by law or otherwise provided in this title, an official to whom functions are transferred under this title (including the head of any office to which functions are transferred under this title) may—

(1) delegate any of the functions so transferred to such officers and employees of the office of the official as the official may designate; and

(2) authorize successive redelegations of such functions as may be necessary or appropriate.

(b) RESPONSIBILITY FOR ADMINISTRATION.—No delegation of functions under this section or under any other provision of this title shall relieve the official to whom a function is transferred under this title of responsibility for the administration of the function.

SEC. 146. AUTHORITY OF DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET WITH RESPECT TO FUNCTIONS TRANSFERRED.

(a) DETERMINATIONS.—If necessary, the Director of the Office of Management and Budget shall make any determination of the functions that are transferred under this title.

(b) INCIDENTAL TRANSFERS.—The Director of the Office of Management and Budget, at such time or times as the Director shall provide, may make such determinations as may be necessary with regard to the functions transferred by this title, and to make such additional incidental dispositions of personnel, assets, liabilities, grants, contracts, property, records, and unexpended balances of appropriations, authorizations, allocations, and other funds held, used, arising from, available to, or to be made available in connection with such functions, as may be necessary to carry out the provisions of this title.

(c) TERMINATION OF AFFAIRS.—The Director shall provide for the termination of the affairs of all entities terminated by this title and for such further measures and dispositions as may be necessary to effectuate the purposes of this title.

SEC. 147. CERTAIN VESTING OF FUNCTIONS CONSIDERED TRANSFERS.

For purposes of this title, the vesting of a function in a department, agency, or office pursuant to reestablishment of an office shall be considered to be the transfer of the function.

SEC. 148. AVAILABILITY OF EXISTING FUNDS.

Existing appropriations and funds available for the performance of functions, programs, and activities terminated pursuant to this title shall remain available, for the duration of their period of availability, for necessary expenses in connection with the termination and resolution of such functions, programs, and activities.

SEC. 149. DEFINITIONS.

For purposes of this title—

(1) the term “function” includes any duty, obligation, power, authority, responsibility, right, privilege, activity, or program; and

(2) the term “office” includes any office, administration, agency, bureau, institute, council, unit, organizational entity, or component thereof.

TITLE II—EARLY PUBLICATION OF PATENT APPLICATIONS

SEC. 201. SHORT TITLE.

This title may be cited as the “Patent Application Publication Act of 1997”.

SEC. 202. EARLY PUBLICATION.

Section 122 of title 35, United States Code, is amended to read as follows:

“§122. Confidential status of applications; publication of patent applications

“(a) CONFIDENTIALITY.—Except as provided in subsection (b), applications for patents shall be kept in confidence by the Patent Office and no information concerning the same given without authority of the applicant or owner unless necessary to carry out the provisions of an Act of Congress or in such special circumstances as may be determined by the Commissioner.

“(b) PUBLICATION.—

“(1) IN GENERAL.—(A) Subject to paragraph (2), each application for patent, except applications for design patents filed under chapter 16 of this title and provisional applications filed under section 111(b) of this title, shall be published, in accordance with procedures determined by the Commissioner, as soon as possible after the expiration of a period of 18 months from the earliest filing date for which a benefit is sought under this title. At the request of the applicant, an application may be published earlier than the end of such 18-month period.

“(B) No information concerning published patent applications shall be made available to the public except as the Commissioner determines.

“(C) Notwithstanding any other provision of law, a determination by the Commissioner to release or not to release information concerning a published patent application shall be final and nonreviewable.

“(2) EXCEPTIONS.—(A) An application that is no longer pending shall not be published.

“(B) An application that is subject to a secrecy order pursuant to section 181 of this title shall not be published.

“(C)(i) Where an applicant makes a request upon filing, certifying that the invention disclosed in the application has not and will not be the subject of an application filed in a foreign country, the application shall not be published as provided in paragraph (1).

“(ii) An applicant may rescind a request made under clause (i) at any time. An applicant has a duty to notify the Director within 1 month of filing an application in a foreign country.

“(iii) Where an applicant rescinds a request made under clause (i) or notifies the Director that an application was filed in a foreign country, the application shall be published in accordance with the provisions of paragraph (1).

“(c) PRE-ISSUANCE OPPOSITION.—The provisions of this section shall not operate to create any new opportunity for pre-issuance opposition. The Commissioner may establish appropriate procedures to ensure that this section does not create any new opportunity for pre-issuance opposition that did not exist prior to the adoption of this section.

“(d) STUDY.—

“(1) IN GENERAL.—The General Accounting Office shall conduct a 3-year study of the applicants who file only in the United States after the effective date of this title.

“(2) CONTENTS.—The study conducted under paragraph (1) shall—

“(A) consider the number of such applicants in relation to the number of applicants who file in the United States and outside the United States;

“(B) examine how many domestic-only filers request at the time of filing not to be published;

“(C) examine how many such filers rescind that request or later choose to file abroad; and

“(D) examine the manner of entity seeking an application and any correlation that may exist between such manner and publication of patent applications.”

SEC. 203. TIME FOR CLAIMING BENEFIT OF EARLIER FILING DATE.

(a) IN A FOREIGN COUNTRY.—Section 119(b) of title 35, United States Code, is amended to read as follows:

“(b)(1) No application for patent shall be entitled to this right of priority unless a claim, identifying the foreign application by specifying its application number, country, and the day, month, and year of its filing, is filed in the Patent Office at such time during the pendency of the application as required by the Commissioner.

“(2) The Commissioner may consider the failure of the applicant to file a timely claim for priority as a waiver of any such claim. The Commissioner may establish procedures, including the payment of a surcharge, to accept an unintentionally delayed claim under this section.

“(3) The Commissioner may require a certified copy of the original foreign application, specification, and drawings upon which it is based, a translation if not in the English language, and such other information as the Commissioner considers necessary. Any such certification shall be made by the foreign intellectual property authority in which the foreign application was filed and show the date of the application and of the filing of the specification and other papers.”

(b) IN THE UNITED STATES.—Section 120 of title 35, United States Code, is amended by adding at the end the following: “The Commissioner may determine the time period during the pendency of the application within which an amendment containing the specific reference to the earlier filed application is submitted. The Commissioner may consider the failure to submit such an amendment within that time period as a waiver of any benefit under this section. The Commissioner may establish procedures, including the payment of a surcharge, to accept unavoidably late submissions of amendments under this section.”

SEC. 204. PROVISIONAL RIGHTS.

Section 154 of title 35, United States Code, is amended—

(1) in the section caption by inserting “; **provisional rights**” after “**patent**”; and

(2) by adding at the end the following new subsection:

“(d) PROVISIONAL RIGHTS.—

“(1) IN GENERAL.—In addition to other rights provided by this section, a patent shall include the right to obtain a reasonable royalty from any person who, during the period beginning on the date of publication of the application for such patent pursuant to section 122(b) of this title, or in the case of an international application filed under the treaty defined in section 351(a) of this title designating the United States under Article 21(2)(a) of such treaty, the date of publication of the application, and ending on the date the patent is issued—

“(A)(i) makes, uses, offers for sale, or sells in the United States the invention as claimed in the published patent application or imports such an invention into the United States; or

“(ii) if the invention as claimed in the published patent application is a process, uses, offers for sale, or sells in the United States or imports into the United States products made by that process as claimed in the published patent application; and

“(B) had actual notice of the published patent application, and where the right arising under this paragraph is based upon an international application designating the United States that is published in a language other than English, a translation of the international application into the English language.

“(2) RIGHT BASED ON SUBSTANTIALLY IDENTICAL INVENTIONS.—The right under paragraph (1) to obtain a reasonable royalty shall not be available under this subsection unless the invention as claimed in the patent is substantially identical to the invention as claimed in the published patent application.

“(3) TIME LIMITATION ON OBTAINING A REASONABLE ROYALTY.—The right under paragraph (1) to obtain a reasonable royalty shall be available only in an action brought not later than 6 years after the patent is issued. The right under paragraph (1) to obtain a reasonable royalty shall not be affected by the duration of the period described in paragraph (1).

“(4) REQUIREMENTS FOR INTERNATIONAL APPLICATIONS.—

“(A) EFFECTIVE DATE.—The right under paragraph (1) to obtain a reasonable royalty based upon the publication under the treaty of an international application designating the United States shall commence from the date that the Patent Office receives a copy of the publication under the treaty defined in section 351(a) of this title of the international application, or, if the publication under the treaty of the international application is in a language other than English, from the date that the Patent Office receives a translation of the international application in the English language.

“(B) COPIES.—The Commissioner may require the applicant to provide a copy of the international application and a translation thereof.

(5) ISSUANCE OF PATENTS ON INDIVIDUAL CLAIMS.—Where the Director in a notification to the applicant under section 132 of this title indicates that one or more claims of a published application are allowable, the applicant may request the issuance of a patent incorporating those claims. The applicant may continue prosecution of the remaining claims as provided in chapter 12 of this title. Any subsequently allowed claims may be incorporated into the patent. The Director may establish appropriate fees to cover the costs of incorporating any additional claims into the patent.”.

SEC. 205. PRIOR ART EFFECT OF PUBLISHED APPLICATIONS.

Section 102(e) of title 35, United States Code, is amended to read as follows:

“(e) the invention was described in—

“(1)(A) an application for patent, published pursuant to section 122(b) of this title, by another filed in the United States before the invention by the applicant for patent, except that an international application filed under the treaty defined in section 351(a) of this title shall have the effect under this subsection of a national application published under section 122(b) of this title only if the international application designating the United States was published under Article 21(2)(a) of such treaty in the English language, or

“(B) a patent granted on an application for patent by another filed in the United States before the invention by the applicant for patent, or”.

SEC. 206. COST RECOVERY FOR PUBLICATION.

The Commissioner shall recover the cost of early publication required by the amendment made by section 202 by adjusting the filing, issue, and maintenance fees under title 35, United States Code, by charging a separate publication fee, or by any combination of these methods.

SEC. 207. CONFORMING CHANGES.

The following provisions of title 35, United States Code, are amended:

- (1) Section 11 is amended in paragraph 1 of subsection (a) by inserting “and published applications for patents” after “Patents”.
- (2) Section 12 is amended—
 - (A) in the section caption by inserting “**and applications**” after “**patents**”; and
 - (B) by inserting “and published applications for patents” after “patents”.
- (3) Section 13 is amended—
 - (A) in the section caption by inserting “**and applications**” after “**patents**”; and
 - (B) by inserting “and published applications for patents” after “patents”.
- (4) The items relating to sections 12 and 13 in the table of sections for chapter 1 are each amended by inserting “and applications” after “patents”.
- (5) The item relating to section 122 in the table of sections for chapter 11 is amended by inserting “; publication of patent applications” after “applications”.
- (6) The item relating to section 154 in the table of sections for chapter 14 is amended by inserting “; provisional rights” after “patent”.
- (7) Section 181 is amended—
 - (A) in the first undesignated paragraph—
 - (i) by inserting “by the publication of an application or” after “disclosure”; and
 - (ii) “the publication of the application or” after “withhold”;
 - (B) in the second undesignated paragraph by inserting “by the publication of an application or” after “disclosure of an invention”;
 - (C) in the third undesignated paragraph—
 - (i) by inserting “by the publication of the application or” after “disclosure of the invention”; and
 - (ii) “the publication of the application or” after “withhold”; and
 - (D) in the fourth undesignated paragraph by inserting “the publication of an application or” after “and” in the first sentence.
- (8) Section 252 is amended in the first undesignated paragraph by inserting “substantially” before “identical” each place it appears.
- (9) Section 284 is amended by adding at the end of the second undesignated paragraph the following: “Increased damages under this paragraph shall not apply to provisional rights under section 154(d) of this title.”.
- (10) Section 374 is amended to read as follows:

“§374. Publication of international application: Effect

“The publication under the treaty, defined in section 351(a) of this title, of an international application designating the United States shall confer the same rights and shall have the same effect under this title as an application for patent published under section 122(b), except as provided in sections 102(e) and 154(d) of this title.”.

SEC. 208. LAST DAY OF PENDENCY OF PROVISIONAL APPLICATION.

Section 119(e) of title 35, United States Code, is amended by adding at the end the following:

“(3) If the day that is 12 months after the filing date of a provisional application falls on a Saturday, Sunday, or legal holiday as defined in rule 6(a) of the Federal Rules of Civil Procedure, the period of pendency of the provisional application shall be extended to the next succeeding business day.”.

SEC. 209. EFFECTIVE DATE.

(a) SECTIONS 202 THROUGH 207.—Sections 202 through 207, and the amendments made by such sections, shall take effect on the date that is 1 year after the date of enactment of this Act and shall apply to all applications filed under section 111 of title 35, United States Code, on or after that date, and all applications complying with section 371 of title 35, United States Code, that resulted from international applications filed on or after that date. The amendment made by section 204 shall also apply to international applications designating the United States that are filed on or after the date that is 1 year after the date of enactment of this Act.

(b) SECTION 208.—The amendments made by section 208 shall take effect on the date of the enactment of this Act and, except for a design patent application filed under chapter 16 of title 35, United States Code, shall apply to any application filed on or after June 8, 1995.

TITLE III—PATENT TERM RESTORATION

SEC. 301. PATENT TERM RESTORATION AUTHORITY.

Section 154(b) of title 35, United States Code, is amended to read as follows:

“(b) ADJUSTMENT OF PATENT TERM.—

“(1) BASIS FOR PATENT TERM RESTORATION.—

“(A) DELAY.—Subject to the limitations under paragraph (2), if the issue of an original patent is delayed due to—

“(i) a proceeding under section 135(a) of this title;

“(ii) the imposition of an order pursuant to section 181 of this title;

“(iii) appellate review by the Board of Patent Appeals and Interferences or by a Federal court where the patent was issued pursuant to a decision in the review reversing an adverse determination of patentability; or

“(iv) an unusual administrative delay by the Patent Office in issuing the patent,

the term of the patent shall be adjusted for the period of delay.

“(B) ADMINISTRATIVE DELAY.—For purposes of subparagraph (A)(iv), an unusual administrative delay by the Patent Office is the failure to—

“(i) make a notification of the rejection of any claim for a patent or any objection or argument under section 132 of this title or give or mail a written notice of allowance under section 151 of this title not later than 14 months after the date on which the application was filed;

“(ii) respond to a reply under section 132 of this title or to an appeal taken under section 134 of this title not later than 4 months after the date on which the reply was filed or the appeal was taken;

“(iii) act on an application not later than 4 months after the date of a decision by the Board of Patent Appeals and Interferences under section 134 or 135 of this title or a decision by a Federal court under section 141, 145, or 146 of this title where allowable claims remain in an application;

“(iv) issue a patent not later than 4 months after the date on which the issue fee was paid under section 151 of this title and all outstanding requirements were satisfied; or

“(v) issue a patent within 3 years after the actual filing date of the application in the United States, if the applicant—

“(I) has not obtained further limited examination of the application under section 132(b) of this title;

“(II) has not benefited from an adjustment of patent term under clause (i), (ii), or (iii) or paragraph (1)(A);

“(III) has not sought or obtained appellate review by the Board of Patent Appeals and Interferences or by a Federal court other than in a case in which the patent was issued pursuant to a decision in the review reversing an adverse determination of patentability; and

“(IV) has not requested any delay in the processing of the application by the Patent Office.

“(2) LIMITATIONS.—

“(A) IN GENERAL.—The total duration of any adjustments granted pursuant to either subclause (iii) or (iv) of paragraph (1)(A) or both such subclauses shall not exceed 10 years. To the extent that periods of delay attributable to grounds specified in paragraph (1) overlap, the period of any adjustment granted under this subsection shall not exceed the actual number of days the issuance of the patent was delayed.

“(B) REDUCTION OF ADJUSTMENT.—The period of adjustment of the term of a patent under this subsection shall be reduced by a period equal to the time in which the applicant failed to engage in reasonable efforts to conclude prosecution of the application. The Commissioner shall prescribe regulations establishing the circumstances that constitute a failure of an applicant to engage in reasonable efforts to conclude processing or examination of an application.

“(C) DISCLAIMED TERM.—No patent the term of which has been disclaimed beyond a specified date may be adjusted under this section beyond the expiration date specified in the disclaimer.

“(D) APPLICANT DELAY.—The period of adjustment of the term of a patent under clause (iv) of paragraph (1)(A), which is based on the failure of the Patent Office to meet the criteria set forth in clause (v) of paragraph (1)(B),

shall be reduced by the cumulative total of any periods of time that an applicant takes to respond in excess of 3 months after the date on which the Patent Office makes any rejection, objection, argument, or other request, except that the Commissioner, upon petition from the applicant in the case of a nonprofit research laboratory or nonprofit entity such as a university, research center, or hospital, shall reinstate all or part of such time upon a showing of good cause by the applicant, but in no case more than 3 additional months for each such response beyond 3 months.

“(3) PROCEDURES.—The Commissioner shall prescribe regulations establishing procedures for the notification of patent term extensions under this subsection and procedures for contesting patent term extensions under this subsection.

“(4) NOTICE TO COMMISSIONER.—In a case in which a patent term is adjusted under this subsection, the Commissioner shall determine the period of any patent term adjustment available under this section and shall include a copy of that determination with the final notice. The Commissioner shall prescribe regulations establishing procedures for the application for, and notification of, patent term adjustments granted by the Commissioner under this subsection.

“(5) JUDICIAL REVIEW.—Any applicant dissatisfied with a determination of the Commissioner under paragraph (3) may have remedy by civil action in the United States Court of Federal Claims if commenced within 180 days after the mailing of the notice of allowance as the Commissioner appoints. The initiation of a civil action under this section shall not delay the issuance of a patent.”

SEC. 302. FURTHER EXAMINATION OF PATENT APPLICATIONS.

Section 132 of title 35, United States Code, is amended—

(1) in the first sentence by striking “Whenever” and inserting “(a) Whenever”; and

(2) by adding at the end the following:

“(b) The Commissioner shall prescribe regulations to provide for the further limited reexamination of applications for patent at the request of the applicant. The Commissioner may establish appropriate fees for such further limited examination and shall be authorized to provide a 50 percent reduction on such fees for small entities that qualify for reduced fees under section 41(h)(1) of this title.”

SEC. 303. TECHNICAL CLARIFICATION.

Section 156(a) of title 35, United States Code, is amended—

(1) in the matter preceding paragraph (1) by inserting “, which shall include any patent term adjustment granted under section 154(b),” after “the original expiration date of the patent”.

SEC. 304. EFFECTIVE DATE.

The amendments made by section 301 shall take effect on the date of the enactment of this Act and, except for a design patent application filed under chapter 16 of title 35, United States Code, shall apply to any application filed on or after June 8, 1995.

TITLE IV—PRIOR DOMESTIC COMMERCIAL USE

SEC. 401. SHORT TITLE.

This title may be cited as the “Prior Domestic Commercial Use Act of 1997”.

SEC. 402. DEFENSE TO PATENT INFRINGEMENT BASED ON PRIOR DOMESTIC COMMERCIAL USE.

(a) DEFENSE.—Chapter 28 of title 35, United States Code, is amended by adding at the end the following new section:

“§273. Prior domestic commercial use; defense to infringement

“(a) DEFINITIONS.—For purposes of this section—

“(1) the terms ‘commercially used’, ‘commercially use’, and ‘commercial use’—
“(A) mean the use in the United States in commerce, use by the United States, or the use in the design, testing, or production in the United States of a product or service which is used in commerce or used by the United States, whether or not the subject matter at issue is accessible to or otherwise known to the public; and

“(B) includes in the case of activities performed by a nonprofit research laboratory, or nonprofit entity such as a university, research center, or hospital, a use for which the public is the intended beneficiary shall be considered to be a use described in subparagraph (A) except that the use—

“(i) may be asserted as a defense under this section only for continued use by and in the laboratory or nonprofit entity; and

“(ii) may not be asserted as a defense with respect to any subsequent commercialization or use outside such laboratory or nonprofit entity;

“(2) the terms ‘used in commerce’, and ‘use in commerce’ mean that there has been an actual arms-length sale or other commercial transfer, or use by the United States, of the subject matter at issue or that there has been an actual arms-length sale or other commercial transfer, or use by the United States, of a product or service resulting from the use of the subject matter at issue; and

“(3) the ‘effective filing date’ of a patent is the earlier of the actual filing date of the application for the patent or the filing date of any earlier United States, foreign, or international application to which the subject matter at issue is entitled under section 119, 120, or 365 of this title.

“(b) DEFENSE TO INFRINGEMENT.—

“(1) IN GENERAL.—A person shall not be liable as an infringer under section 271 of this title, nor shall the United States be held liable under section 1498(a) of title 28, with respect to any subject matter that would otherwise infringe one or more claims in the patent being asserted against such person, if such person had, acting in good faith, commercially used the subject matter before the effective filing date of such patent.

“(2) EXHAUSTION OF RIGHT.—The sale or other disposition of the subject matter of a patent by a person entitled to assert a defense under this section with respect to that subject matter shall exhaust the patent owner’s rights under the patent to the extent such rights would have been exhausted had such sale or other disposition been made by the patent owner.

“(c) LIMITATIONS AND QUALIFICATIONS OF DEFENSE.—The defense to infringement under this section is subject to the following:

“(1) DERIVATION.—A person may not assert the defense under this section if the subject matter on which the defense is based was derived from the patentee or persons in privity with the patentee.

“(2) NOT A GENERAL LICENSE.—The defense asserted by a person under this section is not a general license under all claims of the patent at issue, but extends only to the subject matter claimed in the patent with respect to which the person can assert a defense under this chapter, except that the defense shall also extend to variations in the quantity or volume of use of the claimed subject matter, and to improvements in the claimed subject matter that do not infringe additional specifically claimed subject matter of the patent.

“(3) EFFECTIVE AND SERIOUS PREPARATION.—With respect to subject matter that cannot be commercialized without a significant investment of time, money, and effort, a person shall be deemed to have commercially used the subject matter if—

“(A) before the effective filing date of the patent, the person reduced the subject matter to practice in the United States, completed a significant portion of the total investment necessary to commercially use the subject matter, and made an arms-length commercial transaction in the United States in connection with the preparation to use the subject matter; and

“(B) thereafter the person diligently completed the remainder of the activities and investments necessary to commercially use the subject matter, and promptly began commercial use of the subject matter, even if such activities were conducted after the effective filing date of the patent.

“(4) BURDEN OF PROOF.—A person asserting the defense under this section shall have the burden of establishing the defense.

“(5) ABANDONMENT OF USE.—A person who has abandoned commercial use of subject matter may not rely on activities performed before the date of such abandonment in establishing a defense under subsection (b) with respect to actions taken after the date of such abandonment.

“(6) PERSONAL DEFENSE.—The defense under this section may only be asserted by the person who performed the acts necessary to establish the defense and, except for any transfer to the patent owner, the right to assert the defense shall not be licensed or assigned or transferred to another person except in connection with the good faith assignment or transfer of the entire enterprise or line of business to which the defense relates.

“(7) ONE-YEAR LIMITATION.—A person may not assert a defense under this section unless the subject matter on which the defense is based had been commercially used or actually reduced to practice more than one year prior to the effective filing date of the patent by the person asserting the defense or someone in privity with that person.

“(d) UNSUCCESSFUL ASSERTION OF DEFENSE.—If the defense under this section is pleaded by a person who is found to infringe the patent and who subsequently fails to demonstrate a reasonable basis for asserting the defense, the court shall find the case exceptional for the purpose of awarding attorney’s fees under section 285 of this title.

“(e) INVALIDITY.—A patent shall not be deemed to be invalid under section 102 or 103 of this title solely because a defense is established under this section.”.

(b) CONFORMING AMENDMENT.—The table of sections at the beginning of chapter 28 of title 35, United States Code, is amended by adding at the end the following new item:

“Sec. 273. Prior domestic commercial use; defense to infringement.”.

SEC. 403. EFFECTIVE DATE AND APPLICABILITY.

This title and the amendments made by this title shall take effect on the date of the enactment of this Act, but shall not apply to any action for infringement that is pending on such date of enactment or with respect to any subject matter for which an adjudication of infringement, including a consent judgment, has been made before such date of enactment.

TITLE V—PATENT REEXAMINATION REFORM

SEC. 501. SHORT TITLE.

This title may be cited as the “Patent Reexamination Reform Act of 1997”.

SEC. 502. DEFINITIONS.

Section 100 of title 35, United States Code, is amended by adding at the end the following new subsection:

“(e) The term “third-party requester” means a person requesting reexamination under section 302 of this title who is not the patent owner.”.

SEC. 503. REEXAMINATION PROCEDURES.

(a) REQUEST FOR REEXAMINATION.—Section 302 of title 35, United States Code, is amended to read as follows:

“§ 302. Request for reexamination

“(a) IN GENERAL.—Any person at any time may file a request for reexamination by the Office of a patent on the basis of any prior art cited under the provisions of section 301 of this title.

“(b) REQUIREMENTS.—The request shall—

“(1) be in writing, include the identity of the real party in interest, and be accompanied by payment of a reexamination fee established by the Commissioner of Patents pursuant to the provisions of section 41 of this title; and

“(2) set forth the pertinency and manner of applying cited prior art to every claim for which reexamination is requested.

“(c) COPY.—Unless the requesting person is the owner of the patent, the Commissioner promptly shall send a copy of the request to the owner of record of the patent.”.

(b) DETERMINATION OF ISSUE BY COMMISSIONER.—Section 303 of title 35, United States Code, is amended to read as follows:

“§ 303. Determination of issue by Commissioner

“(a) REEXAMINATION.—Not later than 3 months after the filing of a request for reexamination under the provisions of section 302 of this title, the Commissioner shall determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request, with or without consideration of other patents or printed publications. On the Commissioner’s initiative, and any time, the Commissioner may determine whether a substantial new question of patentability is raised by patents and publications.

“(b) RECORD.—A record of the Commissioner’s determination under subsection (a) shall be placed in the official file of the patent, and a copy shall be promptly given or mailed to the owner of record of the patent and to the third-party requester, if any.

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

(c) REEXAMINATION ORDER BY COMMISSIONER.—Section 304 of title 35, United States Code, is amended to read as follows:

“§ 304. Reexamination order by Commissioner

“If, in a determination made under the provisions of section 303(a) of this title, the Commissioner finds that a substantial new question of patentability affecting a claim of a patent is raised, the determination shall include an order for reexamination of the patent for resolution of the question. The order may be accompanied by the initial action of the Patent Office on the merits of the reexamination conducted in accordance with section 305 of this title.”

(d) CONDUCT OF REEXAMINATION PROCEEDINGS.—Section 305 of title 35, United States Code, is amended to read as follows:

“§ 305. Conduct of reexamination proceedings

“(a) IN GENERAL.—Subject to subsection (b), reexamination shall be conducted according to the procedures established for initial examination under the provisions of sections 132 and 133 of this title. In any reexamination proceeding under this chapter, the patent owner shall be permitted to propose any amendment to the patent and a new claim or claims, except that no proposed amended or new claim enlarging the scope of the claims of the patent shall be permitted.

“(b) RESPONSE.—(1) This subsection shall apply to any reexamination proceeding in which the order for reexamination is based upon a request by a third-party requester.

“(2) With the exception of the reexamination request, any document filed by either the patent owner or the third-party requester shall be served on the other party.

“(3) If the patent owner files a response to any Patent Office action on the merits, the third-party requester shall have 1 opportunity to file written comments within a reasonable period not less than 1 month after the date of service of the patent owner’s response. Written comments provided under this paragraph shall be limited to issues covered by the Patent Office action or the patent owner’s response.

“(c) SPECIAL DISPATCH.—Unless otherwise provided by the Commissioner for good cause, all reexamination proceedings under this section, including any appeal to the Board of Patent Appeals and Interferences, shall be conducted with special dispatch within the Office.”

(e) APPEAL.—Section 306 of title 35, United States Code, is amended to read as follows:

§ 306. Appeal

“(a) PATENT OWNER.—The patent owner involved in a reexamination proceeding under this chapter—

“(1) may appeal under the provisions of section 134 of this title, and may appeal under the provisions of sections 141 through 144 of this title, with respect to any decision adverse to the patentability of any original or proposed amended or new claim of the patent, and

“(2) may be a party to any appeal taken by a third-party requester pursuant to subsection (b) of this section.

“(b) THIRD-PARTY REQUESTER.—A third-party requester may—

“(1) appeal under the provisions of section 134 of this title, and may appeal under the provisions of sections 141 through 144 of this title, with respect to any final decision favorable to the patentability of any original or proposed amended or new claim of the patent; or

“(2) be a party to any appeal taken by the patent owner, subject to subsection (c) of this section.

“(c) PARTICIPATION AS PARTY—

“(1) IN GENERAL.—A third-party requester whose request for a reexamination results in an order under section 304 of this title is estopped from asserting at a later time, in any civil action arising in whole or in part under section 1338 of title 28, the invalidity of any claim determined to be patentable on appeal on any ground which the third-party requester raised or could have raised during the reexamination proceedings. This subsection does not prevent the assertion of invalidity based on newly discovered prior art unavailable to the third-party requester and the Patent Office at the time of the reexamination proceedings.

“(2) ELECTION TO PARTICIPATE.—A third-party requester is deemed not to have participated as a party to an appeal by the patent owner unless, not later than 20 days after the patent owner has filed notice of appeal, the third-party requester files notice with the Commissioner electing to participate.”

(f) REEXAMINATION PROHIBITED.—

(1) IN GENERAL.—Chapter 30 of title 35, United States Code, is amended by adding at the end the following new section:

“§ 308. Reexamination prohibited

“(a) ORDER FOR REEXAMINATION.—Notwithstanding any provision of this chapter, once an order for reexamination of a patent has been issued under section 304 of this title, neither the patent owner nor the third-party requester, if any, nor privies of either, may file a subsequent request for reexamination of the patent until a reexamination certificate is issued and published under section 307 of this title, unless authorized by the Commissioner.

“(b) FINAL DECISION.—Once a final decision has been entered against a party in a civil action arising in whole or in part under section 1338 of title 28 that the party has not sustained its burden of proving the invalidity of any patent claim in suit or if a final decision in a reexamination proceeding instituted by a third-party requester is favorable to a patentability of any original or proposed amended as new claim of the patent and such decision is not appealed by the third-party requester under section 306(b), then neither that party nor its privies may thereafter request reexamination of any such patent claim on the basis of issues which that party or its privies raised or could have raised in such civil action or reexamination proceeding, and a reexamination requested by that party or its privies on the basis of such issues may not thereafter be maintained by the Office, notwithstanding any other provision of this chapter. This subsection does not prevent the assertion of invalidity based on newly discovered prior art unavailable to the third-party requester and the Patent Office at the time of the reexamination proceedings.”

(2) TECHNICAL AND CONFORMING AMENDMENT.—The table of sections for chapter 30 of title 35, United States Code, is amended by adding at the end the following:

“308. Reexamination prohibited.”

SEC. 504. CONFORMING AMENDMENTS.

(a) PATENT FEES; PATENT SEARCH SYSTEMS.—Section 41(a)(7) of title 35, United States Code, is amended to read as follows:

“(7) On filing each petition for the revival of an unintentionally abandoned application for a patent, for the unintentionally delayed payment of the fee for issuing each patent, or for an unintentionally delayed response by the patent owner in a reexamination proceeding, \$1,250, unless the petition is filed under sections 133 or 151 of this title, in which case the fee shall be \$110.”

(b) APPEAL TO THE BOARD OF PATENT APPEALS AND INTERFERENCES.—Section 134 of title 35, United States Code, is amended to read as follows:

“§ 134. Appeal to the Board of Patent Appeals and Interferences

“(a) PATENT APPLICANT.—An applicant for a patent, any of whose claims has been twice rejected, may appeal from the decision of the primary examiner to the Board of Patent Appeals and Interferences, having once paid the fee for such appeal.

“(b) PATENT OWNER.—A patent owner in a reexamination proceeding may appeal from the final rejection of any claim by the primary examiner to the Board of Patent Appeals and Interferences, having once paid the fee for such appeal.

“(c) THIRD-PARTY.—A third-party requester may appeal to the Board of Patent Appeals and Interferences from the final decision of the primary examiner favorable to the patentability of any original or proposed amended or new claim of a patent, having once paid the fee for such appeal.”

(d) APPEAL TO COURT OF APPEALS FOR THE FEDERAL CIRCUIT.—Section 141 of title 35, United States Code, is amended by amending the first sentence to read as follows: “An applicant, a patent owner, or a third-party requester, dissatisfied with the final decision in an appeal to the Board of Patent Appeals and Interferences under section 134 of this title, may appeal the decision to the United States Court of Appeals for the Federal Circuit.”

(e) PROCEEDINGS ON APPEAL.—Section 143 of title 35, United States Code, is amended by amending the third sentence to read as follows: “In ex parte and reexamination cases, the Commissioner shall submit to the court in writing the grounds for the decision of the Patent Office, addressing all the issues involved in the appeal.”

(f) CIVIL ACTION TO OBTAIN PATENT.—Section 145 of title 35, United States Code, is amended in the first sentence by inserting “(a)” after “section 134”.

SEC. 505. REPORT TO CONGRESS.

Not later than 5 years after the effective date of this title, the Director shall submit to the Congress a report evaluating whether the reexamination proceedings established under the amendments made by this title are inequitable to any of the parties in interest and, if so, the report shall contain recommendations for changes to the amendments made by this title to remove such inequity.

SEC. 506. EFFECTIVE DATE.

This title and the amendments made by this title shall take effect on the date that is 1 year after the date of the enactment of this Act and shall apply to all reexamination requests filed on or after such date.

TITLE VI—MISCELLANEOUS PATENT PROVISIONS**SEC. 601. PROVISIONAL APPLICATIONS.**

(a) ABANDONMENT.—Section 111(b)(5) of title 35, United States Code, is amended to read as follows:

“(5) ABANDONMENT.—Notwithstanding the absence of a claim, upon timely request and as prescribed by the Commissioner, a provisional application may be treated as an application filed under subsection (a). Subject to section 1993(c)(3) of this title, if no such request is made, the provisional application shall be regarded as abandoned 12 months after the filing date of such application and shall not be subject to revival thereafter.”.

(b) TECHNICAL AMENDMENT RELATING TO WEEKENDS AND HOLIDAYS.—Section 119(e) of title 35, United States Code, is amended by adding at the end the following:

“(3) If the day that is 12 months after the filing date of a provisional application falls on a Saturday, Sunday, or Federal holiday within the District of Columbia, the period of pendency of the provisional application shall be extended to the next succeeding secular or business day.”.

(c) EFFECTIVE DATE.—The amendments made by subsection (a) apply to a provisional application filed on or after June 8, 1995.

SEC. 602. INTERNATIONAL APPLICATIONS.

Section 119 of title 35, United States Code, is amended as follows:

(1) In subsection (a), insert “or in a WTO member country” after “or to citizens of the United States.”.

(2) At the end of section 119 add the following new subsections:

“(f) Applications for plant breeder’s rights filed in a WTO member country (or in a foreign UPOV Contracting Party) shall have the same effect for the purpose of the right of priority under subsections (a) through (c) of this section as applications for patents, subject to the same conditions and requirements of this section as apply to applications for patents.

“(g) As used in this section—

“(1) the term ‘WTO member country’ has the same meaning as the term is defined in section 104(b)(2) of this title; and

“(2) the term ‘UPOV Contracting Party’ means a member of the International Convention for the Protection of New Varieties of Plants.”.

SEC. 603. ACCESS TO ELECTRONIC PATENT INFORMATION.

(a) IN GENERAL.—The United States Patent and Trademark Organization shall develop and implement statewide computer networks with remote library sites in requesting rural States such that citizens in those States will have enhanced access to information in their State’s patent and trademark depository library.

(b) DEFINITION.—In this section, the term “rural States” means the States that qualified on January 1, 1997, as rural States under section 1501(b) of the Omnibus Crime Control and Safe Streets Act of 1968 (42 U.S.C. 379bb(b)).

SEC. 604. CERTAIN LIMITATIONS ON DAMAGES FOR PATENT INFRINGEMENT NOT APPLICABLE.

Section 287(c) of title 35, United States Code, is amended in paragraph (4) by striking “before the date of enactment of this subsection” and inserting “based on an application the earliest effective filing date of which is prior to September 30, 1996”.

SEC. 605. PLANT PATENTS.

(a) TUBER PROPAGATED PLANTS.—Section 161 of title 35, United States Code, is amended by striking “a tuber propagated plant or”.

(b) RIGHTS IN PLANT PATENTS.—The text of section 163 of title 35, United States Code, is amended to read as follows: “In the case of a plant patent, the grant to the patentee, such patentee’s heirs or assigns, shall have the right to exclude others from asexually reproducing the plant, and from using, offering for sale, or selling the plant so reproduced, or any of its parts, throughout the United States, or from importing the plant so reproduced, or any parts thereof, into the United States.”.

(c) EFFECTIVE DATE.—The amendments by subsection (a) shall apply on the date of enactment of this Act. The amendments made by subsection (b) shall apply to any plant patent issued on or after the date of enactment of this Act.

SEC. 606. ELECTRONIC FILING.

Section 22 of title 35, United States Code, is amended by striking “printed or typewritten” and inserting “printed, typewritten, or on an electronic medium”.

SEC. 607. STUDY AND REPORT ON BIOLOGICAL DEPOSITS IN SUPPORT OF BIOTECHNOLOGY PATENTS.

(a) IN GENERAL.—No later than 6 months after the date of enactment of this Act, the General Accounting Office, in consultation with the United States Patent Office, shall conduct a study and submit a report to Congress on the potential risks to the United States biotechnology industry relating to biological deposits in support of biotechnology patents.

(b) CONTENTS.—The study conducted under this section shall include—

- (1) an examination of the risk of export and the risk of third-party transfer of biological deposits, and the risks posed by the change to 18-month publication requirements;
- (2) an analysis of comparative legal and regulatory regimes; and
- (3) any related recommendations.

(c) CONSIDERATION OF REPORT.—In drafting regulations affecting biological deposits (including any modification of 37 Code of Federal Regulations 1.801 et seq.), the United States Patent Office shall consider the recommendations of the study conducted under this section.

I. PURPOSE

The purposes of the bill are: (1) to make the Patent and Trademark Office (PTO) more efficient, (2) to increase the rate of invention, (3) to make sure that diligent applicants enjoy a full 17 years of patent term, (4) to provide protection for those who are ignorant of the patent system or who cannot afford to patent, (5) to reduce the cost of patent litigation, (6) to update plant patent protection, and (7) to make some miscellaneous and technical changes to the Patent Act.

II. LEGISLATIVE HISTORY

In the 104th Congress, Senator Hatch introduced the Omnibus Patent Act of 1996 (S. 1961), which provided for, among other things, the creation of an independent U.S. Intellectual Property Organization to provide for the centralized administration of our nation’s patent, trademark, and copyright laws, publication of patent applications, provisional rights during pendency, patent reexamination reform, restoration of lost patent term due to Patent and Trademark Office delay, establishment of a prior domestic user right as a defense to patent infringement, and other miscellaneous and technical amendments to the Patent Act. The Judiciary Committee held a hearing on S. 1961 on September 18, 1996. Subsequent to the Committee hearing, Chairman Hatch engaged in extensive negotiations with the Administration and members of Congress regarding the provisions of S. 1961, ultimately arriving at a draft upon which all agreed. Among the most significant changes in the revised draft of S. 1961 was the scaling back of title I—dealing with the U.S. Intellectual Property Organization—to leave the Copyright Office and its functions within the Library of Congress, and to create a strong policy link between the independent Patent and Trademark Organization and the Secretary of Commerce by making the Secretary responsible for directing patent and trademark policy. The 104th Congress ended, however, before there was

an opportunity for the Committee to vote on the compromise version of S. 1961.

In the 105th Congress, Senator Hatch reintroduced the compromise version of S. 1961 from the 104th Congress as the Omnibus Patent Act of 1997 (S. 507). A hearing was held by the Judiciary Committee on May 7, 1997. Bruce A. Lehman, Assistant Secretary of Commerce and Commissioner of Patents and Trademarks testified on behalf of the Administration. The Committee also heard testimony from Senator Frank R. Lautenberg, Representative Henry J. Hyde; Representative Howard Coble; Representative Dana Rohrabacher; Representative Marcy Kaptur; Michael K. Kirk, Executive Director of the American Intellectual Property Law Association; Eric J. Ruff, President and CEO of PowerQuest Corporation; Bill Parker, President of the Vermont Inventors Association; and Kimbley Muller, Vice President of the International Trademark Association.

Between the time of the hearing and the Committee vote on S. 507, Chairman Hatch again engaged in extensive negotiations, this time to address the concerns of independent inventors, small businesses, universities, the Administration, and other senators. These negotiations were successful and resulted in a substitute amendment that was cosponsored by Chairman Hatch and the Ranking Member, Senator Leahy. On May 22, 1997, the Judiciary Committee met in executive session to consider the bill. The Hatch-Leahy substitute amendment was offered. An amendment offered thereto by Senator Grassley, relating to limitations on damages for infringement of medical methods patents, was adopted by voice vote. The Hatch-Leahy substitute amendment was then adopted and S. 507, as amended, approved by a voice vote, with only Senator Thompson noting his opposition.

Title I—The Patent and Trademark Organization Act of 1997

The debate over where the authority to administer our nation's patent laws should be placed dates back to 1790, when the first patent law was enacted.¹ That law authorized the Secretary of State, the Secretary of War, and the Attorney General, or a combination of any two of them, to issue patents upon filing of an application with the Secretary of State. Administration of the patent law was vested in the Department of State, largely because of then Secretary of State Thomas Jefferson's interest in the patent system and his position as an original member of the board charged with granting patents.² That Act was repealed in 1793,³ and Congress instituted a registration plan whereby patents were automatically issued upon the filing of a sworn application certifying that the invention merited patent protection. The registration system would continue until 1836, when Congress established the Patent Office as a bureau of the Department of State and reinstated an examination-based system for the granting of patents.⁴ The Patent Office was later transferred to the Department of Interior upon its

¹ Act of April 10, 1790, ch. 7, 1 Stat. 109.

² See American Intellectual Property Law Association, Establishing the Patent and Trademark Office as a Government Corporation 1 (1992)[hereinafter AIPLA Report].

³ Act of Feb. 21, 1793, ch. 11, 1 Stat. 318.

⁴ Act of July 4, 1836, ch. 357, 5 Stat. 117.

creation in 1849.⁵ In 1870, the first federal trademark statute was enacted,⁶ and subsequent federal trademark laws were enacted in 1881,⁷ 1905,⁸ and 1920⁹ (although administration of these laws was not a significant function of the Patent Office). In 1925, the Patent Office was transferred by executive order to the Department of Commerce and Labor.¹⁰ In 1946, Congress enacted the Trademark Act of 1946 (the Lanham Act),¹¹ creating significant incentives for federal trademark registration that would lead to an increasingly important trademark component of the Patent Office's responsibilities. In 1975, the name of the Patent Office was changed to the Patent and Trademark Office to reflect the importance of its trademark related functions.¹²

For more than 100 years, the lack of a substantive link between the functions of the Patent Office (or the Patent and Trademark Office as it has come to be called in more recent years) and the Department in which it has been housed and the fact that the parent Departments have consistently exercised control over the budget and procedures of the Patent Office despite the independent nature of the work of the Office have been criticized as sources of the operational deficiencies so pervasive at the Patent and Trademark Office.¹³ Proposals to make the Patent and Trademark Office into an independent government agency date back to 1912, when a commission appointed by President Taft (Taft Commission), pursuant to a joint resolution of Congress requesting the President to ascertain what was necessary "to enable the Patent Office to discharge its duties in a thoroughly efficient and economical manner,"¹⁴ recommended independent agency status for the Patent Office.¹⁵ That recommendation was not adopted and, as referred to above, the Patent Office was relocated some 14 years later to the Department of Commerce. The call for the independence of the Patent Office continued, however, as evidenced by a report of the Senate Judiciary Committee Subcommittee on Patents, Trademarks, and Copyrights issued on March 9, 1959.¹⁶ That report concluded:

that the present subordination of the Patent Office to the Commerce Department is inconsistent with proper performance of the quasi-judicial functions involved in granting patents. When such a quasi-judicial agency is made

⁵ Act of Mar. 3, 1849, ch. 108, §2, 9 Stat. 395.

⁶ Act of July 8, 1870, ch. 230, §77, 16 Stat. 198, 210.

⁷ Act of Mar. 3, 1881, ch. 138, 21 Stat. 502.

⁸ Act of Feb. 20, 1905, ch. 592, 33 Stat. 724.

⁹ Act of Mar. 19, 1920, ch. 104, 41 Stat. 533.

¹⁰ Exec. Order No. 4175, R.S. 475 (March 17, 1925).

¹¹ Act of July 5, 1946, Public Law 79-489, 60 Stat. 427 (codified as amended at 15 U.S.C. 1051-1127 (1994)).

¹² Act of Jan. 2, 1975, Public Law 93-596, 1974 U.S.C.C.A.N. (88 Stat.) 1949.

¹³ See AIPLA Report, *supra* note 2, at 1.

¹⁴ S. Res. 236, 85th Cong., 2d sess. (1958) (enacted).

¹⁵ President's Commission on Economy and Efficiency, Investigation of the United States Patent Office, (1912) [hereinafter Taft Commission]. The report stated, in part, that "[a]s early as 1852 complaints were made by the commissioner that the Patent Office has no more logical connection with the department than it has with any other; that it suffers with all the inconveniences and embarrassments of such relation, but gains none of the advantages." *Id.* at 231-32. The report also stated: "But when the Patent Office shall have been moved into a building especially adapted to its needs, it is believed that every consideration of good administration and of the building up and improvement of the Patent Office to the highest state of efficiency will demand that it be made in fact an independent bureau, subject to the supervision of the President where any supervision is needed." *Id.* at 25.

¹⁶ S. Rept. 97, 86th Cong., 1st sess. (1959).

subordinate to an executive department it is inevitably handicapped. The Patent Office will also be handicapped in discharging its administrative responsibilities so long as Congress must rely upon the Secretary of Commerce, rather than on the Commissioner of Patents, to present proposals needed to remedy deficiencies in physical facilities and personnel.¹⁷

During the late 1950's, the Senate Judiciary Committee Subcommittee on Patents, Trademarks, and Copyrights commissioned several studies of the patent system.¹⁸ On April 12, 1957, during the 85th Congress, the Chairman of the Subcommittee, Senator O'Mahoney, introduced S. 1862, with Senator Wiley as a cosponsor, to create the Patent Office as an independent agency separate from the Department of Commerce. That legislation was referred to the Subcommittee on Reorganization of the Senate Committee on Government Operations, where it was approved as section 107(a) of the Science and Technology Act of 1958 (S. 3126). That bill was subsequently referred to the Special Committee on Space and Aeronautics, however, where it was not acted upon. Senator O'Mahoney obtained approval for a request that the original bill (S. 1862) be returned to the Judiciary Committee for consideration, but the 85th Congress adjourned before the bill could be returned.¹⁹

In 1961, the Commissioner of Patents, David L. Ladd, commissioned his own management study of the Patent Office.²⁰ The final report, released in 1962, made 179 specific recommendations regarding the internal management, organization, and administration of the Patent Office.²¹ Operational difficulties continued, however, and in 1963, Commissioner Ladd resigned "in part as a protest at the department's intrusion into internal affairs of the Patent Office."²² In 1966, a report was released by President Johnson's Commission on the Patent System which, among other things, recommended the establishment of a private-sector advisory counsel to evaluate and advise the Secretary of Commerce on the vitality of the patent system and its administration by the Patent Office.²³

In 1973, during the 93rd Congress, legislation (S. 1321) was again introduced to establish the Patent Office as an independent agency. No further action was taken on that legislation, however. In 1979, during the 96th Congress, Senator Bayh introduced, with Senator Danforth and Senator Nelson as cosponsors, S. 2079, the

¹⁷*Id.* at 4. The report went on to endorse the recommendation of the Taft Commission: The subcommittee staff concluded that the need for an independent patent office was established as long ago as 1912 when the President's Commission on Economy and Efficiency recommended that it should be moved into a building of its own and that it should be an independent bureau subject only to the supervision of the President where supervision is needed. This conclusion has been endorsed and reiterated whenever an official investigation of this matter has been made. . . . The subordination of the Patent Office to the executive branch of the Government was an historical accident which may have handicapped our technological progress in the past, and may continue to do so in the future unless the Patent Office is given the independent status that its importance deserves. *Id.*

¹⁸Senate Committee on the Judiciary Subcommittee on Patents, Trademarks, and Copyrights, Research Studies Nos. 1-30 (Comm. Print 1958-1963).

¹⁹See S. Rept. 97, 86th Cong., 1st sess. 4 (1959).

²⁰Senate Committee on the Judiciary Subcommittee on Patents, Trademarks, and Copyrights, 87th Cong., 2d sess., 1961-1962 Management Survey of the U.S. Patent Office (Comm. Print 1962).

²¹*Id.* at 1-11.

²²*Stacey v. Jones*, The Patent Office 173 (1971).

²³President's Comm'n on the Patent System, To Promote Progress of . . . Useful Arts in An Age of Exploding Technology 43 (1966) [hereinafter Johnson Commission Report].

Independent Patent and Trademark Office Act. Two days of joint hearings were held on January 24 and March 12, 1980, before the Senate Committees on the Judiciary and Governmental Affairs, where the Committees were informed that every Commissioner of Patents and Trademarks since 1933 supported creating an independent Patent and Trademark Office.²⁴ Former Commissioner Donald W. Banner recommended that the Patent and Trademark Office be made a separate agency, independent of the Department of Commerce, in order to avoid a situation in which the PTO would “soon be infected with an administrative dry rot condition, rendering it moribund.”²⁵ He went on to say that:

There is no question . . . but that the Patent and Trademark Office could respond more fully to the needs of the public and more efficiently and meaningfully to the requirements of the Congress by being a separate agency. The PTO has nothing to hide and would welcome close scrutiny by the Congress and by OMB. It would thrive in the bright sunshine of such scrutiny, out of the shadow of the Department of Commerce. The mission of the Patent and Trademark Office is clearly set by the statutes under which it performs. The Department of Commerce cannot and does not assist the PTO in carrying out its functions under those statutes in any way which cannot be better done by the PTO itself.²⁶

Although no further Action was taken on S. 2079 in the 96th Congress, the House Committee on the Judiciary reported legislation (H.R. 6933) favorably on September 9, 1980,²⁷ which would have established the Patent and Trademark Office as an independent agency. That legislation was sequentially referred to the House Committee on Government Operations, which held a hearing on the bill. The Committee reported the bill to the full Senate on September 23, 1980,²⁸ without the provision to make the Patent and Trademark Office independent of the Department of Commerce.

In 1985, the National Academy of Public Administration (NAPA)²⁹ issued a report that recommended consideration be given to converting the Patent and Trademark Office to a government

²⁴ David L. Ladd, William E. Schuyler, Jr., Edward J. Brenner, Robert Gottschalk, Marshall Dann, and Donald W. Banner, who served as Commissioners of Patent and Trademarks under Presidents Kennedy, Johnson, Nixon, Ford, and Carter, respectively, testified before the Committee. Mr. Gottschalk testified that former Commissioners Conway P. Coe and Robert C. Watson were unable to appear and asked that he express their support for the legislation. *Hearings on S. 2079 Before the Senate Committees on Governmental Affairs and the Judiciary*, 96th Cong., 2d sess., 39 (1980) [hereinafter *Hearings on S. 2079*] (testimony of Robert Gottschalk). Mr. Banner testified that three other deceased commissioners (Commissioners Ooms, Marzall, and Kingsland), had all supported previous proposals to establish the Patent and Trademark Office as an independent agency. *Id.* at 26 (testimony of Donald W. Banner). Thus, the Committees were informed that the every Commissioner since 1933 agreed that the Patent and Trademark Office should be an independent agency.

²⁵ *Id.* at 24–25 (testimony of Donald W. Banner).

²⁶ *Id.* at 26.

²⁷ H.R. Rept. 1307, 96th Cong., 2d sess., pt. I (1980).

²⁸ H.R. Rept. 1307, 96th Cong., 2d sess., pt. II (1980).

²⁹ The National Academy of Public Administration is a congressionally chartered organization whose purpose is “to advance the effectiveness of government at all levels through sound management and counsel on the practical implications of public policy.” The Academy conducts studies for state and local governments, as well as the three branches of the Federal Government.

corporation.³⁰ Four years later, in a 1989 report, NAPA formally recommended that the Patent and Trademark Office be established as a wholly-owned government corporation.³¹ In 1992, the American Bar Association's Patent, Trademark, and Copyright Section endorsed a similar report of the American Intellectual Property Law Association that called for the establishment of the Patent and Trademark Office as "a government corporation, independent from the Department of Commerce."³²

In 1992, in the 102nd Congress, the Bush administration's Advisory Commission on Patent Law Reform considered the establishment of the Patent and Trademark Office as a government corporation, but withheld formal recommendation given the lack of a formal legislative proposal.³³ On May 12, 1992, the Judiciary Committee Subcommittee on Patents, Trademarks, and Copyrights held a Patent and Trademark Office oversight hearing, at which the Subcommittee heard testimony from Robert A. Armitage, 2nd Vice President of the American Intellectual Property Law Association, and Donald W. Banner, President of Intellectual Property Owners, Inc., urging the transformation of the Patent and Trademark Office into an independent government corporation.³⁴

On February 23, 1995, in the 104th Congress, Secretary of Commerce Ron Brown informed the House Appropriations Committee Subcommittee on the Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies that the Clinton administration was considering privatization of the Patent and Trademark Office as a part of its effort to "reinvent" government.³⁵ Several proposals to create a Patent and Trademark Office corporation or otherwise separate the Office from the Department of Commerce were introduced in the House of Representatives by the Chairman of the House Judiciary Committee Subcommittee on Courts and Intellectual Property, Representative Carlos Moorhead (H.R. 1659; H.R. 2533; H.R. 3460). Legislation to abolish the Department of Commerce and transfer the Patent and Trademark Office to the Department of Justice (H.R. 1756) was introduced by Representative Chrysler on June 7, 1995. Hearings were held on the various proposals by the Subcommittee on Courts and Intellectual Property of the House Judiciary Committee on September 14, 1995, March

³⁰Nat'l Acad. of Pub. Admin., *Organization for Protection of Intellectual Property Rights* (1985).

³¹Nat'l Acad. of Pub. Admin., *Considerations in Establishing the Patent and Trademark Office as a Government Corporation* (1989). The conclusions of the report were, in part, as follows:

The Patent and Trademark Office meets the criteria for conversion to a wholly-owned federal corporation. . . . It has been the experience of the federal government that enterprises which meet the criteria for incorporation have benefitted from being placed under the Government Corporation Control Act and from receiving the budgetary, fiscal and administrative flexibility usually associated with incorporation. We are aware of no instance in which incorporating a potentially self-sustaining public enterprise has resulted in adverse consequences. *Id.* at 22–23.

³²AIPLA Report, *supra* note 2, at 2.

³³Advisory Comm'n on Patent Law Reform, Report to the Secretary of Commerce 192 (1992).

³⁴*Oversight of the Patent and Trademark Office: Hearings Before the Subcommittee on Patents, Copyrights and Trademarks of the Senate Committee on the Judiciary*, 102d Cong., 2d sess. 208, 243–44 (1992) (statements of Donald W. Banner, President, Intellectual Property Owners, and Robert A. Armitage, Second Vice President, American Intellectual Property Law Association).

³⁵*Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations for 1996: Hearings Before the Subcommittee on the Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies of the House Comm. on Appropriations*, 104th Cong., 1st sess. 414 (1995) (Testimony of the Honorable Ronald H. Brown, Secretary of Commerce).

8, 1996, and May 8, 1996. Provisions of H.R. 1659 were passed by the House of Representatives as a part of Departments of Commerce, State, Justice Appropriations Act for fiscal year 1996 (H.R. 2076), although the provision was dropped prior to Senate passage of that legislation. H.R. 3460—an omnibus bill similar to S. 507—was considered and passed by the Subcommittee on Courts and Intellectual Property on May 15, 1996, and reported by the House Judiciary Committee on June 11, 1996. No further action was taken on H.R. 3460 in the 104th Congress.

In the Senate, three proposals were introduced in the 104th Congress to remove the Patent and Trademark Office from the Department of Commerce. Senator Abraham, with Senator Dole, Senator Faircloth, Senator Nickles, Senator Gramm, and Senator Brown as cosponsors, introduced the Commerce Department Dismantling Act of 1995 (S. 929) on June 15, 1995. That legislation proposed abolishing the Department of Commerce and removing the Patent and Trademark Office to the Department of Justice. The Senate Government Affairs Committee rejected transferring the Patent and Trademark Office to another Executive Department, “keeping in mind recommendations spanning more than a century and up, until very recently with the Bayh-Danforth bill.”³⁶ The Committee considered S. 929 on September 7, 1995, and reported the bill with an amendment in the nature of a substitute by Senator Roth that provided for the creation of an independent Office of Patents, Trademarks and Standards. No further action was taken on that legislation in the 104th Congress.

Senator Lautenberg introduced the Patent and Trademark Office Reform Act of 1995 (S. 1458) on December 7, 1995. That legislation was referred to the Judiciary Committee but not acted upon.

Chairman Hatch introduced the United States Intellectual Property Organization Act of 1996 as Title I of S. 1961 on July 16, 1996. That legislation would have created the U.S. Intellectual Property Organization as a wholly-owned government corporation charged with administering the Nation’s patent, trademark, and copyright laws. A hearing was held in the Judiciary Committee on September 18, 1996. At that hearing, the Chairman stated that the proposal to remove the Copyright Office from the Legislative branch was apparently not ripe for consideration so late in the 104th Congress and announced his intention to work with interested parties to reach a consensus on legislation to reconfigure the Patent and Trademark Office as a government corporation.³⁷ Subsequent negotiations between the Chairman, the Administration, and other senators yielded a revised text of S. 1961 that was endorsed by the Administration, but time ran out before this proposal could be considered by the Committee.

In the 105th Congress, Senator Hatch reintroduced the revised text of title I of S. 1961 as the U.S. Patent and Trademark Organization Act of 1997 (S. 507, Title I). Senator Lautenberg also reintroduced the Patent and Trademark Office Reform Act (S. 421). In the House of Representatives, Representative Howard Coble introduced the 21st Century Patent System Improvement Act (H.R.

³⁶S. Rept. 164, 104th Cong., 1st sess. 17 (1995).

³⁷*The Omnibus Patent Act of 1996: Hearings on S. 1961 Before the Senate Committee on the Judiciary*, 104th Cong., 2d sess. 32, 34 (1996).

400) based in part on the revised text of S. 1961. The House Judiciary Committee Subcommittee on Courts and Intellectual Property held a hearing on H.R. 400 on February 26, 1997, and reported the bill favorably, with an amendment by Mr. Coble, to the House Judiciary Committee on March 5, 1997. On March 12, 1997, the House Judiciary Committee ordered H.R. 400 favorably reported, with an amendment in the nature of a substitute, to the House of Representatives by a voice vote. The House then passed H.R. 400, with several amendments, on March 23, 1997, after extensive debate on the House floor. The Senate Committee on the Judiciary held a hearing on S. 507 on May 7, 1997, at which the Committee heard testimony from witnesses as outlined at the beginning of this section. After extensive negotiations, the Committee met in executive session on May 22, 1997, to consider a substitute amendment to S. 507, offered by Senator Hatch and cosponsored by Senator Leahy. An amendment was offered by Senator Grassley and adopted by voice vote. The Committee then adopted the Hatch-Leahy substitute amendment and approved S. 507, as amended, by a voice vote, with only Senator Thompson noting his opposition.

Title II—The Patent Application Publication Act of 1997

One of the most discussed proposals of S. 507 is eighteen month publication. Far from being a new or radical, this proposal has been duly considered for over thirty years. In 1966, President Johnson's Commission on the Patent System recommended early publication as a beneficial improvement to American patent protection. The report stated that "[e]arly publication could prevent needless duplication of the disclosed work, promote additional technological advances based on information disclosed, and apprise entrepreneurs of their potential liability."³⁸ However, no action was taken at that time.

The issue arose again in 1992, when an Advisory Commission on Patent Law Reform issued a report to the Bush Administration that also recommended adoption of the early publication. That report said that early publication would "accelerate access to information contained in the patent disclosure, and would permit identification of potential patent conflicts sooner. These benefits would, in turn, speed technological progress by providing useful information to the public at an earlier stage after its discovery."³⁹

The first congressional action came in 1994 when Senator DeConcini introduced the Patent Application Publication Act, S. 2488, which required the publication of patent applications eighteen months after filing. However, the bill did not move in the 103rd Congress.

In the following Congress, Senator Hatch introduced S. 1961. Title II of S. 1961 provided for the publication of patent applications eighteen months after filing. In this Congress, Senator Hatch introduced S. 507. As approved by the Committee, title II of S. 507 provides for the publication of patent applications that are filed both in the United States and abroad. Applications filed only in the

³⁸ President's Comm'n on the Patent System, To Promote Progress of . . . Useful Arts in An Age of Exploding Technology 17 (1966).

³⁹ Advisory Comm'n on Patent Law Reform, Report to the Secretary of Commerce 62 (1992).

United States need not be published before the granting of the patent.

Title III—Patent term restoration

The need for this provision arises from the General Agreement on Tariffs and Trade. In 1994, the United States enacted the Uruguay Round Agreements Act which, among other things, changed the calculation of patent term in the United States. The old term was seventeen years from the date the patent was issued. The new term is 20 years from the date the patent application is filed. On average, this will result in longer patent terms since average patent pendency is well under 2 years. However, there are inevitably individual cases where, due to delays in the processing of the application, the new method results in a shorter term through no fault of the applicant. Title III addresses this problem by restoring to the patent holder time lost due to undue delay.

Recognizing this problem, Senator Hatch introduced S. 1540, The Full Patent Term Preservation Act of 1996 in the 104th Congress. It was later incorporated into S. 1961 as title III of that bill. In 1997, Senator Hatch introduced S. 507. Title III of S. 507 as approved by the Committee is very similar to title III of S. 1961. Some changes were made to accommodate the concerns of universities and independent inventors.

Title IV—The Prior Domestic Commercial Use Act of 1997

In 1994, Senator DeConcini introduced S. 2272, The Patent Prior Users Rights Act of 1994. Senators Hatch and Biden cosponsored the bill. As Senator Domenici said at that time, “[t]his legislation will help minimize the adverse consequences of a reasonably made decision by a prior user not to seek patent protection for an invention.”⁴⁰

The Subcommittee on Patents, Copyrights and Trademarks held a hearing on S. 2272 on August 9, 1994. On August 16, the subcommittee favorably polled out the bill without amendment. On September 22, 1994 the Judiciary Committee favorably reported S. 2272, as amended, by voice vote. The Senate approved S. 2272 by voice vote on October 8, 1994, but it did not pass the House of Representatives.

In 1996, Senator Hatch introduced S. 1961. Title IV of that bill contained provisions very similar to those in S. 2272. In 1997, Senator Hatch introduced S. 507. Title IV of that bill, as approved by the Committee is very similar to title IV of S. 1961. Some changes were made to accommodate concerns of universities and the Department of Justice.

Title V—The Patent Reexamination Reform Act of 1997

In 1966, President Johnson’s Commission on the Patent System recommended the creation of an ex parte system for people to challenge whether a patent had been properly granted. In 1980, a refined version of this proposal was enacted as a part of Public Law 96–517. The goal was to provide a less-costly alternative to litigation for the resolution of patent validity challenges. Under that

⁴⁰S. Rept. 405, 103d Cong., 2d sess. 3 (1994).

law, any person may request a reexamination but it will only be granted to those who can show evidence of prior art in the form of patents or printed publications that raises a significant new question of patentability. The patent owner may file a statement to which the party requesting the reexamination may respond. The reexamination is conducted according to the procedures established for the initial examination. A decision adverse to the patent owner may be appealed to the Board of Patent Appeals and Interferences and may seek review in the Court of Appeals for the Federal Circuit.

In 1994, Senator DeConcini, along with Senator Hatch, introduced S. 2341, The Patent Reexamination Reform Act of 1994 with the goal of making modest changes to encourage greater use of the reexamination system. A hearing on S. 2341 was held in the Subcommittee on Patents, Copyrights, and Trademarks on August 9, 1994. On August 16, 1994 the bill was polled from the subcommittee. On September 22, 1994, S. 2341 was favorably reported by this Committee, by voice vote. On October 4, 1994, S. 2341 passed the Senate by voice vote, but it did not pass the House of Representatives.

In 1995, Senator Hatch introduced S. 1070, The Patent Reexamination Reform Act of 1995. That bill was very similar to S. 2341.

In 1996, Senator Hatch introduced S. 1961. Title V of that bill was virtually identical to S. 1070.

In 1997, Senator Hatch introduced S. 507. Title V of S. 507, as approved by the Committee, is similar to title V of S. 1961. Significant changes were made to address the concerns of independent inventors.

Title VI—Miscellaneous patent provisions

The provisions regarding provisional applications (section 601), regarding international applications (section 602), updating the 1930 plant patent statute⁴¹ (section 605), and electronic filing (section 606) were all in S. 1961 in virtually identical form in the 104th Congress.

The provisions regarding increased access to electronic patent information (section 603), limiting the effect of the ban on medical methods patents (section 604), and providing for a study on biological deposit requirements (section 607) were not in S. 1961.

III. DISCUSSION

The Omnibus Patent Act of 1997, S. 507, is the most comprehensive reform of the U.S. patent system in over 45 years. As mentioned above, the purposes of the bill are: (1) to make the Patent and Trademark Office (PTO) more efficient, (2) to increase the rate of invention, (3) to make sure that diligent applicants enjoy a full 17 years of patent term, (4) to provide protection for those who are ignorant of the patent system or who cannot afford to patent, (5) to reduce the cost of patent litigation, (6) to update plant patent protection, and (7) to make some miscellaneous and technical changes to the Patent Act.

⁴¹ Act of May 23, 1930, ch. 312, Public Law 71-245, 46 Stat. 376.

Title I makes the PTO more efficient by transforming it into a government corporation, which frees it from the bureaucratic restraints of the Commerce Department and the myriad of regulations that currently hamper it from making the necessary management and personnel decisions to streamline and update the patent examination and trademark registration systems. Title VI makes the PTO more efficient by allowing it to accept electronic filings and by promoting expanded electronic access to its information database. A more efficient patent system will make it faster and cheaper to obtain a patent in order to encourage inventors to seek patent protection and to go public with their innovations.

Title II increases the rate of invention by publishing most patent applications, so that needless duplication of research and development is avoided and so that an inventor may early on “stake a claim” to his or her invention to warn off potential competition. At the same time, this title protects against invention theft while a patent application is pending by giving patentees whose applications are published the right to sue for infringements that occurred during pendency. Publication of applications filed in this country and abroad would be published after 18 months. For applications filed only in the U.S., publication would be consensual.

The Uruguay Round Agreements Act of 1994 (Public Law 103-465) changed the patent term from 17 years from issuance to 20 years from filing, effective as of June 8, 1995, to bring U.S. law into compliance with the General Agreement on Tariffs and Trade (GATT). Title III makes sure that diligent applicants will not lose patent term due to the GATT-required change in patent term by providing that they will have a minimum of 17 years of protection. At the same time, by rewarding only *diligent* applicants, title III preserves the 20-year term’s disincentive to manipulate the patent examination system.

Title IV protects those who are ignorant of the patent system or who cannot afford to patent by permitting continued use of an invention even if the invention is later patented by another, provided the invention was commercially used more than 1 year prior to the filing of the patent application.

The current reexamination procedure was added to the Patent Act in 1980 to allow a person who knows of prior art, consisting of a printed publication or patent, not considered by the Patent Office when a patent was originally examined to request reexamination in light of that prior art. This provided a lower-cost alternative to litigation to test a patent in federal court. Title V makes reexamination more attractive through some modest changes to the current procedure. Under title V, third parties will be able to participate more fully in the reexamination process, and they will be able to appeal an adverse decision. At the same time, in order to prevent abuse, parties are prohibited from filing the same claim more than once. Whether it be in a reexamination or a civil action if Federal court, they are limited to one bite at the apple.

Title VI updates plant patent protection by removing the depression-era ban on patenting tuber-propagated plants (e.g., potatoes) and by protecting plant parts. Protecting plant parts closes a loophole in the Patent Act that foreign growers have used to import the

fruit or flowers of patented plants without paying a royalty because the entire plant is not being sold.

In addition, title VI makes some miscellaneous and technical changes that make it easier to convert provisional applications into nonprovisional ones and that provide an international right of priority for plant breeder's rights. Another provision prevents retroactive effect of the ban on effective enforcement of medical methods patents. Finally, title VI directs the General Accounting Office to conduct a study on the potential risks to the U.S. biotechnology industry relating to biological deposits in support of biotechnology patents.

TITLE I—U.S. PATENT AND TRADEMARK ORGANIZATION

Title I transforms the Patent and Trademark Office (PTO) into a government corporation called the U.S. Patent and Trademark Organization (USPTO). The USPTO is separate from the Commerce Department except for a policy link. As a stand-alone government corporation, the USPTO will not be subject to micro-management by Commerce Department bureaucrats, and except for certain basic employee rights and benefits, the USPTO will have the flexibility to adopt management and personnel policies in order to provide its "customers," the patent and trademark applicants, with the quality of service that they would expect from a corporation in the private sector.

The concept of a government corporation is not a new one. Congress enacted the Government Corporation Control Act in 1945, 31 U.S.C. 9101 *et seq.* (1994), which contains a list of government corporations, such as the Resolution Trust Corporation, the Commodity Credit Corporation, the Export-Import Bank, the Federal Crop Insurance Corporation, the Government National Mortgage Association, the Overseas Private Investment Corporation, and the Tennessee Valley Authority, to name just a few. The criteria for a government corporation were set out by President Truman in his 1948 budget message:

Experience indicates that the corporate form of organization is peculiarly adapted to the administration of government programs which are predominantly of a commercial character—those which are revenue producing, are at least potentially self-sustaining, and involve a large number of business-type transactions with the public.

These criteria were reaffirmed by the first Hoover Commission in 1949,⁴² but the 1981 *Report on Government Corporations* by the National Academy of Public Administration noted that "Congress in recent years has not been rigorous in applying these criteria when creating new corporations or including corporations under the Government Corporation Control Act."⁴³ A 1995 report prepared by the Congressional Research Service for the Senate Government Affairs Committee stated: "The distinguishing characteristic of a government corporation, properly understood in the Amer-

⁴² U.S. Comm'n on Gov't Operation of the Executive Branch of Gov't, *Federal Business Enterprises* (1949).

⁴³ Nat'l Acad. of Pub. Admin., *Report on Government Corporations*, vol. 1 (1981). The Office of Management and Budget contracted with the NAPA to produce this report.

ican context, is that it is an agency of government, established by Congress to perform a public purpose, which provides market-oriented service and produces revenue that meets or approximates its expenditures.”⁴⁴

The PTO meets the criteria for government corporations identified by President Truman, as currently applied. The PTO is revenue producing, it is self-sustaining, and it involves a large number of business-type transactions with the public. This conclusion is supported by a report of the National Academy of Public Administration (NAPA), entitled, *Considerations in Establishing the Patent and Trademark Office as a Government Corporation*.⁴⁵ The NAPA report notes that “although technically the PTO is not engaged in ‘commercial’ operations,” it “must respond to the needs of a market for its services which it does not control.”⁴⁶

Although the USPTO will gain in independence and flexibility, it will still remain accountable. First of all, it is a *government* corporation, expressly subject to the Government Corporation Control Act.⁴⁷ In addition, (1) the USPTO will still be subject to Congressional oversight; (2) the head of the USPTO, the Director, is appointed by the President, serves at his or her pleasure, and must be confirmed by the Senate; (3) advisory boards, whose members are appointed by the President, are created to review, advise, and report to Congress and to the President; (4) the USPTO is subject to the policy direction of the Secretary of Commerce; (5) the Director and the Secretary of Commerce are to conclude an annual performance agreement, and (6) the USPTO is subject to oversight by an Inspector General appointed by the President.

The USPTO is composed of two subdivisions, the Patent Office and the Trademark Office, headed by the Commissioner of Patents and the Commissioner of Trademarks, respectively. Currently, the PTO is expected to formulate policy regarding patents and trademarks and to administer the granting of patents and the registering of trademarks. The structure of the USPTO reflects this dual responsibility by making the head of the USPTO, the Director, primarily responsible for policy, while the Commissioner of Patents is primarily responsible for the administration of the patent granting system and the Commissioner of Trademarks is primarily responsible for the administration of the trademark registration system.

By devolving management responsibilities to the lowest practicable level, the structure of the USPTO reflects the entrepreneurial management paradigm adopted in the National Performance Review.⁴⁸ The highest value in the entrepreneurial paradigm is accountability to the customer,⁴⁹ in this case, applicants for patents and trademark registrations.

⁴⁴Ronald C. Moe, *Managing the Public's Business: Federal Government Corporations*, S. Prt. 18, 104th Cong., 1st sess. (Comm. Print 1995) (prepared by the Congressional Research Service for the Senate Committee on Governmental Affairs)[hereinafter CRS Report].

⁴⁵Nat'l Acad. of Pub. Admin., *Considerations in Establishing the Patent and Trademark Office as a Government Corporation* (1989).

⁴⁶*Id.* at 8.

⁴⁷31 U.S.C. 9101—9110 (1994). The USPTO should be distinguished from the Legal Services Corporation, for example, which is described in its enabling legislation as “a private, nonmembership nonprofit corporation * * * and shall not be considered a department, agency, or instrumentality of the Federal Government.” 42 U.S.C. 2996d(e)(1) (1994).

⁴⁸Executive Office of the President, *National Performance Review, From Red Tape to Results: Creating a Government That Works Better and Costs Less* (1993).

⁴⁹CRS Report, *supra* note 43, at 77.

But policy and operations are not completely separated. The Commissioner of Patents and the Commissioner of Trademarks also have a policy role in that they advise the Director of the USPTO on patent and trademark policy respectively, and, although the Director is primarily responsible for policy, he or she also has responsibility for the efficient administration of the patent and trademark systems. For example, the Director: (1) makes an annual performance review contract with the Secretary of Commerce; (2) administers centralized offices, namely, those offices which by agreement are common to both the Patent Office and the Trademark Office; (3) appoints the Commissioner of Patents and the Commissioner of Trademarks, and they serve at his or her pleasure; (4) appoints all other officers and employees, except those appointed by the Commissioners; and (5) the Director determines whether fees and regulations established by the Commissioner of Patents and the Commissioner of Trademarks are consistent with the policy direction of the Secretary of Commerce.

The establishment of separate, autonomous subdivisions for patents and trademarks largely eliminates the overshadowing of trademark policy direction and administrative decisions by the needs of the much larger Patent Office. Since 90 percent of the PTO's revenues come from patent fees, it is not surprising that the focus of the PTO has predominantly been on patent issues.

The administration of Federal trademark law was not a very significant function of the Patent Office until the enactment of the Lanham Act in 1946,⁵⁰ and it was not until 1975 that the "Patent Office" became the "Patent and Trademark Office."⁵¹ The Lanham Act provided added incentives for securing Federal registrations, and since 1946, federal trademark law has become increasingly important. For example, the 1971 report of the Secretary of Commerce's Public Advisory Committee on Trademark Affairs stated, "It has been said that the value of trademarks registered in the Patent Office exceeds that of existing patents." Moreover, this Committee understands that the number of new trademark applications filed with the PTO now exceeds the number of newly filed patent applications. Further, as noted by this Committee during consideration of legislation that changed the name of the "Patent Office" to the "Patent and Trademark Office," the Office "also has responsibility for the *quite different* matter of protecting consumer and business interests" (emphasis added).⁵²

Despite the increased importance and prominence of trademarks, for too long the head of the PTO has had little, if any, background in trademark law. Although there is currently an Assistant Commissioner for Trademarks, he or she has had "little more than a peripheral impact on issues other than trademark examination policy, due to the current management structure of the PTO," according to Jeffrey M. Samuels, a former head of trademarks at the PTO.⁵³ Mr. Samuels identified several areas on which the patent preference of the PTO has had an adverse impact on trademarks:

⁵⁰ Act of July 5, 1946, Public Law 79-489, 60 Stat. 427 (codified as amended at 15 U.S.C. 1051-1127 (1994)).

⁵¹ Act of Jan. 2, 1975, Public Law 93-596, 1974 U.S.C.C.A.N. (88 Stat.) 1949.

⁵² S. Rep. 1399, 93d Cong., 2d sess. (1974), reprinted in 1974 U.S.C.C.A.N. 7113, 7114.

⁵³ Jeffrey M. and Linda B. Samuels, *The Trademark Office as a Government Corporation*, 7 Fordham Intell. Prop. Media & Ent. L.J. 101, 104 (1996).

automation, budgeting, legislation, international affairs, and labor relations. In his testimony before the Committee, Kimbley Muller, Vice President of the International Trademark Association criticized the current PTO as “an agency where serious trademark policy and operational problems languish with no cure or resolution in sight.”⁵⁴

Other than the fact that patents and trademarks are both broadly defined as “intellectual property,” the two forms of protection have little in common. Succinctly put:

Patents protect inventions; trademark protects indication of origin. Patents are designed to promote innovation and technological progress. Trademarks are designed to protect the public against confusion, and to secure to the trademark owner the goodwill associated with its mark.⁵⁵

The Trademark Office established by S. 507 will be able to be financially independent of the Patent Office. With a budget of around \$80 million (covered entirely by user fees) and with more than 600 full-time employees, the current Trademark Office is already larger than many existing Federal agencies and government corporations. Although the Commissioner of Trademarks will be able to organize the Trademark Office independent of the Patent Office, S. 507 provides that the Director and the Commissioners of Patents and Trademarks may agree to centralize some administrative functions to effect cost savings.

As the history of the PTO makes clear, there is nothing sacred about the connection of the PTO to the Commerce Department. After first being established in the Department of State, the Patent Office was transferred to the Department of the Interior when that department was created in 1849, and transferred to the Department of Commerce in 1925. Indeed, a report of the Senate Judiciary Committee Subcommittee on Patents, Trademarks, and Copyrights issued on March 9, 1959, concluded that the Commerce Department “handicapped” the Patent Office.⁵⁶

As the legislative history section of this report indicates, as early as 1912, the Taft Commission recommended that the Patent Office be set up as an “independent bureau,” observing that “[a]s early as 1852 complaints were made by the commissioner that the Patent Office has no more logical connection with the department than it has with any other; that it suffers with all the inconveniences and embarrassments of such relation, but gains none of the advantages.”⁵⁷ In 1979, during the 96th Congress, Senator Bayh introduced, with Senator Danforth and Senator Nelson as cosponsors, S. 2079, the Independent Patent and Trademark Office Act. Two days

⁵⁴*The Omnibus Patent Act of 1996: Hearings on S. 1961 Before the Senate Committee on the Judiciary*, 104th Cong., 2d Sess. 3 (1996) (testimony of Kimbley Muller, vice president of the International Trademark Association).

⁵⁵Samuels, *supra* note 53, at 103–04.

⁵⁶S. Rept. No. 97, 86th Cong., 1st sess. (1959). That report concluded: that the present subordination of the Patent Office to the Commerce Department is inconsistent with proper performance of the quasi-judicial functions involved in granting patents. When such a quasi-judicial agency is made subordinate to an executive department it is inevitably handicapped. The Patent Office will also be handicapped in discharging its administrative responsibilities so long as Congress must rely upon the Secretary of Commerce, rather than on the Commissioner of Patents, to present proposals needed to remedy deficiencies in physical facilities and personnel. *Id.* at 4.

⁵⁷Taft Commission, *supra* note 15, at 231–32.

of joint hearings were held on January 24 and March 12, 1980, before the Senate Committees on the Judiciary and Governmental Affairs, where the Committees were informed that every Commissioner of Patents and Trademarks since 1933 supported creating an independent Patent and Trademark Office.⁵⁸ At the hearing, former Commissioner Donald W. Banner testified: "The mission of the Patent and Trademark Office is clearly set by the statutes under which it performs. The Department of Commerce cannot and does not assist the PTO in carrying out its functions under those statutes in any way which cannot be better done by the PTO itself."⁵⁹

Although separate from the Commerce Department, under S. 507, the USPTO maintains a policy link with the Commerce Department. Title I provides that the Director advises the President on patent and trademark policy "through and under the direction" of the Secretary of Commerce, and the USPTO itself is "an agency of the United States under the policy direction of the Secretary of Commerce."

The policy link between the USPTO and the Secretary of Commerce was originally more slender. Predecessor legislation to S. 507 in the 104th Congress, S. 1961, the Omnibus Patent Act of 1996, as introduced, simply provided that the Director would advise the President "through" the Secretary of Commerce. According to this concept, policy would originate in the USPTO, and it would be transmitted to the President by the Secretary of Commerce, who would, of course, be able to comment on its wisdom. At the request of the Clinton administration, the current language was adopted so that the Secretary has a more active role in policy development.

The Administration's influence is also evident in the annual performance agreement between the Director and the Secretary of Commerce, which was absent from the original version of S. 1961. The annual performance agreement embodies the concept of performance-based review of government agency actions. According to this concept, heads of government agencies make an agreement with the President on an annual basis to attain measurable goals, for example, a certain improved level of efficiency. If these goals are in fact attained, the agency head receives a monetary reward.

At the request of the Administration, an annual performance agreement between the Director and the Secretary of Commerce was included in the final version of S. 1961 in the 104th Congress and in S. 507. If the goals set out in the agreement are met, the Director may receive, upon evaluation by the Secretary, a bonus that would increase the Director's total annual compensation from the rate of pay provided for level III of the Executive Schedule to level II.

POWERS AND DUTIES

S. 507 provides the USPTO with the powers and duties currently exercised by the PTO. In addition, the USPTO possesses powers normally associated with a corporation. For example, the USPTO may sue and be sued in its corporate name; it may adopt bylaws,

⁵⁸*Hearings on S. 2079*, supra note 24, at 26, 39 (testimony of Donald W. Banner and Robert Gottschalk).

⁵⁹*Id.* at 26 (testimony of Donald W. Banner).

rules and regulations; it may acquire and dispose of property; and it may accept gifts. The USPTO may also make purchases and contract for the construction, maintenance or management of facilities, and for supplies or services, but without the regulatory burdens imposed on other Federal agencies. However, pending requests for proposals or contracts issued by the General Services Administration (GSA) for the purposes of relocating the PTO are not disturbed.

A surprising amount of concern was expressed over the boilerplate provision allowing the USPTO to accept gifts. The rather extravagant claim was made that this provision would make the granting of patents a prime target for Asian and corporate bribes for the issuing of patents, as if the anti-bribery criminal statutes already in place would somehow be abrogated by the gift provision. Aside from the fact that almost every corporation in existence is empowered to accept gifts, most government agencies have such a provision. Notably, these include: the Department of State (22 U.S.C. 2697), the Department of the Treasury (31 U.S.C. 321), the Department of Commerce (15 U.S.C. 1522), the Department of Justice (21 U.S.C. 871), and the Central Intelligence Agency (50 U.S.C. 4031)! Moreover, as an agency in the executive branch, the USPTO will continue to be subject to the gift rules applicable to that branch.

The PTO currently accepts donations under the authority of the Commerce Department principally for its museum, its library, and under its guest lecturer program, which helps keep patent examiners up to date on the state of their art. In order that the cost of replacing these donations would not be borne by the inventor community, S. 507, unlike H.R. 400, retains the gift provision. However, to allay fears over this provision—however unfounded—S. 507 makes it explicit that the Federal anti-bribery statute continues to apply, and it requires the Director to establish a gift policy, including regulations prohibiting gifts or donations to the Organization by foreign countries. Thus, the USPTO would have the toughest gift restrictions in the executive branch.

It is not intended that the creation of the USPTO will alter the statutory responsibility of the Secretary of State or the U.S. Trade Representative or the ability of the Copyright Office to continue in its current activities; therefore, clarification language was inserted. Similarly, it is intended that the USPTO should be able to continue the current activities of the PTO.

PERSONNEL MATTERS

S. 507 promotes maximum flexibility in personnel matters, while at the same time retaining basic employee entitlements and protections. Moreover, it expands the current scope of collective bargaining in the Federal service by providing for good-faith bargaining over wages, leave, and disciplinary procedures. This package is the reason that S. 507 is endorsed by the National Treasury Employees Union (NTEU), the union representing the majority of the PTO's employees.

In general, the USPTO is exempt from title 5 of the U.S. Code, except for, most notably, the provisions concerning employment of relatives, political activities, flexible and compressed work sched-

ules, and whistleblower protection. Officers and employees of the USPTO will remain eligible to participate in the Civil Service Retirement System and the Federal Employees' Retirement System, and will be eligible for Federal life insurance, health insurance, and workmen's compensation benefits. The USPTO is required to establish hiring practices, labor relations, and employee relations programs that are consistent with merit principles and veterans preferences. To further protect personnel performing quasi-judicial functions, such as examiners or appeal board members, S. 507 provides that they can be removed only for cause.

All existing labor agreements in effect on the day before enactment will be adopted by the USPTO. All officers and employees of the PTO and certain employees of the Department of Commerce will become officers and employees of the USPTO without a break in service. Their sick and annual leave, compensatory time, and their competitive status will be preserved.

Originally, S. 1961 provided that the current Commissioner of the PTO would become the Director of the USPTO in order to effect a smooth transition. Since the Director serves at the pleasure of the President, he or she could be removed at any time, and another confirmation process would be avoided. At the request of the Justice Department, however, this provision was changed to require the President to appoint an interim Director to serve for 1 year or until a permanent Director is appointed, whichever is shorter. The permanent Director must be confirmed by the Senate.

S. 507 provides that the Assistant Commissioner of Patents will become the Commissioner of Patents under the USPTO and that the Assistant Commissioner of Trademarks will become the Commissioner of Trademarks under the USPTO until new Commissioners are appointed by the Director.

The Director of the USPTO and all officers and employees of the USPTO must be citizens of the United States. S. 507 provides that the Director "shall be a person who, by reason of professional background and experience in patent or trademark law, is especially qualified to manage the Organization." Similarly, the Commissioners of Patents and Trademarks must be persons "who, by reason of professional background and experience" in patent or trademark law, respectively, are "especially qualified to manage" their respective offices. The Director and the Commissioners are expressly required to perform their duties in a "fair, impartial, and equitable manner."

FUNDING AND BUDGET

The USPTO is required to be self-sustaining. Since the Commissioner of Patents and the Commissioner of Trademarks are primarily responsible for the management of the Patent and Trademark Offices respectively, fees for patents are determined by the Commissioner of Patents and fees for trademarks are determined by the Commissioner of Trademarks. This fee-setting authority gives the Patent Office and the Trademark Office the flexibility to maintain and improve their services, while responding to evolving economic conditions.

This fee-setting authority, however, is carefully circumscribed. Fees—and any regulations, for that matter—are subject to the pol-

icy direction of the Secretary of Commerce, and the Director is responsible for determining that fees and regulations established by the Commissioners of Patents and Trademarks are consistent with that policy. Before changing or proposing to change fees or patent regulations, the Commissioner of Patents and the Commissioner of Trademarks must consult with their Management Advisory Boards and must provide "notice and opportunity for full participation by interested public and private parties." And, of course, all fees and regulations are subject to modification by Congress.

It is important to note that the Commissioner of Patents is still bound by 35 U.S.C. 41(h)(1), which requires that certain fees be reduced by 50 percent for small businesses, independent inventors, and nonprofit organizations.

The Commissioners of Patents and Trademarks are likewise responsible for budgetary proposals for their respective offices. Such budgetary proposals are submitted to the Director, who must make sure that fees are sufficient to cover the expenses of each office, that each office is expending only its own money, and that an office is not involved in the management of any other office. Before submitting budgetary proposals, the Commissioner of Patents and the Commissioner of Trademarks must consult with their Management Advisory Boards. By removing the USPTO from the budget of an agency with other priorities, S. 507 will also help ensure that the user fees collected by the Patent Office and the Trademark Office are not appropriated to other, unrelated areas.

The Patent Office and the Trademark Office each contribute 50 percent of the budget of the Director. The Office of the Director is not expected to be large. Under the bill, the Director is primarily responsible for policy and not for the day to day operations of the Patent and Trademark Offices. Even in the case of policy, the staff need not be large, since the Commissioner of Patents and the Commissioner of Trademarks are charged with advising the Director on patent policy and trademark policy, respectively.

MANAGEMENT ADVISORY BOARDS

The USPTO does not have a board of directors. However, S. 507 makes the Patent Office and the Trademark Office more accountable to the people whom they serve by giving them direct input into the policy and operations of the Offices. The bill creates a Patent Office Management Advisory Board and a Trademark Office Advisory Board. The Boards have charged with reviewing the "policies, goals, performance, budget, and user fees" of their respective Offices and with preparing an annual report for the Director, the President, and the Judiciary Committees of both the House and the Senate. In addition, the Commissioner of Patents and the Commissioner of Trademarks have a duty to consult with their respective Advisory Boards "on a regular basis" and "*before* submitting budgetary proposals * * * or changing or proposing to change user fees or patent regulations" (emphasis added).

Each Advisory Board consists of 5 members appointed by the President. They all must be U.S. citizens, and no more than 3 are to be from the same political party. The President designates the Chairs, who serve for 3 years.

Private-sector advice for the Patent Office is not a shocking innovation. In 1966, a report was released by President Johnson's Commission on the Patent System which, among other things, recommended the establishment of a private-sector advisory counsel to evaluate and advise the Secretary of Commerce on the vitality of the patent system and its administration by the Patent Office.⁶⁰

From the beginning, both S. 1961 and S. 507 contained a requirement that the members of the Advisory Boards be chosen "so as to represent the interests of the diverse users" of the Patent Office and the Trademark Office. Under any reasonable reading of this provision, the President would have to appoint not only members with corporate backgrounds but also members who are independent inventors and small businessmen. But in order to address the concerns of some members of the independent inventor community, the Committee added a further requirement that at least one member of the Patent Office Management Advisory Board be an independent inventor. No other particular user of the Patent Office benefits from a reserved seat.

In addition to representing the diverse users of the Patent and Trademark Offices, the President must appoint some persons with "substantial background and achievement in corporate finance and management." Since the primary responsibility of the Commissioners of Patents and Trademarks is the efficient running of the day to day operations of their respective Offices, it was thought that they would especially benefit from advice from persons with relevant experience.

INDEPENDENT INVENTORS, NONPROFIT ORGANIZATIONS, AND SMALL BUSINESSES

S. 507 was not written with a view to the needs of any particular users of the PTO. It was believed that all users would benefit from a more efficient and responsive USPTO. But in order to reassure independent inventors, nonprofit organizations, and small businesses, the Committee added a provision requiring the Commissioner of Patents to appoint an ombudsman to advise him or her on their concerns. Thus, in addition to the mandatory independent inventor slot on the Patent Office Advisory Board, there will be an officer of the Patent Office exclusively devoted to not only independent inventors, but also to nonprofit organizations and small businesses.

TITLE II—PUBLICATION OF PATENT APPLICATIONS AND PROVISIONAL RIGHTS

Title II provides for publication of patent applications 18 months after filing, but applicants who file only domestically can postpone publication up to the time the patent is granted. However, there are two incentives to agree to publication. Those whose applications are published: (1) will receive provisional rights which will enable them to collect a reasonable royalty for infringement that occurs during the time the application is published, and (2) will receive a patent on each claim as it is approved rather than having to wait

⁶⁰Johnson Commission Report, *supra* note 23, at 43.

for all claims on the application to be allowed, as is the current, usual practice.

The U.S. is the world's leader in technology innovation. In order to consolidate that position and even to increase the rate of innovation, there is a need to squeeze out the waste in research and development. Publication of patent applications helps to do this by letting inventors know as soon as possible what other inventors have done. Thereafter, an inventor may choose to re-orient his research to another project or devote himself to making a patentable improvement on an invention revealed in a published application. According to Mr. Eric J. Ruff, a small businessman who has several patent applications pending, "U.S. companies of all sizes that invest in technology development and new product design would benefit from an early warning that their design or approach may be blocked by another patent."⁶¹

It is important to understand that an inventor's options to move on to another project or to invent a patentable improvement are currently available once a patent has been published, which occurs at the time of the grant. Therefore, publication of patent applications *does not* create new grounds to challenge patents. *It does not weaken patent protection in any way.* Publication of patent applications does allow these options to be employed *earlier* in the patenting process, and this is precisely why title II will increase the rate of invention.

Publication of patent applications also provides a further disincentive for "submarine" patents. Because patent applications are currently kept secret, some applicants have been able to manipulate the patent examination system to keep their inventions secret for longer than necessary. Submariners state their claims as broadly as possible in order to increase the chances that their claims will overlap other inventions. Then, they purposefully delay the consideration of their application through meaningless amendments and repeated continuance requests. Eventually, when someone else has invested heavily in a similar invention, the submarine applicant causes his application to "surface" as a patent. Having already invested a lot of money in the invention, the unsuspecting entrepreneur is all too willing to pay exorbitant fees to avoid patent litigation.

Since submariners are not interested in actually manufacturing and selling their inventions, they undermine the entire patent system which is based on encouraging inventors to disclose and market their inventions as soon as possible. Furthermore, although relatively few in number, submarine patents do tremendous damage.⁶²

The move from a term of 17 years from issuance to 20 years from filing did, of course, lessen the attractiveness of submarine patenting, but because of the rapid pace of technological change, even a few years of patent use could be very valuable. Publication of patent applications will make it even harder to game the system.

⁶¹*The Omnibus Patent Act of 1997: Hearings on S. 507 Before the Senate Committee on the Judiciary*, 105th Cong., 1st sess. 6 (May 7, 1997) (Statement of Eric J. Ruff, President and CEO, PowerQuest Corp.).

⁶²Bernard Wysocki, Jr., *Royalty Rewards: How Patent Law Suits Make a Quiet Engineer Rich and Controversial*, Wall St. J., Apr. 9, 1997, at A1, A8.

Title II mandates publication of applications after 18 months for U.S. applications that are also filed abroad, because 18-month publication is the prevailing rule outside the United States. If an application is available for inspection in virtually every other country, it would be detrimental to U.S. businesses to keep it secret in the United States. Since approximately 65 percent of patent applications filed in the United States are also filed abroad, the bill has the effect of publishing most patent applications. In addition, since all applications are currently kept secret regardless of whether the applicant is a United States citizen or a foreigner, S. 507 will give American inventors the benefit of an English version of foreign patents free of additional charge. Lastly, because about two-thirds of the applications filed both in the U.S. and abroad are filed by foreign inventors, this title would require publication of foreign patents by a 2-1 ratio over American patents.

Applicants who file only domestically will be allowed to keep their applications secret. To provide an incentive to publish, however, those who consent to publication will receive patent protection for a claim when that claim is allowed. Most applications contain more than one patentable claim. The current practice of the PTO is not to issue patents until all claims in the application have been approved. Because of title II's "fast track" patent approval, the patentee will be able to enjoy the benefits of a patent sooner and longer.

Provisional rights is another incentive to publish patent applications. The bill provides a cause of action for infringement that occurred during the examination process for inventions that have been disclosed in a published application, once the application has ripened into a patent. Relief is limited to a reasonable royalty, and the invention as claimed in the patent must be "substantially identical" to the invention as claimed in the application. Furthermore, the patentee must file a claim for provisional rights not more than 6 years after the patent was issued.

Provisional rights will be especially valuable for applicants in areas of fast-moving technology. For fast-moving technologies, an invention can become obsolete well before the patent term has run, maybe even before the patent is granted. This discourages potential applicants from filing for a patent, since the cost and effort is not worth the limited rewards. Provisional rights, however, gives the applicant reasonable royalties from day one, if publication is requested at the time of filing.

Finally, title II provides that published applications will have the effect of prior art on subsequent applications, as of the date of filing of the published application. Under current law, an applicant cannot receive a patent if his or her invention was described in a patent granted to someone else based on an application that was filed before the applicant made his or her invention. In other words, you can't get a patent if your invention was already created by someone else before you invented it. Similarly, under the bill, you can't get a patent if your invention was already described in a published application that was filed before you invented it.

This does *not* change the first-to-invent rule of the United States, since the published application by another must be filed *before* you

made the invention in order to preclude your patent under the amended section 102(e).

According to section 102(b) of the current Act, if an invention is “described in a printed publication” more than one year prior to the date of application, the applicant cannot obtain a patent. A published application is also a printed publication under 35 U.S.C. 102(b), and is prior art for any other application filed more than a year after its publication.

It is important to note that S. 507 applies the secrecy provisions of current section 181 of the Patent Act to the publication of patent applications. Within 1 month of filing, every domestic origin patent application is reviewed by special PTO examiners to determine whether the application contains any military sensitive technology. If it does, the application is set aside for detailed review by security experts from the Army, Navy, Air Force, and Department of Energy. When an application is found to contain sensitive technology, the Commissioner imposes a secrecy order to prohibit publication of the application. The applicant is also forbidden to file a corresponding application in a foreign country and to disclose publicly information regarding the invention.

Although the bill does not define “publish,” it is clear from the current practice of the PTO and from the purpose of this title that “publication of an application” means opening the application file for continual public inspection.

TITLE III—PATENT TERM RESTORATION

In 1995, pursuant to the General Agreement on Tariffs and Trade Implementation Act, the U.S. patent term was changed from 17 years from issuance to 20 years from filing. On average, the new term should not result in loss of patent term. According to a March 1997 General Accounting Office (GAO) report, using 1995 figures, the most recent available, the average pendency period for patent applications is 19.8 months.⁶³ Moreover, the highest average pendency (for computer systems) was 26.2 months. (The lowest pendency was for solar, heat, power, and fluid engineering devices, where the average was 17.4 months.) All of these, of course, are not more than the 36 months, which would cause net loss of patent term in comparison to the pre-GATT patent term.

It is still possible, however, that an *individual* patentee would have less patent term under the new term than under the old. To remedy this situation, title III restores patent term lost to “unusual administrative delay” by the PTO and guarantees all diligent applicants a minimum 17-year term. Patent term will also be restored because of interferences and secrecy orders.

Title III defines “unusual administrative” delay, and provides for restoration of patent term for the length of the delay with a cumulative total of 10 years. However, if the applicant “fail[s] to engage in reasonable efforts to conclude prosecution of the application,” the restoration will be reduced pro rata. Since failure of the PTO to issue a patent to a diligent applicant within three years after the actual filing date is considered to be “unusual administrative

⁶³General Accounting Office, Comparison of Patent Examination Statistics for Fiscal Years 1994 and 1995 1 (1997).

delay,” effectively, diligent applicants will receive at least 17 years of protection.

Whenever a patent’s term is adjusted because of title III, the Commissioner is required to determine the period of the adjustment and include a copy of the determination with the final notice.

In addition, title III provides for further examination of a patent application after the final rejection of some or all claims in a patent application. Under current law, the only way to get further consideration of claims that have been finally rejected by an examiner is to have the examiner withdraw the final rejection, appeal the final rejection to the Board of Patent Appeals and Interferences, or file a continuing application and begin prosecution of that application. Title III provides for a fast-track version of the continuing application. This additional option for the applicant will allow for faster reconsideration of rejected claims without the expense of an appeal. The applicant would still have to pay a fee similar to the fee for a continuing application, but this provision provides independent inventors and small businesses with reduced fees. Thus, this provision will help all inventors speed the reconsideration of rejected claims and accommodate the financial constraints of small business.

TITLE IV—PRIOR DOMESTIC COMMERCIAL USE

Title IV provides protection against an infringement suit for anyone who has commercially used an invention for more than a year before another person files for a patent on that invention. In raising this defense, the burden of proof is on the person claiming the defense, not on the patent holder. While far from patent protection, this title offers a shield to those who might otherwise be ruined through no fault of their own. This title is based on and quite similar to S. 2272, which passed this Committee and the Senate by voice vote in 1994.

This provision will protect the unsophisticated entrepreneur from being ruined.

Under current law, an independent entrepreneur who has invested perhaps his entire life savings to produce and market an invention can be shut down completely by someone else who comes along much, much later and gets a patent on the same invention. A prior user right will protect people from this financial disaster.

This title is also based on the notion that the people who act in a way that will benefit society should be rewarded and encouraged. The inventor who immediately moves to put goods on the market, thus creating new jobs and raising the American standard of living, is rewarded with protection. The inventor who fails to act, who allows the invention to sit on a shelf is the one who is not rewarded by this title. Thus, this title protects the diligent and is only a concern to those who delay the introduction of new technology to the American public.

While these protections are important, there is little doubt that prior user rights are a mere shadow of full patent protection. Prior user rights cannot be used to insulate others from infringement liability, they cannot be licensed, and in order for them to be transferred, the entire business concern must be sold along with the

prior user right. Further, this provision is consistent with the rule that first inventors should receive the patent—they still would.

Nor does this title significantly alter the balance between patents and trade secrets. Patents remain by far the strongest possible protection for inventions. Trade secrets are vulnerable to independent invention and reverse engineering. Title IV does not change the general rule that trade secret protection cannot trump patent protection of the same invention. This provision merely takes care of a special, hardship case.

This provision also accommodates concerns raised by the Department of Justice and some universities. Specifically, the activities of the government and of nonprofit laboratories are included in the definition of commercial use, allowing them to qualify for prior use protection. Further, in order to qualify for the protection, there must be an “arms-length” sale and the reduction to practice must be “actual”.

TITLE V—PATENT REEXAMINATION REFORM

As part of the 1980 patent reform legislation, Congress established an alternative to litigation when a patent may be invalid due to prior art not considered by the Patent Office during the original examination of the patent application. This reexamination of an issued patent could be requested by either the patent owner, to adjust or confirm his or her patent in light of prior art that he or she discovered after the issue of the patent, or by a third-party requester. Without reexamination, a person who is technically infringing a patent, but who has prior art that would invalidate the patent infringed, can’t challenge the patent unless he or she is sued for infringement or unless the owner of the patent infringed puts him or her in true apprehension of an infringement suit, in which case he or she can file for a declaratory judgment. Until this happens, the infringer has the sword of Damocles hanging over his or her head.

In the House report that accompanied the 1980 legislation,⁶⁴ it was noted that:

Reexamination will permit efficient resolution of questions about the validity of issued patents without recourse to expensive and lengthy infringement litigation. This, in turn, will promote industrial innovation by assuring the kind of certainty about patent validity which is a necessary ingredient of sound investment decisions.

The cost incurred in defensive patent litigation sometimes reaches \$250,000 for each party, an impossible burden for many smaller firms. The result is a chilling effect on those businesses and independent inventors who have repeatedly demonstrated their ability to successfully innovate and develop new products. A new patent reexamination procedure is needed to permit the owner of a patent to have the validity of his patent tested in the Patent office where the most expert opinions exist and at a much reduced cost. Patent office reexamination will greatly reduce,

⁶⁴H. Rept. 1307, 96th Cong., 2d sess. (1980).

if not end, the threat of legal costs being used to “black-mail” such holders into allowing patent infringements or being forced to license their patents for nominal fees.

The reexamination of issued patents could be conducted with a fraction of the time and cost of formal legal proceedings and would help restore confidence in the effectiveness of our patent system.

Yet, reexamination has had only limited success. Most patent attorneys advise their clients not to file for reexamination as a third party when they know of prior art that would invalidate the claims of an issued patent that they may be infringing. This is because the current law allows only very limited participation in the reexamination by a third party. They can submit prior art to the patent file and explain how it is pertinent to the issued patent. They must include a similar statement in their request for reexamination. And if the patent owner files a statement in response to the Commissioner’s reexamination order, the third-party requester can file a reply to that statement. No other interaction with the Patent Office by the third-party requester is permitted, and reply statements are seldom allowed because patent owners know not to file a statement in response to the Commissioner’s reexamination order, but instead wait for the examiner’s first office action to make their response, when the third-party requester cannot reply.

Since a third-party requester cannot comment on how the examiner is considering the prior art or the patent owner’s responses, there is a strong concern that the prior art may be interpreted in the way most favorable to the patent owner. And because of the statutory presumption of validity for a patent, particularly against prior art considered by the examiner, any prior art presented by a third-party in a reexamination may be effectively excluded from any later litigation even if there is an interpretation based on that prior art that would invalidate the patent. Thus, it is not hard to see why third parties do not use reexamination as an alternative to litigation.

S. 507 seeks to make reexamination a more viable alternative. This is achieved by giving a third-party requester a larger, but still limited, role in the reexamination proceedings. The third-party requester can now file written comments within a month of any response to an examiner’s action by the patent owner. The comments are limited to the issues raised in the examiner’s action and the patent owner’s response. No new issues can be raised by the third-party requester in his or her comments. In addition, if third-party requesters are unsatisfied with the final determination of the examiner, they can appeal the decision, or become a party to any appeal taken by the patent owner. A very similar provision, S. 2341, passed both this Committee and the Senate by voice vote in 1994.

In order to prevent abuse, once a reexamination is ordered, the party who requested it is legally prohibited from raising those claims or any claims that could have been raised at that time in a future civil action in Federal court or from raising those claims in a future reexamination. Symmetrically, if a claim of invalidity is asserted in litigation, reexamination is precluded on the issues raised in that claim of invalidity, or any issue that could have been raised. Nothing in the bill alters the qualifications necessary to

seek reexamination, nor are any rights of the patent holder altered. Taken together, the provisions of title V maintain a fair balance in the reexamination process. Third-party requesters receive a slightly more substantive role and the ability to appeal, but they are limited then to one bite at the apple, thus preventing abuse.

Patents are exceptions to the general rule of the free market that any product may be copied so that it might be made available to the public more cheaply. Congress has made a narrow exception to this general rule for inventions that meet the high standards of novelty and nonobviousness contained in the Patent Act. As the U.S. Supreme Court said in *Bonito Boats v. Thunder Craft*, “The novelty and nonobviousness requirements of patentability embody a congressional understanding, implicit in the Patent Clause [of the Constitution] itself, that free exploitation of ideas will be the rule, to which the protection of a federal patent is the exception.”⁶⁵ Reexamination makes sure that an invention is not preserved from competition unless it really deserves it, by encouraging people to come forward with prior art affecting the patentability of an invention not previously considered by the Patent Office.

The work load for each examiner in the patent office is substantial. It cannot be helped that sometimes they miss prior art and grant a patent when it is not deserved. By providing third-parties with the opportunity to share their knowledge of potentially prior art, the examiner is aided in his work and can better evaluate the merits of the patent. This, in turn, keeps the faith in patents that have been granted high, and that aids business dealings.

The reexamination process can also be used to help defend the patent. S. 507 allows the patent holder to adjust existing claims and even to add new claims to the existing patent during the reexamination process. This allows the patent owner to redraft the patent and avoid the prior art that have been raised. In Federal court, however, there is no middle ground. Should the court find a claim invalid, it must strike the claim from the patent, and if all claims are struck from the patent, the patent owner has nothing. Thus, patent holders are not only protected from harassment by the terms of this provision, but it provides them an opportunity to foil potential attacks on their patent.

Finally, the standard to have a reexamination granted is quite high. S. 507 preserves the current requirement that the requester must present a “substantial new question of patentability”. Thus, meritless requests will be dismissed out of hand. Further, a requester may not request a reexamination while one is proceeding, so multiple requests by a harasser are prohibited.

It is important to note that title V does not expand the grounds for reexamination. Any rejection of a claim in reexamination must be based, at least in part, on prior art that was not already considered by the Patent Office during the original examination of the patent, as in the current Act. While there is no presumption of validity of a patent during reexamination, the original decision of the examiner cannot be challenged. Instead, new prior art and a new reason based on that prior art is necessary for any rejection.

⁶⁵ 489 U.S. 141, 151 (1989).

Taken together, the provisions of title V provide an efficient and less expensive alternative to patent litigation while at the same time providing extensive barriers to misuse of the procedure.

TITLE VI—MISCELLANEOUS PATENT PROVISIONS

The final title of S. 507 contains several lower-profile but nonetheless important and needed changes to American patent law.

Section 601 allows the smooth transition from a provisional application to a full application. This will permit inventors with limited resources to get to the Patent Office quickly, while still giving them reasonable time to perfect their applications.

Section 602 allows an applicant who filed first in another country, to claim the right of priority in a subsequent application in the United States. This will facilitate respect for patents between different countries and thus reduce conflicting claims of patent rights internationally.

Section 603 provides for the creation of computer networks in rural States that will provide patent information to those who might not otherwise have had affordable access to such information. This provision will be particularly useful for independent inventors and small businesses that may not have the resources of larger organizations to obtain the information crucial to patent searches.

Section 604 exempts from the ban on medical methods patents all patents for which an application was pending on the date of enactment of the ban. The underlying provision was adopted as part of the fiscal year 97 Omnibus Consolidated Appropriations Act (Public Law 104–208), passed on September 30, 1996.

Section 605 fixes two problems with plant patent protection. First, it removes the depression-era ban on patents on “tuber propagated” plants. This was originally included for fear of limiting the food supply or causing some food to become too expensive. Clearly, these concerns are no longer applicable.

Second, this section closes a loophole by providing patent protection not only for the plant as a whole, but for parts of the plant. Foreign infringers have been growing patented plants abroad and then selling only the fruit or flower in the United States. Because under the current wording of the statute the sale of fruit or flowers alone is not protected, the infringers were successful. By closing this loophole S. 507 will protect domestic plant patent holders from the foreign infringers.

Section 606 will allow the Patent Office to accept filings by electronic means. Of course, printed or typewritten filings will continue to be acceptable as well. This will help increase the speed with which applications can be processed, reduce the costs of filings, and bring the government office that is by definition always at the cutting edge of technology into the computer age.

Section 607 provides for a study of the biological deposit requirement in support of biotechnology patents. Concern has been raised that this requirement creates too easy an opportunity for foreign infringers to acquire the patented substance. The Committee shares this concern and seeks guidance as to the seriousness of the problem and the most efficacious solution.

IV. VOTE OF THE COMMITTEE

The Senate Committee on the Judiciary, with a quorum present, met on Thursday, June 22, 1997, at 10 a.m., to mark up S. 507. The Chairman offered an amendment in the nature of a substitute, cosponsored by Senator Leahy. The Committee accepted, by a voice vote, an amendment thereto offered by Senator Grassley. The Committee then ordered S. 507 reported favorably, as amended by the modified Hatch-Leahy substitute amendment, by a voice vote with Senator Thompson noting his opposition.

The amendment offered by Senator Grassley struck certain provisions relating to certain limitations on damages for patent infringements concerning health care entities.

V. SECTION-BY-SECTION ANALYSIS

Section 1. Short title

This Act may be cited as the “Omnibus Patent Act of 1997.”

Section 2. Table of contents

TITLE I—THE UNITED STATES PATENT AND TRADEMARK ORGANIZATION ACT OF 1997

Section 101. Short title

The Act may be cited as the “United States Patent and Trademark Organization Act of 1997.”

SUBTITLE A. ESTABLISHMENT OF THE U.S. PATENT AND TRADEMARK ORGANIZATION (USPTO)

Section 111. Establishment of the USPTO as a Government Corporation

Subsection (a)—Establishment. Subsection (a) establishes the United States Patent and Trademark Organization (hereinafter the USPTO or the Organization) as a wholly owned government corporation under chapter 91 of title 31, United States Code (31 U.S.C. 9101 *et seq.*). Although structurally independent and separate from any department for purposes of management and administration, the USPTO remains subject to the policy direction of the Secretary of Commerce. This “policy link” to the Department of Commerce will enable the administration to maintain a uniform approach to patent and trademark policy, including international treaties and agreements concerning patents and trademarks, domestic patent and trademark legislation, and general policies affecting jobs, trade, and technology. This structure will also facilitate strong advocacy at the cabinet level for patent and trademark policy, which is an increasingly dominant force in our Nation’s economic growth and in promoting a favorable balance of trade with foreign states. As a body corporate and independent government agency, the USPTO will have the authority to direct its personnel, procurement, budget, and similar administrative functions in a manner consistent with the flexibilities required for businesslike operations. The Organization will be free from supervision by any department, except as expressly provided for in this Act, but will be subject to the provisions of the Government Corporation Control

Act and the specific oversight provisions contained in this Act. It is anticipated that significant cost savings and efficiencies will result from the USPTO's status as an administratively independent entity and its corresponding authority to establish its own rules, regulations, and other processes.

Subsection (b)—Offices. Subsection (b) requires that the USPTO maintain its principal office in the Washington, DC, metropolitan area for purposes of service of process and carrying out its powers, duties, and obligations under this Act. The Organization may establish satellite offices in other places within the United States as it deems necessary and appropriate. For purposes of venue in civil actions, the USPTO is deemed to be a resident of the district in which its principal office is located.

Subsection (c)—Reference. Subsection (c) provides that the word "Organization", as used in this Act, refers to the U.S. Patent and Trademark Organization.

Section 112. Powers and duties

This section provides the USPTO with the powers and authorities necessary to carry out its functions as a wholly owned government corporation.

Subsection (a)—In General. Subsection (a) sets forth the general responsibilities of the USPTO, which include those powers and duties currently exercised by the Commissioner of Patents and Trademarks under the direction of the Secretary of Commerce pursuant to section 6 of title 35, United States Code (35 U.S.C. 6). Administration of these functions within the USPTO shall be assigned pursuant to the provisions of this Act establishing the Patent Office and the Trademark Office as separate administrative units.

Subsection (a)(1) provides that the USPTO, as a sovereign agency of the United States, will be responsible for the granting and issuing of patents and the registration of trademarks. Article I, section 8, paragraph 8 of the Constitution of the United States gives to the Congress the power "To promote the Progress of Science and the useful Arts by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." The Constitution leaves to the discretion of the Congress the manner in which those rights are provided. Congress has authority under the commerce clause of the Constitution to provide a uniform trademark law for the United States and to designate a body responsible for maintaining a register for protected marks. The USPTO, as a wholly owned government corporation, will be able to carry out the functions necessary for the granting and issuing of patents and the registration of trademarks more efficiently and cost-effectively than would be the case if the Organization were subject to the limitations placed on taxpayer-funded departments and agencies.

Subsection (a)(2) authorizes the USPTO to conduct studies, programs, and exchanges regarding domestic and international patent and trademark law, the administration of the Organization, and other functions vested in the Organization by law. This subsection simply extends authority to the USPTO to conduct such studies, programs, and exchanges, as the U.S. Patent and Trademark Office

is currently authorized to conduct under section 6(a) of title 35, United States Code (35 U.S.C. 6(a)).

Subsection (a)(3)(A) authorizes the USPTO to conduct studies, programs, and exchanges with international organizations. This subsection affirms the authority of the USPTO to continue to conduct such studies, programs, and exchanges with international organizations as the U.S. Patent and Trademark Office is currently authorized to conduct under section 6(b) of title 35, United States Code (35 U.S.C. 6(b)).

Subsection (a)(3)(B) authorizes the USPTO to transfer up to \$100,000 to the State Department, with the concurrence of the Secretary of State, for the purpose of making payments to international intergovernmental organizations, such as the World Intellectual Property Organization, for studies and programs advancing international cooperation in connection with patents, trademarks, and related matters. This subsection affirms the authority of the USPTO to continue to make such payments, as are currently authorized to be made by the Commissioner of Patents and Trademarks under section 6(c) of title 35, United States Code (35 U.S.C. 6(c)).

Subsection (a)(4) makes the USPTO responsible for disseminating to the public information with respect to patents and trademarks. In fulfilling its duties under this subsection, the Organization should emphasize effective dissemination. The policies that have been pursued by the U.S. Patent and Trademark Office have resulted in broad dissemination of patent and trademark information. For example, through bulk sales to over 30 private sector organizations, many new patent information services have been created, including four free online patent search services operated by the private sector. As a result, there is a broad range of products and services now available to all categories of users. In the Committee's view, these policies have served the public and American businesses well. In fact, this PTO program has been one of the most successful in government in terms of broad, far-reaching, efficient, and effective dissemination of information. The Committee expects that the USPTO will continue the current policies of the Patent and Trademark Office with respect to information dissemination, including free Internet access to bibliographic records of patents issued over the most recent 20-year period, fee-based direct access to the Automated Patent System (APS) in the public search room and in the Patent and Trademark Depository Libraries, and the provision of bulk patent and trademark text and image data in electronic form, for a fee which is based on the cost of dissemination. The USPTO should proceed with caution, however, before expending funds to extend any of its online services to include free patent full-text or imaging searching or other direct-to-end-user retail online services beyond those now made available by the Patent and Trademark Office. Careful consideration should be given to the fact that such services are already provided by the private sector and the potential of such an expansion to undercut the value of private sector services that have been created by purchase of electronic data from the Patent and Trademark Office. The USPTO is encouraged, however, to make application status information available for both patent and trademark applications.

Subsection (b)—Special Payments. Subsection (b) makes clear that payments made to the State Department for the purpose of making payments to international intergovernmental organizations, pursuant to subsection (a)(3)(B) of this section, may be in addition to other payments or contributions to these international intergovernmental organizations. This subsection reaffirms the status of such payments as currently expressed in section 6(c) of title 35, United States Code (35 U.S.C. 6(c)).

Subsection (c)—Specific Powers. Subsection (c) identifies the specific powers granted to the USPTO to carry out its functions efficiently and in a cost-effective manner.

Subsection (c)(1) specifies that the Organization shall have perpetual succession.

Subsection (c)(2) authorizes the USPTO to adopt and use a corporate seal that is to be judicially noticed. All letters, patent, trademark registration certificates, and other official papers issued by the Organization are to be authenticated with the seal.

Subsection (c)(3) provides that the Organization may sue and be sued in its own name. Wholly owned government corporations generally have “sue and be sued” status that is specific to the body corporate. The provisions regarding implementation of the Organization’s authority to sue and be sued are contained in section 116 of this Act, which gives the Department of Justice sole litigation authority for suits in which the USPTO or officer thereof is a party, or is interested. Nothing in this legislation is intended to alter the present relationship between the Patent and Trademark Office’s Office of the Solicitor and the Department of Justice.

Subsection (c)(4) authorizes the USPTO to indemnify all officers, employees, and agents of the Organization, including the members of the Management Advisory Boards of the Patent Office and the Trademark Office, against liabilities and expenses incurred within the scope of their employment.

Subsection (c)(5) authorizes the USPTO to adopt, amend, and repeal any bylaws, rules, regulations, and determinations, which shall govern the conduct of its business and the exercise of the powers granted to the Organization by law. The adoption, amendment, and repeal of bylaws, rules, regulations, and determinations are to be made after notice and an opportunity for full participation by interested public and private parties.

Subsection (c)(6) gives the USPTO broad authority to manage its own real and personal property, or any interest in such property.

Subsection (c)(6)(A) authorizes the USPTO to acquire, construct, purchase, lease, hold, manage, operate, improve, alter, and renovate any real, personal, or mixed property, or any interest in such property, that it considers necessary to carry out the responsibilities assigned to it.

Subsection (c)(6)(B) authorizes the USPTO to sell, lease, grant, and otherwise dispose of such real, personal, or mixed property as it considers necessary to carry out the purposes of this Act.

Subsection (c)(7) grants the USPTO expanded authority, independent of the General Services Administration, to oversee its own acquisitions, including the authority to make purchases and enter contracts for the construction, maintenance, and management of fa-

cilities, the provision of supplies or services, and for printing services, as it considers necessary to carry out its functions.

Subsection (c)(7)(A) provides that the USPTO may make purchases, contract for the construction, maintenance, or management and operations of facilities, without regard to (1) the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 471 *et seq.*), (2) the Public Buildings Act of 1949 (40 U.S.C. 601 *et seq.*), and (3) the Stewart B. McKinney Homeless Assistance Act (the McKinney Act) (42 U.S.C. 11301 *et seq.*).

The Federal Property and Administrative Services Act contains many detailed requirements that are not appropriate for the businesslike operations of a fee-funded government corporation and that often impose substantial administrative costs. For example, the photocomposition procurement for the Patent and Trademark Office took more than 2½ years to complete, resulting in wasted Office resources and necessitating sole-source extensions and revisions of requirements to keep pace with technological advances. The USPTO, as a nontaxpayer-funded government corporation supported entirely through user fees, has a responsibility to minimize operating costs while assuring a fair and competitive process that reduces the overall cost of acquisitions. The Organization is expected to follow prudent business practices that achieve the objectives of the Federal Property and Administrative Services Act, such as obtaining effective competition, ensuring that prices for supplies and services are fair and reasonable, and that delivery times are reasonable. The Organization remains subject to the oversight provisions in this Act, as well as existing ethics in government acts.

The Public Buildings Act gives the Administrator of the General Services Administration (GSA) exclusive authority to acquire and manage office space for Federal agencies. While this system may be justified for taxpayer-funded agencies, it is inappropriate and is not cost-effective when applied to nontaxpayer-funded government corporations that are created to operate intrinsically under business-like principles. GSA may not always be able to respond to the Organization's needs in a timely manner. To ensure timely and cost-effective space acquisition and management, the Organization must have authority to act on its own behalf in appropriate circumstances, subject to the provision contained in subsection (e) of this Act regarding certain pending request-for-proposal lets or contracts issued by GSA prior to enactment of this Act. In addition, GSA imposes surcharges upon agencies for the provision of its services. Funds used to pay these surcharges could be better used by the USPTO in conducting its business. Mandatory, rather than discretionary, GSA authority conflicts with the Organization's need to acquire its own space in a businesslike manner. Subsection (c)(9) of this Act provides the USPTO with discretionary authority to obtain such services from GSA as are appropriate and cost-effective. This proposal is consistent with the current trend for GSA to be an asset management agency rather than a provider of services.

The McKinney Act requires that real property being disposed of by a Federal agency must be screened by the Department of Housing and Urban Development to determine whether the property may be used by agencies assisting the homeless. Because any real property that the USPTO might acquire would be paid for with

patent and trademark fees, rather than with taxpayer moneys, it is inappropriate to apply the McKinney Act to disposal of USPTO property.

Subsection (c)(7)(B) exempts the USPTO from the requirements for printing and binding in sections 501–517 of title 44, United States Code (44 U.S.C. 501–517) and from the requirements of executive and judiciary printing and binding in sections 1101–1123 of title 44, United States Code (44 U.S.C. 1101–1123). There are instances when it may be more efficient for the Organization to have access to alternative printing sources. For example, the U.S. Patent and Trademark Office is developing the capability to print trademark registration certificates directly from its automated computer systems, making it unnecessary to obtain outside printing services. Without the exemption, the Organization would be unable to realize the costs savings associated with this and future plans for technological improvement.

Subsection (c)(8) authorizes the USPTO to use services, equipment, personnel, and facilities of other United States departments, agencies, and instrumentalities with their consent and with reimbursement. The Organization is also authorized to cooperate with other departments, agencies, and instrumentalities by allowing them the use of services, equipment, and facilities of the Organization in a like manner.

Subsection (c)(9) authorizes the USPTO, if it deems it appropriate, to obtain services from the Administrator of General Services under the same conditions that those services are made available to other agencies of the United States.

Subsection (c)(10) authorizes the USPTO to use the services, records, facilities, or personnel of any State or local government agency or instrumentality, any foreign government, or any international organization, with their consent and that of the United States, to perform functions on its behalf.

Subsection (c)(11) provides the USPTO with the authority to determine the character of, and necessity for, its financial obligations and expenditures and the manner in which they are incurred, allowed, and paid, subject to statutes expressly applicable to wholly owned government corporations, title 35, United States Code, and the Act of July 5, 1946 (commonly referred to as the Trademark Act of 1946). The Organization's use of its funds, therefore, would be subject only to the restrictions in its enabling law and in the relevant provisions of the Government Corporation Control Act (31 U.S.C. 9101 *et seq.*) and other laws specifically applicable to wholly owned government corporations. The Comptroller General no longer would certify the Organization's obligations and expenditures. The Organization would retain this authority. This method of operation is appropriate since the Organization's funds derive from its own revenues and receipts, not from taxpayer funds.

Subsection (c)(12) authorizes the USPTO to retain and use all the revenues, receipts, and other monies that arise from activities of the Organization for the operations of the Organization, subject to the oversight provisions of this Act and the Government Corporation Control Act (35 U.S.C. 9101 *et seq.*). The Organization's funding is derived principally from fees paid to the U.S. Patent Office and the U.S. Trademark Office, which are separate administra-

tive units of the USPTO, for services provided by those offices. Since fiscal year 1993, the U.S. Patent and Trademark Office has relied upon such user fees for all of its revenues. Except for restrictions on required surcharge fees under the provisions of section 10101 of the Omnibus Budget Reconciliation Act of 1990 (OBRA90) (35 U.S.C. 41 note), all funding is available to the Organization for the conduct of its affairs. The authority granted to the USPTO in this charter is consistent with that prevailing prior to incorporation under this Act.

Subsection (c)(13) gives the USPTO priority of the United States in connection with the payment of any debts from bankrupt, insolvent, and decedents estates.

Subsection (c)(14) authorizes the USPTO to accept gifts or donations of services and property. This provision mirrors those of 12 other Cabinet-level Executive agencies and numerous other government agencies and corporations. The U.S. Patent and Trademark Office is currently authorized to accept such gifts by virtue of the Secretary of Commerce's authority to do so under section 1522 of title 15, United States Code (15 U.S.C. 1522). This authority makes it possible for the Commissioner of Patents and Trademarks to accept donations to the Patent and Trademark Museum and the Office's library, as well as to accept donations of service by experts from the private sector who serve as volunteer instructors at the Patent Academy—a voluntary after-hours program in which patent professionals improve their legal education in an ongoing effort to improve the overall examination process. This subsection provides authority for the USPTO, as an independent agency of the United States, to continue the existing practices of the U.S. Patent and Trademark Office with respect to the acceptance of gifts and donations. The requirements of the Ethics in Government Act (5 U.S.C. App.) and regulations establishing standards for ethical conduct for executive branch employees under, including those specifically regarding the acceptance of gifts, will continue to apply to the officers and employees of the Organization, as will the criminal bribery provisions of chapter 11 of title 18, United States Code (18 U.S.C. 201). Additional restrictions on the authority of the USPTO to accept gifts, beyond those applicable to all other executive branch employees, are set forth in subsection 112(d) of this Act.

Subsection (c)(15) authorizes the USPTO to execute any legal instruments necessary and appropriate for the exercise of its powers and authorities. Such execution shall conform to the bylaws, rules, and regulations established by the Organization for the exercise of such powers and authorities.

Subsection (c)(16) authorizes the USPTO, either by contract or through self-insurance, to provide for liability insurance and insurance against loss in connection with any of its property, other assets, or operations.

Subsection (d)—Restriction on Gifts. Subsection (d) sets forth specific restrictions on the acceptance of gifts by the Organization. Such gifts may be accepted only for the limited purposes of enhancing the libraries and museums of the USPTO, supporting the Organization's educational programs, or otherwise carrying out the functions of the Organization. Officers and employees of the Organization remain subject to criminal bribery statutes (18 U.S.C. 201 *et*

seq.), as well as regulations establishing standards for ethical conduct for executive branch employees under Appendix 4 of title 5, United States Code (5 U.S.C. App.) (the Ethics in Government Act), including those regarding the acceptance of gifts. This subsection requires the Director of the USPTO to establish regulations governing the acceptance of gifts and donations by the Organization, consistent with such statutes and regulations, and requires that those regulations further prohibit all gifts or donations from foreign entities.

Subsection (e)—Rule of Construction. Subsection (e) provides that this legislation will not render null and void any pending request-for-proposal let or contract already approved by the General Services Administration for the purpose of relocating or leasing space to the U.S. Patent and Trademark Office.

Section 113. Organization and management

Subsection (a)—Offices. Subsection (a) provides for the organizational structure of the USPTO. The Organization consists of three separate administrative units: (1) the Office of the Director, (2) the United States Patent Office, and (3) the United States Trademark Office. Under this organizational structure, the Patent Office and the Trademark Office will be operated as separate, autonomous administrative units. Each office will be responsible for adopting and implementing policies that serve the best interests of that office, as determined by its respective Commissioner under the policy direction of the Secretary of Commerce through the Director.

This structure reflects the fundamental differences between patents and trademarks—two diverse fields of law whose focus and purpose are very different. The patent statute is designed to advance technological progress through the public disclosure of new and useful inventions. The trademark laws are intended to protect a company's product names and exclusive features, promote the national economy by encouraging the production of quality products, and protect consumers from confusion and deception.

Linking these two distinct areas administratively has created serious operational difficulties to the detriment of the trademark functions—as patent functions have overshadowed trademark policy direction and administrative decisionmaking. By providing autonomy for trademark operations and insulating it from the patent function, the Committee believes these operational difficulties will subside, providing more efficient and effective administration of the Nation's trademark laws.

Subsection (b)—Director. Subsection (b) provides for the appointment of a Director of the USPTO.

Subsection (b)(1) vests the management of the USPTO in a Director of the United States Patent and Trademark Organization (Director). The Director shall be appointed by the President, by and with the advice and consent of the Senate. The Director must be a United States citizen and shall be a person who, by reason of professional background and experience in patent or trademark law, is especially qualified to manage the Organization.

Subsection (b)(2) establishes the duties of the Director.

Subsection (b)(2)(A)(i) provides that the Director is responsible for the management and direction of the USPTO. The Director

shall perform this duty in a fair, impartial, and equitable manner. This responsibility includes the establishment of the organization of the USPTO, the number and types of its offices and the filling thereof, and the definition of the duties assigned to employees and officers of the Organization. The power of the Director to manage the Organization and to appoint officers and employees of the USPTO is limited, however, to the Office of the Director and such other offices as the Director may, in his or her discretion, establish. Responsibility for the management of the U.S. Patent Office and the U.S. Trademark Office, as separate administrative units of the USPTO, and the power to appoint the officers and employees of those offices, is reserved for the Commissioner of Patents and the Commissioner of Trademarks, respectively, under sections 114(c) and 115(a) of this Act.

Subsection (b)(2)(A)(ii) requires the Director to strive to meet the goals set forth in an annual performance agreement between the Director and the Secretary of Commerce, as outlined in subsection (b)(4).

Subsection (b)(2)(B) charges the Director with advising the President, through the Secretary of Commerce, on policy matters regarding patents and trademarks. Specifically, this subsection provides that the Director will advise the President, through the Secretary of Commerce, regarding all activities the Organization undertakes on treaties and executive agreements entered into by the United States or that are related to cooperative programs with authorities of foreign governments regarding the granting of patents and the registration of trademarks. In addition, the Director is to recommend to the President, through the Secretary of Commerce, any changes in law or policy that may improve the ability of U.S. citizens to secure and enforce patent and trademark rights in the United States and abroad.

Subsection (b)(2)(C)(i) authorizes the Director, at the direction of the President, to represent the United States in international negotiations related to patents and trademarks, or to designate an officer or officers of the USPTO to participate in such negotiations. Recently, the U.S. Patent and Trademark Office has been selected by the Administration to represent the United States as a party to international treaty negotiations on intellectual property rights, including negotiations on the law of patents, trademarks, copyrights, and related matters. The authorization contained in this subsection grants the Director, or his or her designee(s) from among the officers of the USPTO, the ability to continue to serve in this capacity, if chosen by the President to do so.

Subsection (b)(2)(C)(ii) makes clear that nothing in subsection (b)(2)(C)(i)—authorizing the Director to represent the United States at the direction of the President in international treaty negotiations—serves to alter the statutory responsibilities of the Secretary of State or the United States Trade Representative with respect to such international treaty negotiations or related matters.

Subsection (b)(2)(D) requires the Director, in consultation with the Director of the Office of Personnel Management, to maintain a program for identifying national security positions and providing for appropriate security clearances.

Subsection (b)(2)(E) authorizes the Director to perform such personnel, procurement, and other functions of the Patent Office and the Trademark Office as can be administered more efficiently through a centralized office. This subsection provides a mechanism whereby the overall efficiency of the Organization will be increased by avoiding unnecessary duplication of efforts by the Patent Office and the Trademark Office, which operate as separate administrative units within the USPTO. Under this subsection, the Patent Office and the Trademark Office need not establish separate offices to handle those functions, such as procurement and certain hiring functions, which can be handled just as effectively but at a lower cost through a single, centralized office. The Director's authority is limited to the performance of those functions that the Director, the Commissioner of Patents, and the Commissioner of Trademarks unanimously and continuously agree can be more efficiently handled by a single, centralized office. The Committee intends that any agreement to perform a centralized function and allocate costs is an ongoing process requiring the unanimous agreement of all three parties to remain in effect. Under this subsection, any agreement between the Director, the Commissioner of Patents, and the Commissioner of Trademarks must be in writing and must indicate the allocation of costs of administering the agreed upon function(s) between the Office of the Director, the Patent Office, and the Trademark Office. In determining the allocation of costs for a particular function, it is expected that the Director and Commissioners will assess the commensurate value of the function to trademark operations versus patent operations. In some cases, this may result in each office bearing an equal portion of the costs. In most instances, however, it is expected that the costs will be allocated based on each office's proportionate share of full-time equivalent (FTE) levels, as is currently required by law.

Subsection (b)(2)(F) sets forth the Director's responsibilities with respect to the United States Patent Office and the United States Trademark Office, which operate as separate administrative units within the USPTO.

Subsection (b)(2)(F)(i) requires the Director to ensure that the Patent Office and the Trademark Office prepare appropriation requests for their respective offices. The appropriations requests are to be included in the appropriation request for the USPTO and submitted to the President by the Director pursuant to section 1108 of title 31, United States Code (31 U.S.C. 1108). This subsection recognizes that the Commissioner of Patents and the Commissioner of Trademarks are responsible for all aspects of the management, administration, and operation of their respective offices, including management of their respective budgets and preparation of appropriation requests. This subsection provides a limited role for the Director in this process by requiring that the Director ensure that the fees of the Patent Office and the Trademark Office are sufficient to cover the expenses of each office. Thus, the Director is charged with ensuring that the Organization operates as a self-funded agency, as the U.S. Patent and Trademark Office has done since fiscal year 1993. In carrying out this function, section 114(i)(1) and section 115(c) of this Act, respectively, require the Director to determine whether any adjustments to fees are consistent

with the policy direction of the Secretary of Commerce. This subsection also requires the Director to ensure that any expenditures from the funds derived from the fees of the Patent Office and the Trademark Office are used only for the functions of the respective offices. This responsibility corresponds with the requirements in section 114(i)(1) and section 115(a) of this Act that revenues derived from the fees of the Patent Office and the Trademark Office be used only for carrying out the functions of the office from which the fees are derived. Such a requirement currently exists with respect to trademark fees under section 42(c) of title 35, United States Code (35 U.S.C. 42(c)).

Subsection (b)(2)(F)(ii) requires that the Director maintain the structural integrity of the Organization, including the administrative independence of the separate units within the USPTO, by ensuring that the Patent Office and the Trademark Office are not involved in the management of any other office.

Subsection (b)(2)(G) requires the Director to submit an annual report to Congress that includes such information as is required under the Government Corporation Control Act (31 U.S.C. 9101 *et seq.*), including the total monies received and expended by the Organization and the purpose for which the monies were spent, the amount of any surplus revenues retained by the Organization, the quality and quantity of the work of the Organization, and other information relating to the Organization.

Subsection (b)(3) requires that before assuming office, the Director shall take an oath to discharge faithfully the duties of the Director as the head of an agency of the United States.

Subsection (b)(4) sets the Director's compensation at the rate of basic pay in effect for level III of the Executive Schedule under section 5314 of title 5, United States Code (5 U.S.C. 5314). This subsection further provides that the Director may receive a bonus in an amount that would raise total compensation to the equivalent of the rate of pay in effect for level II of the Executive Schedule under section 5313 of title 5, United States Code (5 U.S.C. 5313). Such a bonus shall be based on an evaluation by the Secretary of Commerce of the Director's performance, as defined in an annual performance agreement between the Director and the Secretary that incorporates measurable goals agreed to by the Director and the Secretary in an annual performance plan.

Subsection (b)(5) provides that the Director will serve at the pleasure of the President. Under subsection (b)(2)(B), the Director is charged with advising the President, through and under the policy direction of the Secretary of Commerce, on matters of patent and trademark policy. In order to serve effectively in this capacity, the Director must enjoy the full confidence of the President. Thus, this subsection anticipates that the Director's term will be contingent upon the President's approval, and each President will have the opportunity to appoint the Director of his or her choice to furnish advise, through the Secretary of Commerce, on policy matters relating to patents and trademarks.

Subsection (b)(6) requires the Director to designate an officer of the USPTO who will be vested with authority to act as Director in the event of absence or incapacity of the Director. This assures the continuity of management of the Organization.

Subsection (b)(7) clarifies that nothing in this section with respect to duties of the Director of the USPTO derogates in any way from the existing duties or functions of the Register of Copyrights. This subsection clarifies the intent of the Committee that the USPTO be authorized to continue the performance of those functions currently performed by the U.S. Patent and Trademark Office, but that the authority of the Copyright Office and the Register of Copyrights is in no way affected by this Act.

Subsection (c)—Officers and Employees. This subsection provides for the appointment of other officers and employees of the USPTO.

Subsection (c)(1) requires the Director to appoint a Commissioner of Patents and a Commissioner of Trademarks to manage the U.S. Patent Office and the U.S. Trademark Office, respectively, pursuant to section 3 of title 35, United States Code (35 U.S.C. 3), as amended by this Act, and section 53 of the Act of July 5, 1946 (commonly referred to as the Trademark Act of 1946), as created by this Act.

Subsection (c)(2) requires the Director to appoint other officers, employees (including attorneys), and agents of the USPTO as the Director considers necessary to carry out the functions of the Organization. This subsection requires that such officers, employees, and agents be citizens of the United States. Similar limitations are placed upon all Federal agencies with respect to appointments to the competitive service under section 7.4 of title 5, Code of Federal Regulations (5 C.F.R. 7.4). The Director is also charged with setting the compensation of such officers and employees (subject to the provisions of subsection (e)), with defining the authority and duties of those officers and employees, and with delegating powers vested in the Organization to them as the Director deems necessary and appropriate to carry the functions of the USPTO.

Subsection (c)(3) makes clear that no administrative or statutory limitations on the number of positions or the number of personnel are to apply to the USPTO and that none of positions or personnel of the USPTO are to be taken into account in applying any such limitation to other departments and agencies of the United States Government.

Subsection (d)—Limits on Compensation. This subsection provides that, except as otherwise provided by law, neither the annual rate of basic pay of an officer or employee of the USPTO nor the total annual compensation of such officer or employee may exceed the annual rate of basic pay in effect for level II of the Executive service under section 5313 of title 5, United States Code (5 U.S.C. 5313). In effect, this subsection prevents any officer or employee of the USPTO from receiving annual compensation in excess of the total annual compensation of the Director (including bonus) under subsection (b)(4). This subsection requires the Director to promulgate regulations as necessary to carry out the provisions of this subsection.

Subsection (e)—Inapplicability of Title 5. Subsection (e) exempts the USPTO and its employees from all of the provisions of title 5, United States Code, with enumerated exceptions set forth in subsections (f) and (g). This subsection, taken together with the provisions of subsections (f) and (g), promotes maximum flexibility in

personnel matters, while at the same time retaining basic employee entitlements and protections.

Subsection (f)—Continued Applicability of Certain Title 5 Provisions. Subsection (f)(1) outlines those provisions of title 5, United States Code, that continue to apply to officers and employees of the USPTO. These provisions constitute the basic employee protections upon which title 5 is based. Under this subsection, the USPTO remains subject to section 3110, relating to employment of relatives; subchapter II of chapter 55, relating to withholding pay; subchapters II and III of chapter 73, relating to employment limitations and political activities (the Hatch Act), respectively; chapter 71, relating to labor-management relations; section 3303, relating to political recommendations (the Hatch Act); subchapter II of chapter 61, relating to flexible and compressed work schedules; section 21302(b)(8), relating to whistleblower protection; and the whistleblower-related provisions of chapter 12, covering the role of the Office of Special Counsel. To replace the rest of title 5, United States Code, the USPTO will engage in collective bargaining over compensation, leave, and disciplinary procedures, and, consistent with subsection (h), create its own employee relations and labor relations programs in line with title 5 merit principles.

Subsection (f)(2)(A) specifically requires the USPTO, consistent with chapter 71 of title 5, United States Code (5 U.S.C. 7101 *et seq.*), to bargain in good faith with its unions over basic pay and other forms of compensation subject only to the exceptions set forth in subsection (f)(2)(B). This subsection confers upon the Organization's unions the right to bargain with the USPTO over its decisions regarding basic pay and compensation up to a maximum which is defined as the annual rate of basic pay in effect for the Director.

Subsection (f)(2)(B) specifically prohibits the Organization and its unions from bargaining over benefits listed in paragraphs (1), (2), (3), and (4) of subsection (g). This subsection affords sole and exclusive rights to the Organization to choose to supplement basic retirement, health and life insurance, and workers compensation benefits, beyond those guaranteed to the Organization's employees under applicable sections of title 5, United States Code, and no collective bargaining is permitted regarding such supplemental benefits.

Subsection (f)(2)(C) prohibits the Organization, through collective bargaining, from exceeding the limits on compensation set forth in subsection (d). While the Organization is obligated to bargain regarding basic pay and compensation with its unions, the maximum amount of compensation is established by this Act.

Subsection (g)—Continued Applicability of Health, Retirement, Life Insurance, and Workman's Compensation Benefits. Subsection (g) maintains eligibility for officers and employees of the USPTO to participate in the basic Federal retirement, health insurance, life insurance, and workman's compensation benefits programs under title 5, United States Code. Specifically, this subsection maintains eligibility for officers and employees of the USPTO to participate in the retirement and benefits programs under subchapter III of chapter 83 of title 5, United States Code (5 U.S.C. 8331 *et seq.*) (Civil Service Retirement System), chapter 84 of title 5, United

States Code (5 U.S.C. 8401 *et seq.*) (Federal Employees Retirement System), chapter 87 of title 5, United States Code (5 U.S.C. 8701 *et seq.*) (life insurance), chapter 89 of title 5, United States Code (5 U.S.C. 8901 *et seq.*) (health insurance), and chapter 81 of title 5, United States Code (5 U.S.C. 8101 *et seq.*), except to the extent that the Organization elects to augment these benefits under this subsection. The USPTO may provide for supplemental retirement benefits or may make changes to the life and health insurance benefits, provided such changes do not result in benefits that are, on the whole, less favorable than those provided Federal employees under chapters 87 and 89 of title 5, United States Code (5 U.S.C. 8701 *et seq.*, 8901 *et seq.*). Any regulations needed to carry out these provisions shall be prescribed, as they are now, by the Office of Personnel Management. Government contributions and computations shall be made by the USPTO in the same manner as provided under section 8334(a)(1), 8401(9), 8334(k)(1)(b), 8706(b)(1) or (2), 8708(d) and 9806(g)(2) of title 5, United States Code (5 U.S.C. 8334(a)(1), 8401(9), 8334 (k)(1)(b), 8706(b)(1), 8706(b)(2), 8708(d), 9806(g)(2)). The USPTO remains responsible for reimbursing the Employees' Compensation Fund for compensation paid or payable after the effective date of incorporation under this Act.

Subsection (h)—Labor-Management Relations. Subsection (h) requires the USPTO to establish hiring practices, labor relations, and employee relations programs with the objective of improving the productivity and efficiency of the Organization. The provisions of this subsection will provide the requisite flexibility for the USPTO to hire and maintain a well qualified workforce while retaining the substantive protections anticipated by title 5, United States Code.

Subsection (h)(1) requires the USPTO to establish an employee relations and a labor relations system that is exempt from all provisions of title 5, United States Code, except for those specifically listed in subsections (f) and (g) of this section. The USPTO has flexibility in establishing terms and conditions of employment, including supplemental employee benefits, rates of pay, performance-based compensation, and other terms and conditions of employment consistent with the requirements of those subsections. Subsection (h) requires that such terms and conditions of employment must be consistent with merit principles now set forth in section 2301(b) of title 5, United States Code (5 U.S.C. 2301(b)), provide veterans preference protections equivalent to those required by sections 2108, 3308–3318, 3320, 3502, and 3504 of title 5, United States Code (5 U.S.C. 2108, 3308–3318, 3320, 3502, 3504), and be consistent with chapter 71 of title 5, United States Code (5 U.S.C. 7101 *et seq.*) (National Labor Relations Act), particularly those provisions set forth in this subsection.

The USPTO needs to establish its own regulations in order to have the flexibility to hire a well qualified work force. The current employment and compensation regulations limit that flexibility. It is imperative that the Organization be able to attract and retain a high caliber of professionals learned in emerging technologies. There is an increasing demand for patent and trademark protection. Responding to that demand requires an ever-changing mix of legal and technical expertise. The USPTO needs the ability to establish different compensation and employment packages based on

scarcity of patent and trademark examination and processing skills to respond to the demand.

Subsection (h)(2) provides for the continuation of all labor agreements that are in effect on the day before the effective date of this Act. Should any of the unions not have a labor agreement in effect on that date, terms and conditions of employment shall continue unless and until changed by the Organization or as otherwise set forth in this Act.

Subsection (i)—Carryover of Personnel; Continuation in Office of Certain Officers. Subsection (i) provides for the carryover of officers and employees from the Patent and Trademark Office and certain additional employees to the USPTO, the carryover of rights and benefits, and the transitional appointment of a Director.

Subsection (i)(1) provides that all officers and employees of the current U.S. Patent and Trademark Office will become officers and employees of the USPTO on the effective date of this Act, without a break in service.

Subsection (i)(2) sets forth conditions under which individuals employed by the Department of Commerce may be transferred to the USPTO on the effective date of this Act, without a break in service. Qualified individuals are those that, as a part of their job perform work that is reimbursed by the Patent and Trademark Office and the Secretary of Commerce determines that such work is a major function of their position, those who serve in positions that the Secretary of Commerce determines require the dedication of at least half their time to work in support of the Patent and Trademark Office, and those whose transfer the Secretary of Commerce, in consultation with the Director, determines would be in the interest of the USPTO.

Subsection (i)(3) provides that all sick and annual leave and compensatory time accumulated by officers and employees of the U.S. Patent and Trademark Office under title 5, United States Code, before the effective date of this Act, shall be preserved as obligations of the USPTO.

Subsection (i)(4) provides transitional protections for employees transferred to the USPTO under this Act. Under this subsection, any officer or employee transferred under subsections (i)(1) or (2) of this section whose employment is terminated within 1 year of such transfer will be entitled to the same rights and benefits the employee would have had as a Federal employee had such termination occurred before the transfer, including, where applicable, the right to appeal their termination to the Merit Systems Protection Board within the 1-year period.

Subsection (i)(5)(A) provides for the appointment of a transitional Director of the USPTO. Under this subsection, the President, on or after enactment of this Act, shall appoint a Director to serve for 1 year or until a Director qualifies under subsection (b), whichever is shorter. The President may only make one such interim appointment pursuant to the subsection.

Subsection (i)(5)(B) provides that the individual serving as the Assistant Commissioner of Patents on the day before the effective date of incorporation shall serve as the Commissioner of Patents until a Commissioner is appointed by the Director under section 3

of title 35, United States Code (35 U.S.C. 3), as amended by section 114(c) of this Act.

Subsection (i)(5)(C) provides that the person serving as the Assistant Commissioner of Trademarks on the day before the effective date of incorporation shall serve as the Commissioner of Trademarks until one is appointed by the Director under section 53 of the Act of July 5, 1946 (commonly referred to as the Trademark Act of 1946), as created by section 115(a) of this Act.

Subsection (j)—Competitive Status. Subsection (j) makes clear that, for the purposes of appointment to a position in the competitive service, no officer or employee of the USPTO will, as a result of becoming an employee of the USPTO, forfeit any competitive status they may have acquired prior to the effective date of this Act.

Subsection (k)—Savings Provisions. Subsection (k) makes clear that compensation, benefits, and other terms and conditions of employment in effect before the effective date of the Act shall continue in effect until changed as provided for in this section, whether by action of the Director or otherwise.

Subsection (l)—Removal of Quasi-Judicial Examiners. Subsection (k) requires the USPTO to establish a personnel system that does not permit the removal from federal service of patent examiners, administrative patent judges, trademark examiners, or administrative trademark judges for any reason, unless such removal promotes the efficiency of the Organization. This provision is intended to protect quasi-judicial government officials who perform an essential government function from exposure to outside influence or pressure by granting to them the title 5 protections against removal that they currently enjoy.

Section 114. United States Patent Office

This section creates the U.S. Patent Office as an autonomous subdivision of the USPTO, charged with the administration of the patent-related functions of the current U.S. Patent and Trademark Office.

Subsection (a)—Establishment of the U.S. Patent Office. Subsection (a) amends section 1 of title 35, United States Code (35 U.S.C. 1), to establish the United States Patent Office as a separate administrative unit of the USPTO, charged with the administration of the U.S. patent system. As a separate administrative unit, the Patent Office will be funded entirely through fees payable to the Office by its users, which will be unavailable for use in carrying out the functions of any other office. It will also be free from outside management of its day-to-day functions by other offices.

Subsection (b)—Powers and Duties. Subsection (b) amends section 2 of title 35, United States Code (35 U.S.C. 2) to set forth the powers and duties of the U.S. Patent Office. These powers and duties are substantially the same as the patent-related duties of the current Commissioner of Patents and Trademarks under section 6 of title 35, United States Code (35 U.S.C. 6). These include: (1) granting and issuing patents; (2) conducting studies, programs, and exchanges regarding domestic and international patent law, the administration of the Office, and other functions vested in the Office by law; (3) conducting studies, programs, and exchanges with foreign patent offices and international organizations in connection

with the granting and issuing of patents; and, (4) disseminating information to the public with respect to patents. Similar powers and duties are enumerated with respect to the USPTO in section 112(a) of this Act. The Director of the USPTO is primarily responsible for the policy functions, whereas the Commissioner of Patents, as the head to the U.S. Patent Office, is primarily responsible for the administration of the patent system, although the Commissioner does retain a limited policy role as an advisor to the Director on matters relating to patent law. This subsection makes clear that it is the power and duty of the Patent Office to perform those functions vested in the USPTO and assigned to the Patent Office in this subsection that relate to the administration of the patent system, as well as certain policy-related functions carried out in fulfillment of the Commissioner's advisory role. To the degree that these functions share common elements with functions of the Trademark Office and the USPTO in general, such as the dissemination of information to the public, those functions may be performed through a centralized office provided the Director, the Commissioner of Patents, and the Commissioner of Trademarks agree that such a centralized administration will promote the efficiency of the Organization.

Subsection (c)—Organization and Management. Subsection (c) amends section 3 of title 35, United States Code (35 U.S.C. 3), to set forth the organizational structure of the independent Patent Office within the USPTO.

Section 3(a) of title 35, United States Code (35 U.S.C. 3(a)), as amended by this subsection, provides for the appointment of a Commissioner of Patents to manage the U.S. Patent Office. Subsection (a)(1) vests the management of the Patent Office in the Commissioner of Patents (Commissioner), who shall be appointed by the Director under section 113(c)(1) of this Act, and who shall serve at the pleasure of the Director. The Director must ultimately answer to Congress and the President, through the Secretary of Commerce, for the performance of the USPTO, including the Patent Office. In fact, the Director's salary is directly tied to the performance of the various offices within the USPTO, inasmuch as the Director's bonus is based in part upon the achievement of measurable goals enumerated in an annual performance agreement between the Director and the Secretary of Commerce, which is expected to include performance goals for the Patent Office. In addition, the Commissioner is charged with advising the Director on policy matters with respect to patents. In order to serve effectively in his or her capacity, the Commissioner must enjoy the full confidence of the Director, just as the Director must enjoy the full confidence of the President in his role as an advisor to the President, through the Secretary of Commerce, on patent and trademark policy. Thus, this subsection anticipates that the Commissioner's term will be contingent upon the Director's approval, and each Director will have the opportunity to appoint the Commissioner of his or her choice to manage the Patent Office and to furnish advice on policy matters relating to patents. This subsection also provides that the Commissioner must be a United States citizen and must be a person who, by reason of professional background and experience in patent law, is especially qualified to manage the Patent Office.

Subsection (a)(2), as amended by this subsection, sets forth the duties of the Commissioner of Patents. Subsection (a)(2)(A) provides that the Commissioner is responsible for all aspects of the management, administration, and operation of the Patent Office, including the granting and issuing of patents. The Commissioner must perform these duties in a fair, impartial, and equitable manner.

Subsection (a)(2)(B) outlines the Commissioner's policy-related duties. Specifically, this subsection provides that the Commissioner of Patents will advise the Director regarding all activities the Patent Office undertakes under treaties and executive agreements to which the United States is a party or that are related to cooperative programs with foreign governments regarding the granting of patents. In addition, the Commissioner is to advise the Director on matters of patent law and recommend to the Director changes in law or policy that may improve the ability of U.S. citizens to secure and enforce patent rights in the United States and abroad. The Director is charged with advising the President, through the Secretary of Commerce, on these matters under section 113(b)(2)(B) of this Act.

Subsection (a)(2)(C) authorizes the Commissioner to establish regulations governing the proceedings in the Patent Office. The Commissioner of Patents and Trademarks currently exercises such authority, subject to the approval of the Secretary of Commerce, with respect to regulations in the U.S. Patent and Trademark Office pursuant to section 6(a) of title 35, United States Code (35 U.S.C. 6(a)). This subsection requires the Director to certify that regulations promulgated by the Commissioner are consistent with the policy direction of the Secretary of Commerce.

Subsection (a)(2)(D) requires the Commissioner to consult with the Patent Office Management Advisory Board—established in section 114(d) of this Act—on a regular basis on matters relating to the operation of the Patent Office and before submitting budgetary proposals to the Director for submission to the Office of Management and Budget or proposing changes in Patent Office regulations or user fees. This subsection also reiterates that the Director must certify that any change in fees or regulations is consistent with the policy direction of the Secretary of Commerce.

Subsection (a)(3), as amended by this subsection, requires the Commissioner to take an oath to discharge faithfully the duties of the Patent Office.

Subsection (a)(4), as amended by this subsection, provides that the Commissioner of Patents will be paid at the rate in effect for level IV of the Executive Schedule under section 5315 of title 5, United States Code (5 U.S.C. 5315). The Commissioner may receive a bonus at the discretion of the Director that would increase total compensation to the equivalent of the rate of pay in effect for level III of the Executive Schedule under section 5314 of title 5, United States Code (5 U.S.C. 5314). As with bonuses in the private sector, the bonus available to the Commissioner as the head of the Patent Office is discretionary and performance-based. It is appropriate in determining whether to award such a bonus that the Director take into account the Commissioner's contribution to meeting those elements of the performance agreement between the Director and the

Secretary of Commerce—including specific measurable goals contained in the annual performance plan—that directly involve the functions of the U.S. Patent Office.

Section 3(b) of title 35, United States Code (35 U.S.C. 3(b)), as amended by this subsection, provides for the appointment of other officers and employees of the Patent Office. Subsection (b)(1) requires the Commissioner of Patents to appoint a Deputy Commissioner of Patents, who shall have authority to act as Commissioner in the absence or incapacity of the Commissioner.

Subsection (b)(2) requires the Commissioner of Patents to appoint an Ombudsman to advise the Commissioner on the concerns of independent inventors, nonprofit organizations, and small business concerns. Congress has afforded small businesses and independent inventors preferential treatment in the Patent and Trademark Office's fee structure in order to promote ingenuity in all sectors and to facilitate the bringing of innovative technologies to market by making patent protection more accessible. This subsection further guards the interests of the smaller, yet equally important, users of the patent system by providing a direct channel through which these constituents of the Patent Office can have their interests raised at the highest level. Additional safeguards for these constituents are provided in section 114(d) of this Act, which reserves one of the five positions on the Patent Office Management Advisory Board for an independent inventor.

Subsection (b)(3) authorizes the Commissioner to appoint other officers, attorneys, employees, and agents of the Patent Office, and to vest them with such authority as he or she may determine necessary, consistent with the provisions of this Act and other provisions of law.

Subsection (d)—Patent Office Management Advisory Board. Subsection (d) creates a new section 5 of title 35, United States Code (35 U.S.C. 5), to establish a Patent Office Management Advisory Board (Advisory Board) to consult with and advise the Commissioner of Patents on the efficient administration of the Patent Office.

Section 5(a) of title 35, United States Code (5 U.S.C. 5(a)), as created by this subsection, provides for the establishment of the Patent Office Management Advisory Board. Subsection (a)(1) provides that the Advisory Board shall be made up of five members. Each shall be appointed by and serve at the pleasure of the President. No more than three may be from the same political party. At least one member of the Advisory Board must be an independent inventor. Subsection (a)(2) requires the President to designate a Chair of the Advisory Board from among its members. The Chair shall serve for a term of 3 years. Subsection (a)(3) provides for the timing of appointments to the Advisory Board. Initial appointments must be made within 3 months after the effective date of this Act. Vacancies shall be filled by Presidential appointment in the same manner in which the original appointment was made under this subsection. Vacancies must be filled within 3 months of the date on which they occur.

Section 5(b) of title 35, United States Code (35 U.S.C. 5(b)), as created by this subsection, establishes the qualifications for appointment to the Advisory Board. Members of the Advisory Board

must be citizens of the United States. Furthermore, they must be selected so as to represent the diverse users of the Patent Office. The Patent Office caters to a broad constituency, ranging from small inventors working out of their garage, to small startup companies with varying numbers of employees, to educational and other nonprofit research facilities, to large corporations employing hundreds, even thousands, of research scientists. This subsection is intended to ensure that the views of all the users of the Patent Office, who collectively support the Office through their user fees, are heard and accounted for in the management of the Patent Office. Because the view has been expressed that smaller users of the Patent Office are somehow at a disadvantage in comparison to the larger users in having their interests effectively heard, this Act guarantees at least one seat on the Advisory Board for an independent inventor. Independent inventors are the only class of users of the Patent Office that are guaranteed a seat on the Advisory Board. It is expected that the individual appointed as an independent inventor will represent the minority constituents of the Patent Office, specifically independent inventors, nonprofit entities, and small businesses. This subsection also requires that the Advisory Board include individuals with substantial background and achievement in corporate finance and management. Such a requirement is important to the effective performance of the Advisory Board's duties, which include advising the Commissioner of Patents with respect to the Patent Office budget and user fees, as well as the overall performance of the Patent Office.

Section 5(c) of title 35, United States Code (35 U.S.C. 5(c)), as created by this subsection, provides that the Advisory Board will meet at the call of the Chair to consider an agenda set by the Chair.

Section 5(d) of title 35, United States Code (5 U.S.C. 5(c)), as created by this subsection, sets forth the duties of the Advisory Board. Under this subsection, the Advisory Board is charged with reviewing and advising the Commissioner of Patents on the policies, goals, performance, budget, and user fees of the Patent Office. The Advisory Board is also required to prepare an annual report on these matters for submission to the Director, the President, and the House and Senate Judiciary Committees, and to print the annual report in the Patent Office Official Gazette. The Advisory Board's role is advisory only. The primary purpose of the Advisory Board is to facilitate input from those parties that use and support the Patent Office to the Commissioner in order to enhance the effective and efficient administration of the Office, to provide information to the Director, the President, and Congress to facilitate the effective performance of their oversight duties, and to ensure public access to information regarding the administration of the Patent Office.

Section 5(f) of title 35, United States Code (35 U.S.C. 5(f)), as created by this subsection, provides that each member of the Advisory Board will be paid on a pro-rated basis, based on the annual rate of pay in effect for level III of the Executive Schedule under section 5314 of title 5, United States Code (5 U.S.C. 5314), for each day (including travel time) that he or she is engaged in the business of the Advisory Board. Members of the Advisory Board shall

be allowed travel expenses while away from home or regular place of business, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code (5 U.S.C. 5703).

Section 5(g) of title 35, United States Code (35 U.S.C. 5(g)), as created by this subsection, ensures that members of the Advisory Board will have access to Patent Office records and information in the conduct of their duties. This subsection provides further, however, that members of the Advisory Board will not have access to personnel and other privileged information or information concerning patent applications that is required to be kept confidential under section 122 of title 35, United States Code (35 U.S.C. 122).

Section 5(h) of title 35, United States Code (35 U.S.C. 5(h)), as created by this subsection, provides that members of the Advisory Board are special Government employees within the meaning of section 202 of title 18, United States Code (18 U.S.C. 202). As special Government employees, members of the Advisory Board are expressly subject to standards of ethical conduct outlined in the criminal bribery, graft and conflict of interest statutes under chapter 11 of title 18, United States Code (18 U.S.C. 201 *et seq.*).

Subsection (e)—Conforming Amendments. Subsection (e) repeals section 6 of title 35, United States Code (35 U.S.C. 6), dealing with the duties of the Commissioner of Patents and Trademarks, along with the heading for that section in the table of contents for chapter 1 of title 35. These duties were assigned to the Commissioner of Patents by the amendments to section 2 of title 35, United States Code (35 U.S.C. 2) under section (b), thus making the section 6 delineation of duties duplicative.

Subsection (f)—Board of Patent Appeals and Interferences. Subsection (f) amends section 7 of title 35, United States Code (35 U.S.C. 7) (dealing with the Board of Patent Appeals and Interferences) to reflect the organizational structure of the USPTO, specifically the separate Patent Office and Trademark Office.

Section 7(a) of title 35, United States Code (35 U.S.C. 7(a)), as amended by this subsection, provides for a Board of Patent Appeals and Interferences in the USPTO, composed of the Commissioner of Patents, the Deputy Commissioner of Patents, and the administrative patent judges. Thus, in addition to recognizing the changes in organizational structure, this subsection also recognizes the change in nomenclature from “examiners-in-chief” to “administrative patent judges,” which has been used by the Patent and Trademark Office pursuant to regulation since 1993, but for which a corresponding change has never been made in the United States Code. This subsection provides that the administrative patent judges shall be persons of competent legal knowledge and scientific ability.

Section 7(b) of title 35, United States Code (35 U.S.C. 7(b)), as amended by this subsection, sets forth the duties of the Board of Patent Appeals and Interferences. These duties remain unchanged from those currently outlined in section 7(b) of title 35, United States Code (35 U.S.C. 7(b)), but are modified to reflect changes proposed by title V of the Omnibus Patent Act of 1997 (the Patent Reexamination Reform Act of 1997). Under this subsection, the Board of Patent Appeals and Interferences is responsible for reviewing written appeals of applicants, patent owners, or third-party requesters in reexamination proceedings from adverse deci-

sions of examiners upon applications for patents and in reexamination proceedings and for determining priority and patentability of invention in interferences declared under section 135(a) of title 35, United States Code (35 U.S.C. 135(a)). The decisions are to be made by panels of the Board, comprised of at least three members, designated by the Commissioner of Patents. This subsection also limits the authority to grant rehearings to the Board itself.

Subsection (g)—Annual Report to the Director and Congress. Subsection (g) amends the current reporting requirement of the Commissioner of Patents and Trademarks contained in section 14 of title 35, United States Code (35 U.S.C. 14) to require the Commissioner of Patents to provide the Director with such information as the Director is required to submit to Congress annually under section 157(d) of title 35, United States Code (35 U.S.C. 157(d)) (regarding statutory invention registrations), and the Government Corporation Control Act (31 U.S.C. 9101 *et seq.*). This subsection makes clear that such information will include information regarding the total monies received and expended by the Patent Office and the purposes for which such monies were spent, the quality and quantity of the work of the Patent Office, and other information regarding the Office. The Director is required to submit this information to Congress in the context of a larger report on the USPTO under section 113(b)(2)(G) of this Act.

Subsection (h)—Practice Before the Patent Office. Subsection (h)(1) amends section 31 of title 35, United States Code (35 U.S.C. 31) to authorize the Commissioner of Patents to prescribe regulations, independent of the Secretary of Commerce, governing the recognition and conduct of agents, attorneys, and others who appear before the Patent Office. Such authority is currently exercised by the Commissioner of Patents and Trademarks, subject to the approval of the Secretary of Commerce. Given the Commissioner's responsibility "for all aspects of the management, administration, and operation of the Office," it is appropriate that the Commissioner be given the latitude to promulgate regulations independently governing the recognition and conduct of agents, attorneys, and others before the Patent Office.

Subsection (h)(2) amends section 32 of title 35, United States Code (35 U.S.C. 32), to allow the Commissioner to designate an attorney who is an officer or employee of the Patent Office to conduct any hearing in connection with any suspension or exclusion from practice before the Patent Office.

Subsection (i)—Patent Office Funding. Subsection (i) amends sections 41 and 42 of title 35, United States Code (35 U.S.C. 41, 42) with regard to Patent Office funding. Subsection (i)(1) amends section 41(f) of title 35, United States Code (35 U.S.C. 41(f)) to authorize the Commissioner of Patents to adjust patent user fees by regulation. The Patent Office is funded entirely through user fees, and the Commissioner of Patents is responsible for ensuring that such fees are sufficient to cover the costs of the Office. Authorizing the Commissioner to set Patent Office user fees gives the Office the flexibility to maintain and improve its services while responding to changing economic conditions. The Commissioner's fee authority is carefully circumscribed, however. Under this subsection, the Commissioner must consult with the Patent Office Management Advi-

sory Board and provide notice and opportunity for full participation by interested parties before adjusting user fees. Furthermore, the Director must certify that such fees are consistent with the policy direction of the Secretary of Commerce. It is the Committee's intent that the Commissioner, in proposing any adjustment in Patent Office user fees, and the Patent Office Management Advisory Board, in consulting with the Commissioner regarding any such adjustment of fees, recognize the public interest in continuing to safeguard broad access to the U.S. patent system through the reduced fee structure for small entities under section 41(h)(1) of title 35, United States Code (35 U.S.C. 41(h)).

Subsection (i)(2) amends section 42 of title 35, United States Code (35 U.S.C. 42), with regard to the use of Patent Office fees. Section 42(a), as amended by this subsection, provides that all fees for services performed by or materials furnished by the Patent Office shall be payable to the Office.

Section 42(b) of title 35, United States Code (35 U.S.C. 42(b)), as amended by this subsection, provides that fee revenues shall be available to the Patent Office, subject to approval in appropriations acts, to carry out the functions of the Patent Office. Monies not otherwise used for these purposes may be kept in cash on hand or on deposit, invested in obligations of the United States or guaranteed by the United States, or invested in obligations or other instruments that are lawful investments for fiduciary, trust, or public funds. The Director must account to Congress for such funds in an annual report under 113(b)(2)(G) of this Act. Fees available to the Commissioner shall be used only for the processing of patent applications and other patent-related functions of the Office, including the agreed upon contribution to the Office of the Director for the purpose of performing centralized hiring, procurement, and other functions, pursuant to section 113(b)(2)(E) of this Act.

Subsection 42(c) of title 35, United States Code (35 U.S.C. 42(c)), as amended by this subsection, provides that the Patent Office is to contribute from its revenues an amount equal to one-half of the annual budget of the Office of the Director. Such budget shall not include the cost of performance of those centralized functions performed by the Director pursuant to section 113(b)(2)(E) of this Act. Instead, section 113 (b)(2)(E) provides that the costs of such centralized functions shall be allocated between the Patent Office and the Trademark Office, as agreed to in writing by the Director, the Commissioner of Patents, and the Commissioner of Trademarks. This provision ensures that patent fees will be used only for services and material related to trademarks, as required by subsection (b).

Section 115. United States Trademark Office

This section creates the U.S. Trademark Office as an autonomous subdivision of the USPTO and moves the trademark functions of the current Patent and Trademark Office to the newly created U.S. Trademark Office.

Subsection (a)—Establishment and Organization. Subsection (a) redesignates titles X and XI of the Act of July 5, 1946 (commonly referred to as the Trademark Act of 1946), as titles XI and XII, respectively, and redesignates the corresponding sections within

those titles. This subsection creates a new title X dealing with the establishment and administration of the United States Trademark Office.

Section 51. Establishment

As amended by this subsection, section 51 of the Act of July 5, 1946 (commonly referred to as the Trademark Act of 1946), establishes the U.S. Trademark Office as a separate administrative unit of the USPTO.

Section 52. Powers and duties

As created by this subsection, section 52 of the Act of July 5, 1946 (commonly referred to as the Trademark Act of 1946), sets forth the powers and duties of the U.S. Trademark Office. These powers and duties are substantially the same as the trademark-related duties of the current Commissioner of Patents and Trademarks under section 6 of title 35, United States Code (35 U.S.C. 6). These include: (1) the registration of trademarks; (2) conducting studies, programs, and exchanges regarding domestic and international trademark law and the administration of the Office; (3) conducting studies, programs, and exchanges with foreign trademark offices and international organizations in connection with the registration of trademarks; and, (4) disseminating information to the public with respect to trademarks. Similar powers and duties are enumerated with respect to the USPTO in section 112(a) of this Act. The Director of the USPTO is primarily responsible for the policy functions, whereas the Commissioner of Trademarks, as the head of the U.S. Trademark Office, is primarily responsible for the administration of the Federal trademark registration system, although the Commissioner does retain a limited policy role as an advisor to the Director on matters relating to trademark law. This subsection makes clear that it is the power and duty of the Trademark Office to perform those functions vested in the USPTO and assigned to the Trademark Office in this subsection that relate to the administration of the Trademark Office and the Federal trademark registration system, as well as certain policy-related functions carried out in fulfillment of the Commissioner's advisory role. To the degree that these functions share common elements with functions of the Patent Office and the USPTO in general, such as the dissemination of information to the public, those functions may be performed through a centralized office provided the Director, the Commissioner of Patents, and the Commissioner of Trademarks agree that such a centralized administration will promote the efficiency of the Organization.

Section 53. Officers and employees

Section 53 of the Act of July 5, 1946 (commonly referred to as the Trademark Act of 1946), as created by this subsection, sets forth the organizational structure of the independent Trademark Office within the USPTO.

Subsection (a) provides for the appointment of a Commissioner of Trademarks to manage the U.S. Trademark Office. Subsection (a)(1) vests the management of the Trademark Office in the Commissioner of Trademarks (Commissioner), who shall be appointed

by the Director under section 113(c)(1) of this Act, and who shall serve at the pleasure of the Director. The Director must ultimately answer to Congress and the President, through the Secretary of Commerce, for the performance of the USPTO, including the Trademark Office. In fact, the Director's salary is directly tied to the performance of the various offices within the USPTO, inasmuch as the Director's bonus is based in part upon the achievement of measurable goals enumerated in an annual performance agreement between the Director and the Secretary of Commerce, which is expected to include performance goals for the Trademark Office. In addition, the Commissioner is charged with advising the Director on policy matters with respect to trademarks. In order to serve effectively in his or her capacity, the Commissioner must enjoy the full confidence of the Director, just as the Director must enjoy the full confidence of the President in his or her role as an advisor to the President, through the Secretary of Commerce, on patent and trademark policy. Thus, this subsection anticipates that the Commissioner's term will be contingent upon the Director's approval, and each Director will have the opportunity to appoint the Commissioner of his or her choice to manage the Trademark Office and to furnish advice on policy matters relating to trademarks. This subsection also provides that the Commissioner must be a U.S. citizen and must be a person who, by reason of professional background and experience in trademark law, is especially qualified to manage the Trademark Office.

Subsection (a)(2) sets forth the duties of the Commissioner of Trademarks. Subsection (a)(2)(A) provides that the Commissioner is responsible for all aspects of the management, administration, and operation of the Trademark Office, including the registration of trademarks. The Commissioner must perform these duties in a fair, impartial, and equitable manner.

Subsection (a)(2)(B) outlines the Commissioner's policy-related duties. Specifically, this subsection provides that the Commissioner of Trademarks will advise the Director regarding all activities the Trademark Office undertakes under treaties and executive agreements to which the United States is a party or that are related to cooperative programs with foreign governments that are responsible for registering trademarks. In addition, the Commissioner is to advise the Director on matters of trademark law and recommend to the Director changes in law or policy that may improve the ability of U.S. citizens to secure and enforce trademark rights in the United States and abroad. The Director is charged with advising the President, through the Secretary of Commerce, on these matters under section 113(b)(2)(B) of this Act.

Subsection (a)(2)(C) authorizes the Commissioner to establish regulations governing the proceedings in the Trademark Office. The Commissioner of Patents and Trademarks currently exercises such authority, subject to the approval of the Secretary of Commerce, with respect to regulations in the U.S. Patent and Trademark Office pursuant to section 6(a) of title 35, United States Code (35 U.S.C. 6(a)). This subsection requires the Director to certify that regulations promulgated by the Commissioner are consistent with the policy direction of the Secretary of Commerce.

Subsection (a)(2)(D) requires the Commissioner to consult with the Trademark Office Management Advisory Board—established in section 54 of the Act of July 5, 1946 (commonly referred to as the Trademark Act of 1946), as created by this Act—on a regular basis on matters relating to the operation of the Trademark Office and before submitting budgetary proposals to the Director for submission to the Office of Management and Budget or proposing changes in Trademark Office regulations or user fees. This subsection also reiterates that the Director must certify that any change in fees or regulations is consistent with the policy direction of the Secretary of Commerce.

Subsection (a)(2)(E) authorizes the Commissioner to print: (1) trademark registration certificates; (2) the Official Gazette of the U.S. Trademark Office; (3) annual indexes of trademarks and registrants; (4) annual volumes of decisions in trademark cases; and, (5) pamphlet copies of trademark laws and rules, as well as circulars or other publications relating to the business of the Office. The Commissioner of Trademarks is authorized to exchange any of these publications for other publications that are desirable for use in the Trademark Office. This section thus clarifies that the Commissioner may order the printing of trademark-related documents which correspond to those currently printed by the Commissioner of Patents and Trademarks under section 11 of title 35, United States Code (35 U.S.C. 11). Under this subsection and conforming amendments to title 35, United States Code, the Commissioner of Trademarks and the Commissioner of Patents are authorized to print such publications separately for their respective offices.

Subsection (a)(3) requires the Commissioner to take an oath to discharge faithfully the duties of the Trademark Office.

Subsection (a)(4) provides that the Commissioner of Trademarks will be paid at the rate in effect for level IV of the Executive Schedule under section 5315 of title 5, United States Code (5 U.S.C. 5315). The Commissioner may receive a bonus at the discretion of the Director that would increase total compensation to the equivalent of the rate of pay in effect for level III of the Executive Schedule under section 5314 of title 5, United States Code (5 U.S.C. 5314). As with bonuses in the private sector, the bonus available to the Commissioner as the head of the Trademark Office is discretionary and performance-based. It is appropriate in determining whether to award such a bonus, that the Director take into account the Commissioner's contribution to meeting those elements of the performance agreement between the Director and the Secretary of Commerce—including specific measurable goals contained in the annual performance plan—that directly involve the functions of the U.S. Trademark Office.

Subsection (b) provides for the appointment of other officers and employees of the Trademark Office. This subsection requires the Commissioner of Trademarks to appoint a Deputy Commissioner of Trademarks, who shall have authority to act as Commissioner in the absence or incapacity of the Commissioner. In the event of a vacancy in the Office of Commissioner, the Deputy Commissioner will serve as Commissioner until a new Commissioner is appointed and takes Office. The Commissioner shall further appoint other officers, attorneys, employees, and agents of the Trademark Office

and vest them with such authority as he or she may determine necessary, consistent with the provisions of this Act and other provisions of law.

Section 54. Trademark Office Management Advisory Board

Section 54 of the Act of July 5, 1946 (commonly referred to as the Trademark Act of 1946), as created by this subsection, establishes a Trademark Office Management Advisory Board (Advisory Board) to consult with and advise the Commissioner of Trademarks on the efficient administration of the Trademark Office.

Subsection (a) provides for the establishment of the Trademark Office Management Advisory Board. Subsection (a)(1) provides that the Advisory Board shall be made up of five members. Each shall be appointed by and serve at the pleasure of the President. No more than three may be from the same political party. Subsection (a)(2) requires the President to designate a Chair of the Advisory Board from among its members. The Chair shall serve for a term of 3 years. Subsection (a)(3) provides for the timing of appointments to the Advisory Board. Initial appointments must be made within 3 months after the effective date of this Act. Vacancies shall be filled by presidential appointment in the same manner in which the original appointment was made under this subsection. Vacancies must be filled within 3 months of the date on which they occur.

Subsection (b) establishes the qualifications for appointment to the Advisory Board. Members of the Advisory Board must be citizens of the United States. Furthermore, they must be selected so as to represent the diverse users of the Trademark Office. This subsection is intended to ensure that the Board will serve as a valuable resource in providing regular private sector input to the Trademark Office, helping to ensure that the Trademark Office does not become insulated from the community it serves. To further this goal, it is expected that at least several members of the Advisory Board will have substantial experience in the practice of trademark law. It is also appropriate for the Advisory Board to seek the views of private sector organizations and individuals in formulating its advice and recommendations to the Commissioner of Trademarks. This subsection also requires that the Advisory Board include individuals with substantial background and achievement in corporate finance and management. Such a requirement is important to the effective performance of the Advisory Board's duties, which include advising the Commissioner of Trademarks with respect to the Trademark Office budget and user fees, as well as the overall performance of the Trademark Office.

Subsection (c) provides that the Advisory Board will meet at the call of the Chair to consider an agenda set by the Chair.

Subsection (d) sets forth the duties of the Advisory Board. Under this subsection, the Advisory Board is charged with reviewing and advising the Commissioner of Trademarks on the policies, goals, performance, budget, and user fees of the Trademark Office. The Advisory Board is also required to prepare an annual report on these matters for submission to the Director, the President, and the House and Senate Judiciary Committees, and to print the annual report in the Trademark Office Official Gazette. The Advisory Board's role is advisory only. The primary purpose of the Advisory

Board is to facilitate input from those parties that use and support the Trademark Office to the Commissioner in order to enhance the effective and efficient administration of the Office, to provide information to the Director, the President, and Congress in order to facilitate the effective performance of their oversight duties, and to ensure public access to information regarding the administration of the Trademark Office.

Subsection (f) provides that each member of the Advisory Board will be paid on a pro-rated basis, based on the annual rate of pay in effect for level III of the Executive Schedule under section 5314 of title 5, United States Code (5 U.S.C. 5314), for each day (including travel time) that he or she is engaged in the business of the Advisory Board. Members of the Advisory Board shall be allowed travel expenses while away from home or regular place of business, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code (5 U.S.C. 5703).

Subsection (g) ensures that members of the Advisory Board will have access to Trademark Office records and information in the conduct of their duties. This subsection provides further, however, that members of the Advisory Board will not have access to personnel and other privileged information.

Subsection (h) provides that members of the Advisory Board are special Government employees within the meaning of section 202 of title 18, United States Code (18 U.S.C. 202). As special Government employees, members of the Advisory Board are expressly subject to standards of ethical conduct outlined in the criminal bribery, graft and conflict of interest statutes under chapter 11 of title 18, United States Code (18 U.S.C. 201 *et seq.*).

Section 55. Annual report to the Director and Congress

Section 55 of the Act of July 5, 1946 (commonly referred to as the Trademark Act of 1946), as created by this subsection, requires the Commissioner of Trademarks to provide the Director with such information as the Director is required to submit to Congress annually under the Government Control Act (31 U.S.C. 9101 *et seq.*). This subsection makes clear that such information will include information regarding the total monies received and expended by the Trademark Office and the purposes for which such monies were spent, the quality and quantity of the work of the Trademark Office, and other information regarding the Office. The Director is required to submit this information to Congress in the context of a larger report on the USPTO under section 113(b)(2)(G) of this Act.

Section 56. Trademark Office funding

Section 56 of the Act of July 5, 1946 (commonly referred to as the Trademark Act of 1946), as created by this subsection, governs the payment of fees to the Trademark Office and their use.

Subsection (a) provides that all fees for services performed by or materials furnished by the Trademark Office shall be payable to the Office.

Subsection (b) provides that fee revenues shall be available to the Trademark Office, subject to approval in appropriations acts, to carry out the functions of the Trademark Office. Monies not otherwise used for these purposes may be kept in cash on hand or on

deposit, invested in obligations of the United States or guaranteed by the United States, or invested in obligations or other instruments that are lawful investments for fiduciary, trust, or public funds. The Director must account to Congress for such funds in an annual report under 113(b)(2)(G) of this Act. Fees available to the Commissioner shall be used only for the registration of trademarks and other trademark-related functions of the Office, including the agreed-upon contribution to the Office of the Director for the purpose of performing centralized hiring, procurement, and other functions, pursuant to section 113(b)(2)(E) of this Act. The use of trademark fees by the U.S. Patent and Trademark Office is currently limited in this manner under section 42(c) of title 35, United States Code (35 U.S.C. 42(c)).

Subsection (c) provides that the Trademark Office is to contribute from its revenues an amount equal to one-half of the annual budget of the Office of the Director. Such budget shall not include the cost of performance of those centralized functions performed by the Director pursuant to section 113(b)(2)(E) of this Act. Instead, section 113 (b)(2)(E) provides that the costs of such centralized functions shall be allocated between the Patent Office and the Trademark Office, as agreed to in writing by the Director, the Commissioner of Patents, and the Commissioner of Trademarks. This provision ensures that trademark fees will continue to be used only for services and material related to trademarks, as currently required under section 42(c) of title 35, United States Code (35 U.S.C. 42(c)).

Subsection (b)—Trademark Trial and Appeal Board. Subsection (b) amends section 17 of the Act of July 5, 1946 (commonly referred to as the Trademark Act of 1946) (15 U.S.C. 1067), dealing with the appointment and duties of a Trademark Trial and Appeal Board (Board), to reflect the organizational structure of the USPTO, specifically the separate Patent Office and Trademark Office.

Section 17(a) of the Act of July 5, 1946 (commonly referred to as the Trademark Act of 1946) (15 U.S.C. 1067), as amended by this subsection, provides for the appointment and duties of the Board, which remain unchanged from current law. In each case of interference, opposition to registration, application to register as a lawful concurrent user, or application to cancel a registration, the Commissioner is required to give notice to all parties and direct a Trademark Trial and Appeal Board to determine the respective rights of registration.

Section 17(b) of the Act of July 5, 1946 (commonly referred to as the Trademark Act of 1946) (15 U.S.C. 1067), as amended by this subsection, provides that the Board shall include the Commissioner of Trademarks, the Deputy Commissioner of Trademarks, and administrative trademark judges. Thus, in addition to recognizing the changes in organizational structure, this subsection also recognizes the change in nomenclature from “members” to “administrative trademark judges,” which is the title used by the U.S. Patent and Trademark Office, but for which a corresponding change has never been made in the United States Code. This subsection provides that the administrative trademark judges shall be persons competent in trademark law who are appointed by the Commissioner.

Subsection (c)—Determination of Fees. Subsection (c) amends section 31(a) of the Act of July 5, 1946 (commonly referred to as the Trademark Act of 1946) (15 U.S.C. 1113) to authorize the Commissioner of Trademarks to adjust Trademark Office fees by regulation. The Trademark Office is funded entirely through user fees, and the Commissioner of Trademarks is responsible for ensuring that such fees are sufficient to cover the costs of the Office. Authorizing the Commissioner to set Trademark Office user fees gives the Office the flexibility to maintain and improve its services while responding to changing economic conditions. The Commissioner's fees authority is carefully circumscribed, however. Under this subsection, the Commissioner must consult with the Trademark Office Management Advisory Board and provide notice and opportunity for full participation by interested parties before adjusting user fees. Furthermore, the Director must certify that such fees are consistent with the policy direction of the Secretary of Commerce.

Section 116. Suits by and against the Organization

Subsection (a)—Actions Under United States Law. Subsection (a) provides that suits against the USPTO must arise under Federal law. Federal courts are deemed to have exclusive jurisdiction in all civil actions by or against the USPTO.

Subsection (b)—Representation by the Department of Justice. Subsection (b) makes clear that the USPTO is an agency of the United States for purposes of section 516 of title 28, United States Code (28 U.S.C. 516). Thus, except as otherwise authorized by other law, the Department of Justice, under the direction of the Attorney General, maintains sole litigation authority in cases in which the USPTO or an officer thereof is a party or is otherwise interested. Nothing in this subsection is intended to alter the present relationship between the Patent and Trademark Office's Office of the Solicitor and the Department of Justice.

Subsection (c)—Prohibition on Attachment, Liens, or Similar Process. Subsection (c) expressly prohibits certain legal processes, such as attachments, garnishment, liens, or similar processes from being issued against the USPTO's property. This protection is currently available to the property of the United States under the U.S. Patent and Trademark Office's custody or control. This is necessary to protect the Organization's property and to prevent interference with the day-to-day operation of the patent and trademark examination systems. Although the U.S. Patent and Trademark Office has waived its sovereign immunity, that waiver is limited and should not be construed as allowing relief in any proceeding against the Office's property. This protection against interference with important governmental operations is customary for wholly owned government corporations.

Section 117. Funding

This section sets forth the requirements regarding the funding of the USPTO.

Subsection (a)—In General. Subsection (a) provides that the USPTO is to be entirely self-funded through fees payable to the Patent Office and the Trademark Office, and surcharges appropriated by Congress, to the extent provided in appropriations acts

and subject to the provisions regarding borrowing outlined in subsection (b).

Subsection (b)—Borrowing Authority. Subsection (b)(1) authorizes the USPTO to issue bonds or other debt instruments to assist in financing the activities of the Patent Office and the Trademark Office. Purchases of obligations of the USPTO by the Secretary of the Treasury are to be treated as public-debt transactions. All borrowing shall be subject to advance approval in appropriations acts and cannot exceed the amounts provided for in such acts.

Subsection (b)(2) requires that any obligations are to be repaid only from fees paid to the office for which the obligation is incurred and through surcharges appropriated by Congress. Such obligations are redeemable at the option of the USPTO before maturity in the manner stipulated in the obligations themselves, and the maturity of the such obligations shall be determined by the USPTO with the approval of the Secretary of the Treasury. Each obligation will be subject to an interest rate that is not less than the current yield on outstanding marketable obligations of the United States with comparable maturity during the month preceding the issuance of the obligation, as determined by the Secretary of the Treasury.

This section is not intended to authorize borrowing as a routine matter. However, the Committee recognizes that, as with any business organization, circumstances may arise in which sound management practice makes borrowing advisable as an alternative to increasing the fees paid by users of the U.S. Patent Office and the U.S. Trademark Office. For example, debt financing may be justifiable for large capital improvements such as further automating the patent and trademark search files. Large one-time expenditures for such purposes may improve service and reduce costs for users in the long-run, but require an up-front outlay of funds that cannot reasonably be obtained through user fees without imposing an unacceptable burden on the users. Borrowing may also be justified to hire and train additional staff when the workload of the Patent Office or the Trademark Office increases at an unusual rate, as has been the case with the skyrocketing number of patent filings in the field of biotechnology in the 1980's and 1990's. In such situations, a time lag occurs before user fee income begins to grow commensurate with the growth in workload. Borrowed funds might support the staff needed to process the workload in a timely manner until fee income catches up with the workload. Judgments on whether to request authority to borrow should be made on a case-by-case basis in consultation with the Management Advisory Boards.

Section 118. Transfers

Subsection (a)—Transfer of Functions. Subsection (a) transfers all functions, powers, and duties of the U.S. Patent and Trademark Office, the Secretary of Commerce, and the Department of Commerce with respect to the granting of patents and registration of trademarks, except those relating to the direction of patent and trademark policy, to the USPTO. The purpose of this section is to assure that the USPTO has the legal authority to perform all of the Organization's functions and execute the laws that currently apply to the U.S. Patent and Trademark Office.

Subsection (b)—Transfer of Funds and Property. Subsection (b) further directs the Secretary of Commerce to transfer to the USPTO all assets, liabilities, contracts, property, records, unexpended and unobligated balances of appropriations, authorizations, allocations, and other funds or items employed, held, used, arising from, available to, or to be made available to the Department of Commerce, including any funds set aside for accounts receivable, that are related to the functions, powers, and duties that are vested by this Act in the USPTO.

Section 119. Use of Organization name

This section protects the USPTO from the unauthorized use of the corporate name. Specifically, it prohibits the use of the name of the Organization, or part thereof, as the name or part of the name under which an individual or entity does business. This section provides for specific remedies, including injunctive relief, statutory damages of \$1,000 for each day during which the violation continues or is repeated following notice by the USPTO, and, in addition, recovery of actual damages stemming from such violations.

SUBTITLE B. EFFECTIVE DATE; TECHNICAL AMENDMENTS

Sec. 131. Effective date

This section provides that the U.S. Patent and Trademark Organization Act of 1997 and the amendments made by it shall be effective four months after the date of enactment.

Sec. 132. Technical and conforming amendments

Subsection (a)—Amendments to Title 35. Subsection (a) makes technical and conforming amendments title 35, United States Code, to reflect the amendments made thereto by this Act. Subsections (a)(1)–(a)(4) amend headings and tables of contents to reflect the change in name from the “U.S. Patent and Trademark Office” to the “U.S. Patent Office” and the other changes in headings effectuated by this Act. Subsection (a)(5) amends the relevant sections of title 35, United States Code, to reflect the change in name from “Commissioner of Patents and Trademarks” to “Commissioner of Patents.” Subsection (a)(6) amends the relevant sections of title 35, United States Code, to reflect the change in title from “Patent and Trademark Office” to “Patent Office.” Subsection (a)(7) amends the relevant sections of title 35, United States Code, to reflect the current duties of the Secretary of Commerce which are assumed by the Director of the USPTO under this Act.

Subsection (b)—Amendments to the Trademark Act of 1946. Subsection (b) makes technical and conforming amendments to the Act of July 5, 1946 (commonly referred to as the Trademark Act of 1946). Subsection (b)(1) clarifies that all references in this subsection refer to the Act of July 5, 1946 (commonly referred to as the Trademark Act of 1946). Subsection (b)(2) amends section 61 of that Act, as redesignated by section 115(a)(2) of this Act, to clarify that the term “Commissioner” refers to the Commissioner of Trademarks, rather than the Commissioner of Patents and Trademarks. Subsection (b)(3) amends the relevant sections of that Act to reflect

the change in name from the “U.S. Patent and Trademark Office” to the “U.S. Trademark Office.”

Subsection (c)—Amendments to Title 5. Subsection (c) makes technical and conforming amendments to title 5, United States Code. Subsection (c)(1) amends the relevant section to reflect the change in title from “examiners-in-chief” to “administrative patents judges” recognized in section 114(f) of this Act, and to recognize the structural independence of the USPTO from the Department of Commerce. Subsection (c)(2) amends the relevant section relating to compensation to eliminate references to positions that no longer exist or are no longer covered by that section.

Subsection (d)—Amendment to Title 31. Subsection (d) amends title 31, United States Code, to add the USPTO to the list of wholly owned government corporations under the Government Corporation Control Act of 1945 (31 U.S.C. 9101 *et seq.*).

Subsection (e)—Amendments to Inspector General Act of 1978. Subsection (e) amends section 11 of the Inspector General Act of 1978 (5 U.S.C. App.), to include the USPTO in the list of those government agencies subject to the Inspector General Act (thus providing for an Inspector General to be appointed by the President).

SUBTITLE C. MISCELLANEOUS PROVISIONS

Sec. 141. References

This section provides that any reference in a law, regulation, document, etc., to the Patent and Trademark Office or any other department, agency, or office from which a function is transferred by this Act, or to the head of such offices, is deemed to refer to the office or officer to which that function is transferred.

Sec. 142. Exercise of authorities

This section provides that any official to whom a function is transferred by this Act may exercise all legal authorities in performance of that function which were available to the person responsible for such performance prior to the transfer, except where otherwise provided for by law.

Sec. 143. Savings provisions

This section provides for the continuance of all orders, determinations, rules, regulations, permits, grants, loans, contracts, agreements, certificates, licenses and privileges that are in effect on the effective date of this Act, as well as proceedings or pending applications for any benefits, service, license, permit, certificate, or financial assistance. This section further provides for the continuance of all suits and other legal proceedings commenced by or against the Department of Commerce, the Secretary of Commerce, or an officer or employee of an office transferred by this Act. All statutory requirements relating to administrative procedures and judicial review shall remain in effect, except as otherwise provided in this Act.

Sec. 144. Transfer of assets

This section provides for the transfer of assets to the USPTO.

Sec. 145. Delegation and assignment

This section provides for assignment and delegation of duties and authorities by officials to whom functions are transferred by this Act.

Sec. 146. Authority of Director of the Office of Management and Budget with respect to functions transferred

This section provides the Director of the Office of Management and Budget with authority to oversee the transfer of functions brought about by this Act and to make additional incidental dispositions of personnel, assets, liabilities, contracts, property, records, and various funds as may be necessary to carry out the provisions of this Act.

Sec. 147. Certain vesting of functions considered transfers

This section makes clear that the vesting of a function in a department, agency, or office pursuant to reestablishment of an office is considered a transfer of that function.

Sec. 148. Availability of existing funds

This section provides that all existing appropriations and funds available for performance of the functions of the U.S. Patent and Trademark Office will remain available for the performance of those functions as transferred to the USPTO and its offices.

Sec. 149. Definitions

This section provides definitions of the terms “function” and “office,” as used by this Act. As used in this Act, the term “function” includes any duty, obligation, power, authority, responsibility, right, privilege, activity, or program. The term “office” includes any office, administration, agency, bureau, institute, council, unit, organizational entity, or component thereof.

TITLE II—PATENT APPLICATION PUBLICATION ACT OF 1997

Section 201. Short title

This title may be cited as the “Patent Application Publication Act of 1997.”

Section 202. Early publication

This section amends section 122 of title 35, United States Code (35 U.S.C. 122) as follows:

Section 122(a), as amended, states that the general rule is that patent applications are to be kept secret. Currently, a pending patent application is kept in confidence until a patent issues from that application. Patent applications can also be made available to the public “in such special circumstances as may be determined by the Commissioner.” 35 U.S.C. 122. Such special circumstances, described in 37 C.F.R. 1.14, include pending applications that have been identified by serial number in a published patent document; abandoned applications referred to in an issued patent; applications regarding atomic energy, which are reported to the Department of Energy; and decisions of the Board of Patent Appeals and Interferences, possibly with trade secrets redacted.

Under this Act, patent applications will be published after they have been pending for 18 months (measured from the earliest filing date benefitting the application), or earlier if requested by the applicant. The applicant can opt out of 18-month publication at the time of filing if the application has not also been filed in a foreign country. This election to opt out ends if the application is later filed in a foreign country. This will assure that foreign applicants who wish to benefit from the United States patent system will have to disclose, in English, the material they are disclosing in other countries.

While S. 507 provides for the “publication” of pending applications when certain conditions have been met, what is contemplated by the provision is not the distribution of a printed copy of the patent application at one point during its prosecution, but instead a notice that an application is currently pending and public access to the application file is available from that point on. This mirrors the public accessibility of files during a reissue application and during the reexamination of an issued patent. Having the application file open to the public following publication is necessary if the public is to be aware of the nature of a possible patent as claims are amended during the prosecution of the application.

Section 122(b) of title 35, United States Code (35 U.S.C. 122(b)), as amended by this section, provides the framework for 18-month publication. Subsection (b)(1)(A) states that notwithstanding subsection (a), patent applications will be published as soon as possible after the expiration of 18 months after the filing of the application, except for design patent applications and provisional applications. This includes any claim to the right of priority in accordance with sections 119, 365(a) and 365(b) of title 35, United States Code (35 U.S.C. 119, 365(a)–(b)), and any benefit of an earlier filing date in accordance with sections 120, 121 and 365(c) of title 35, United States Code (35 U.S.C. 120–21, 365(c)). An application that is filed more than 18 months after the earliest filing date for which a benefit is sought will be subject to immediate publication. Applications, filed under the Patent Cooperation Treaty, that enter the national stage in the United States will also be subject to this publication requirement. The publication requirements of this subsection are not intended to alter the practice accorded to reissue applications. The exclusion of provisional applications filed under section 111(b) of title 35, United States Code (35 U.S.C. 111(b)), from the publication requirement precludes the early publication of such applications prior to the abandonment (by operation of law if not converted to a non-provisional application (see Section 601 of S. 507)) of such applications 12 months after filing. At the request of an applicant, an application may be published earlier than passage of 18 months. The Committee included the language “as soon as possible” so that Patent Office would not be required to publish on Federal holidays, weekends, or where circumstances made publication exactly 18 months from the date of application impractical. However, the Committee expects the Patent Office to act diligently in complying with this provision.

Subsection (b)(1)(B) states that no information about published applications shall be made public except as the Commissioner of Patents determines.

Subsection (b)(1)(C) states that notwithstanding any other provision of law, the determination by the Commissioner to release or not to release such information is final and nonreviewable.

Subsection (b)(2) provides exceptions to the general rule of 18 month publication.

Subsection (b)(2)(A) states the common-sense rule that applications no longer pending shall not be published. This provides applicants who become skeptical of their chances of receiving a patent to withdraw the application, avoid publication, and continue with trade secret protection.

Subsection (b)(2)(B) provides that applications subject to secrecy orders under section 181 of title 35, United States Code (35 U.S.C. 181) will not be published. The Committee envisions no changes in the procedures and standards currently used to determine whether an application is subject to secrecy under section 181.

Subsection (b)(2)(C)(i) creates an exception to the 18 month publication provision for applications that are filed only in the United States. Such applications will be published 18 months after filing, unless the applicant requests that the application not be published and certifies that the application has not—and will not—be filed abroad.

Subsection (b)(2)(C)(ii) allows an applicant to rescind that request at any time. Moreover, the applicant has a legal duty to notify the Commissioner within 1 month of filing such an application in a foreign country.

Subsection (b)(2)(C)(iii) states that if a prior request is rescinded or if an application for a patent on the invention is filed abroad, the application will be published in the United States after 18 months. Regardless of where the application is filed, all applications currently published at the time of grant shall be published at grant if not previously published.

Section 122(c) of title 35, United States Code (35 U.S.C. 122(c)), as amended by this section, makes clear that this section does not create any new opportunities for preissuance opposition. The publication of applications at 18 months should not operate to allow third parties an opportunity to oppose an applicant's application. As under current law, the process of issuing a patent must be a process that involves only the applicant and the Patent Office.

Subsection 122(d) of title 35, United States Code (35 U.S.C. 122(d)), as amended by this section, provides for a 3-year study of early publication in the United States, with a particular emphasis on the number and types of applicants who elect to file only in the United States and waive publication under this section.

Section 203. Time for claiming benefit of earlier filing date

Subsection (a)—In a Foreign Country. Subsection (a) amends section 119(b) of title 35, United States Code (35 U.S.C. 119(b)), as follows:

Section 119(b)(1), as amended, states that no application for patent is entitled to this right of priority unless it is properly identified. The application number, country, and the exact date of filing must be filed in the Patent Office.

Section 119(b)(2), as amended, authorizes the Commissioner of Patents to set time limits for the claiming of earlier filing dates

and priority for applications previously filed either in the United States or abroad. The Commissioner is further authorized to consider a failure to meet the prescribed time limits as a waiver of any such rights.

Section 119(b)(3), as amended, permits the Commissioner of Patents to require a certified copy of the original foreign application, specification, and drawings on which it is based, a translation if not already in English, and other information the Commissioner deems necessary.

Subsection (b)—In the United States. Subsection (b) amends section 120 of title 35, United States Code (35 U.S.C. 120), to authorize the Commissioner of Patents to determine a time within which an amendment containing a specific reference to the earlier application must be submitted. The Commissioner may also consider failure to meet that deadline as a waiver of any benefit under this section. Lastly, the Commissioner may establish procedures—including the payment of a surcharge—to govern the acceptance of an unavoidably late claim.

Section 204. Provisional rights

This section amends section 154 of title 35, United States Code (35 U.S.C. 154), by adding at the end a new subsection (d):

Subsection (d)(1), created by this section, provides legal protection called “provisional rights” to applicants once their application has been published and ending on the date of issuance. Under this provision the applicant has a right to collect a “reasonable royalty” from infringers. To perfect this right, the applicant needs to allow the early publication of the patent application.

Subsection (d)(1)(A)(i) states that the applicant can collect this royalty from anyone who makes, uses, offers to sell, or sells the invention.

Subsection (d)(1)(A)(ii) states that the applicant can collect this royalty from anyone who makes, uses, offers to sell, or sells a product made through the invented process.

Subsection (d)(1)(B) qualifies the right to a reasonable royalty to require that the accused infringer had actual notice of the published patent application in English.

Subsection (d)(2), created by this section, states that in order to obtain the royalty, the invention as claimed in the patent must be “substantially identical” to the invention as claimed in the published application. Because of the fact-intensive nature of this inquiry, the Committee believes that the precise application of this standard is best left to the courts. However, the Committee recognizes that there may be a variance between the claims as published and the claims actually granted. As a matter of guidance, the Committee views the “substantially identical” standard as bound by two principles. The first is that no party should be found to have infringed the provisional rights if the published claims did not reasonably foretell the relevant issued claim. Left alone, this principle would encourage the filing of grossly exaggerated claims, which the Committee believes would be detrimental to the patent system and thus seeks to avoid. Therefore, the second principle that the Committee views as framing the “substantially identical” standard is that an accused infringer should only be held to have infringed the

provisional rights to the extent that the published claims are reasonably based on the underlying art. The Committee believes that claims a person reasonably skilled in the field would not expect to be based on the relevant art are not claims on which provision rights should be deemed to have been infringed.

The “invention as claimed in the published application” is defined by the claims present in the patent application on the date of publication or as amended thereafter. The claims in the Patent Office publication, as the nature, format, and content of that document is determined in accordance with the requirement of section 122(b) of title 35, United States Code (35 U.S.C. 122(b)), as amended by this Act, do not necessarily limit the right to obtain a reasonable royalty under this section as the claims in the application may have been amended as of the date of publication or thereafter. In any event, proper notice of those claims upon which a claim for reasonable royalty is based must have been given during the period in which provisional rights are available.

Subsection (d)(3), created by this section, requires that the applicant must file any claim under this section no later than 6 years after the patent is issued, regardless of the length of time for which royalties are sought. This provision is included to make clear that the time limitation on damages set forth in section 286 of title 35 shall not affect the ability to recover a reasonable royalty for the entire period of time from publication until issue even though that period may, itself, exceed 6 years. However, this new subsection further provides that the right to obtain a reasonable royalty for that period, however long, shall be available only within 6 years of issue of the patent.

Subsection (d)(4), created by this section, addresses the requirements for international applications. Subsection (d)(4)(A) states that the right to a royalty arising from an international application designating the United States commences from the date that the Patent Office receives a copy of the publication in English.

Subsection (d)(4)(B) permits the Commissioner to require the applicant to provide a copy of the international application. The requirements under both subparagraphs (A) and (B) are in accord with the requirements in article 29 of the Patent Cooperation Treaty that may be imposed by national law.

Subsection (d)(5), created by this section, provides for “fast-track” issuance of patents on individual claims in published applications as they are approved, rather than waiting for the disposition of all claims contained in such an application, as occurs now. This allows applicants to gain full patent protection for some of their component inventions earlier than they otherwise would, thus allowing them to both exploit and protect their inventions after publication. This provision also authorizes the Commissioner to establish fees to cover the cost of incorporating claims back into the patent.

At the time of issuance of the allowed claims, the application file will become available for public review, as with any other issued patent. Furthermore, papers in the further prosecution of the application on the remaining claims will also be available for public review as they are added to the application file, as is now the case with a reissue application. This is necessary because the further prosecution is invariably to get broader claims, and it would work

a hardship on the public if they were misled to believe that the early-issue patent's claims represented the full scope of the invention and based their decision on whether their acts infringe the patent based on those acts. Notification by the Commissioner on the early-issue patent that further claims remain pending and the ability to review the application file, the public will be on notice that the claims of the final patent may be broader than the claims in the patent as originally issued.

The Committee included this provision so as to provide an incentive for applicants to publish prior to issuance. This provision is not intended to cause a general alteration in the traditional method of considering patents as a whole, and not claim by claim. Nonetheless, the Committee recognizes that by necessity, this provision will, in certain circumstances, cause the Patent Office to process applications differently. However, the Committee also expects that the Patent Office will incorporate this new provision into its traditional practice with as little disruption and alteration as possible.

Section 205. Prior art effect of published applications

This section amends section 102(e) of title 35, United States Code (35 U.S.C. 102(e)), as follows:

Subsection (e)(1)(A), as amended, stipulates that published applications have the effect of prior art on subsequent applications. This applies to all applications for patents on inventions that were invented after the publication of the prior application. In the case of foreign applications, the prior art effect is only triggered at the time when the prior application is published in English.

Subsection (e)(1)(B), as amended, provides a prior art effect of a patent granted on an application by another filed in the United States before the invention by this applicant.

The effective date as prior art for inventions described in an application for patent which is only published pursuant to subsection 122(b) of title 35, United States Code (35 U.S.C. 122(b)), will be the date the application is actually filed in the United States, and not any filing date to which it might be entitled under the Paris Convention for the Protection of Industrial Property or the Patent Cooperation Treaty. Section 102(e), as amended, also provides that an international application filed under the Patent Cooperation Treaty shall have the effect of a national application published under section 122(b) of title 35, United States Code (35 U.S.C. 122(b)), only if the international application designates the United States and is published under article 21(2)(a) of the Patent Cooperation Treaty in the English language. Amended subsection 102(e) continues to include, as prior art, in paragraph (e)(2), inventions described in a patent granted on an application for patent by another filed in the United States before the invention by the applicant for patent, but deletes the language extending to a prior art effect to a patent granted on an international application filed by another under the Patent Cooperation Treaty. This is no longer necessary in view of the extension of a prior art effect to the underlying published application pursuant to paragraph (e)(1).

Section 206. Cost recovery for publication

This section authorizes the Commissioner to adjust fees in order to pay for the cost of publications.

Section 207. Conforming changes

This section consists of a series of conforming changes to accommodate the new publication requirements as follows.

(1) Section 11 of title 35, United States Code (35 U.S.C. 11), is amended by inserting “and published applications for patents” after “Patents.”

(2) Section 12 of title 35, United States Code (35 U.S.C. 12) is amended in the section caption by inserting “and applications” after “patents” and by inserting “and published applications for patents” after “patents.”

(3) Section 13 of title 35, United States Code (35 U.S.C. 13) is amended in the section caption by inserting “and applications” after “patents” and by inserting “and published applications for patents” after “patents.”

(4) The items relating to sections 12 and 13 in the table of sections for chapter 1 of title 35, United States Code (35 U.S.C. 1 *et seq.*), are each amended by inserting “and applications” after “patents.”

(5) The table of sections for chapter 11 of title 35, United States Code (35 U.S.C. 111 *et seq.*), is amended in the item relating to section 122 by inserting “; publication of patent applications” after “applications.”

(6) The table of sections for chapter 14 of title 35, United States Code (35 U.S.C. 151 *et seq.*), is amended in the item relating to section 154 by inserting “; provisional rights” after “patent.”

(7) Section 181 of title 35, United States Code (35 U.S.C. 181), is amended in the first paragraph by inserting “by the publication of an application or” after “disclosure” and “the publication of an application or” after “withhold.” The second paragraph is amended by inserting “by the publication of an application or” after “disclosure of an invention.” The third paragraph is amended by inserting “by the publication of the application or” after “disclosure of the invention.” Further, the third paragraph is amended by inserting “the publication of the application or” after “withhold.” Still further, the fourth paragraph is amended by inserting “the publication of an application or” after “and” in the first sentence.

(8) Section 252 of title 35, United States Code (35 U.S.C. 252), is amended in the first undesignated paragraph by inserting “substantially” before “identical” each place it appears. This change, referred to above in the discussion relating to provisional rights in section 204 of this Act, is not intended to change the law of intervening rights but rather is intended only to codify existing decisional law.

(9) Section 284 of title 35, United States Code (35 U.S.C. 284), is amended by adding at the end of the second paragraph the following: “Increased damages under this paragraph shall not apply to provisional rights under section 154(d) of this title.” This amendment has been made because the willfulness necessary for the award of increased damages cannot exist in the context of provisional rights because the fact of infringement cannot be determined

until a patent has issued. That is, there can be no willful infringement in the period for which provisional rights may be available because “infringement” within that period can only be defined by the terms of the patented claims that are, of course, not available until a patent issues.

(10) Section 374 of title 35, United States Code (35 U.S.C. 374), is amended such that the publication under the Patent Cooperation Treaty of an international application designating the United States shall confer the same rights and shall have the same effect under this title as an application for patent published under section 122(b) of title 35, United States Code (35 U.S.C. 122(b)), as amended by this Act, except as provided in section 102(e) and 154(d) of title 35, United States Code (35 U.S.C. 102(e), 154(d)).

Section 208. Last day of pendency of provisional application

This section amends section 119(e) of title 35, United States Code (35 U.S.C. 119(e)), by adding a paragraph (3) which provides for the extension of the time limit on provisional applications by 1 business day if that time limit would otherwise fall on a weekend or legal holiday. This amendment is intended to address and resolve the so-called “last day trap” for provisional applications. Because the requirement for filing a nonprovisional application that claims priority of a provisional application under section 119(e) relies upon both copendency and action taking, the remedy of section 21(b) of title 35, United States Code (35 U.S.C. 21(b)), is not available for the filing of that nonprovisional application such that an applicant may be confronted with this “last day trap.” This amendment resolves this problem.

Section 209. Effective date

This section sets the effective dates for this Act.

Subsection 209(a) states that sections 202 through 207 of this Act will take effect 1 year from the date of enactment and will apply to all patent applications filed on or after that date.

Subsection 209(b) states that section 208 of this Act will apply to patent applications filed on or after June 8, 1995, except for design patent applications.

TITLE III—PATENT TERM RESTORATION

Section 301. Patent term restoration authority

This section amends section 154(b) of title 35, United States Code (35 U.S.C. 154(b)), as follows:

Subsection (b)(1), as amended by this section, provides the basis for patent term restoration.

Subsection (b)(1)(A), lists the causes of delay for which term restoration is provided.

Paragraph (1)(A)(i) provides for the restoration of patent terms that are diminished due to an interference.

Paragraph (1)(A)(ii) provides for the restoration of patent terms that are diminished due to the imposition of a secrecy order.

Paragraph (1)(A)(iii) provides for the restoration of patent terms that are diminished due to an appeal to the Board of Patent Appeals.

Paragraph (1)(A)(iv) provides for the restoration of patent terms that are diminished due to unusual administrative delay in the processing of the application.

Subsection (b)(1)(B) defines “unusual administrative delay,” as used in paragraph (a)(A)(iv).

Paragraph (1)(B)(i) defines “unusual administrative delay” as the failure of the Patent Office to respond with a first office action within 14 months of filing. The constraint upon the Patent Office does not imply that a written notice of allowance under section 151 of title 35, United States Code (35 U.S.C. 151), must be given or mailed not later than 14 months after the date on which the application in issue was filed. Rather, this constraint could be satisfied if a notification of the rejection of any claim for a patent or any objection or argument under section 132 of title 35, United States Code (35 U.S.C. 132) is made not later than 14 months after the date on which the application in issue was filed.

Paragraph (1)(B)(ii) defines “unusual administrative delay” as the failure of the Patent Office to act on an application within 4 months of the filing of a reply under section 132 of title 35, United States Code (35 U.S.C. 132), or to an appeal taken under section 134 of title 35, United States Code (35 U.S.C. 134).

Paragraph (1)(B)(iii) defines “unusual administrative delay” as the failure of the Patent Office to respond to an appeal within 4 months.

Paragraph (1)(B)(iv) defines “unusual administrative delay” as the failure of the Patent Office to issue a patent within 4 months of the payment of the issue fee.

Paragraph (1)(B)(v) defines “unusual administrative delay” as the failure of the Patent Office to issue a patent within 3 years after filing if the applicant meets the following conditions.

Paragraph (1)(B)(v)(I) states that in order to qualify for the 3-year issuance, the applicant must not have obtained further limited examination of the application. Subparagraph (B)(v)(II) states that in order to qualify for the 3-year issuance, the applicant must not have benefitted from a patent term adjustment under clause i, ii, iii, or paragraph 1(A) of this subsection.

Paragraph (1)(B)(v)(III) says that in order to qualify for the 3-year issuance, the applicant must not have sought or obtained appellate review other than in a case in which the patent was issued pursuant to a decision in the review reversing an adverse determination of patentability.

Paragraph (1)(B)(v)(IV) says that in order to qualify for the 3-year issuance, the applicant must not have requested any delay in the processing of the application by the Patent Office.

Taken together, the provisions that comprise the 3-year issuance provision operate to provide at least 17 years of patent term to diligent applicants. This provides the benefit of the pre-GATT 17-year term but does not invite the unscrupulous and terribly wasteful practice of submarine patenting.

Subsection (b)(2), as amended by this section, provides for limitation on restoration of patent term under this section. Paragraph (2)(A) states that restoration of time lost due to subclause (iii) or (iv) of paragraph (b)(1)(A) combined, shall not exceed 10 years. It also provides that overlapping delays should not be double-counted.

Paragraph (2)(B) states that the restoration period will be reduced by the amount of time that the applicant fails to engage in reasonable efforts to conclude the prosecution of the application, as defined by regulations promulgated by the Commissioner.

Paragraph (2)(C) provides that no patent, the term of which has been disclaimed, may be adjusted under this section beyond the expiration date specified in the disclaimer.

Paragraph (2)(D) provides for the reduction of term restoration arising from the failure of the Patent Office to meet the deadline specified in paragraph (1)(B)(v). Specifically, anytime the applicant takes more than 3 months to respond to the Patent Office, that time will be subtracted. However, nonprofit research laboratories, universities, research centers, or hospitals may petition the Commissioner for an extension of nondeductible time not to exceed an additional 3 months.

Subsection (b)(3), as amended by this section, instructs the Commissioner to establish regulations governing the procedures for notification of term restorations under this section and procedures for contesting those restorations.

In prescribing regulations to carry out the provisions of this section, the Patent Office should ensure that in those cases where an appeal of an adverse determination of patentability is filed or an interference is declared, the restoration to be granted for a successful appeal or for the interference proceeding should be equal to the time from filing or declaration until an applicant is notified of the conclusion of the proceeding. The regulations should also provide that a patent applicant who exercises reasonable efforts is eligible for one form or another of term compensation throughout the prosecution of the application. That is, there should be no time period where a diligent patent applicant may lose term, beyond the statutory time limits for the Patent Office to act, for reasons beyond his or her control without an opportunity for compensation.

The language should not be viewed in a mechanistic way. Even though an application wins on some relevant issue, the Board of Patent Appeals and Interferences or the Court of Appeals for the Federal Circuit can "affirm" a rejection. In certain such cases, the applicant may be entitled to term restoration. Only where an applicant does not prevail on any determination should no extension be provided for lost patent term.

To ensure an equitable application of the provisions providing for term restoration for delays due to appellate review, the Patent Office should look carefully at the substance of each particular case and not arbitrarily deny any restoration of term simply because an application was not immediately ready for patent grant following an action by the Board or the Court. For example, where the Court reversed the Patent Office decision to not consider an affidavit to overcome a rejection and remanded the case to the Patent Office to consider the merits of the affidavit, the subsequent issuance of a patent based on the review of the affidavit would constitute a situation where patent term restoration for the period of the review would be appropriate. (*See, In re Alton*, 37 U.S.P.Q. 2d. 1577). Similarly, in a case where the Board reverses an examiner's rejection, but issues a new rejection which the applicant is able to overcome in subsequent prosecution by, for example, submission of a rule 131

affidavit, the applicant should receive an extension equal to the period of appellate review.

Another situation could arise where the Board or the Court affirms a rejection on very narrow grounds that are subsequently overcome by a minor amendment which the applicant clearly would have known to submit had it not faced a broader and improper rejection by the examiner. In such a situation, the issuance of the patent can be said to have been a result of the reversal of the examiner's broad rejection. Finally, where the Office withdraws an appeal after it had been pending for a long time before the Board or the court on the basis that a minor amendment would obviate the original rejection and place the case in condition for allowance, a restoration would be equally appropriate.

In establishing rules to implement the provisions allowing for patent term restoration for successful appeals, interferences, secrecy orders, and unusual administrative delays, the Patent Office should make every effort to ensure that the applicants whose patents are unfairly delayed receive appropriate restorations. The Patent Office should coordinate the restoration provisions to ensure that an applicant is, at all points, given the opportunity to meet the standards for compensation under one of those provisions. Applicants should not lose patent term when they are in transition between prosecution and an interference, appeal, or secrecy order. At the same time, the Office should be ever watchful to ensure that its procedures do not admit of the manipulation which Congress intended to stop with the adoption of a term measured from filing.

Subsection (b)(4), as amended by this section, clarifies that the Commissioner of Patents must state the length of the patent's term at the time of issuance.

Subsection (b)(5), as amended by this section, requires that any appeal of the Commissioner's decision on the patent term be filed with the Federal court within 180 days of the date of issuance of the patent. This provides a reasonable time for patent-holders to challenge the Commissioner's decision but limits the window so as to prevent gaming the restoration system with other provisions of law.

Section 302. Further examination of patent applications

This section amends section 132 of title 35, United States Code (35 U.S.C. 132), to direct the Commissioner of Patents to establish regulations to provide for further limited reexamination of an application at the request of the applicant, and to provide for reduced fees for small businesses and independent inventors. This section is designed to provide the applicant with further opportunity to advance their applications within the Patent Office without having to resort to Federal court. This section is intended to simplify the continued prosecution of patent applications after a final rejection has been entered, extending to all applications the transitional practice introduced in Public Law 103-465, section 532(a)(2) (Uruguay Round Agreements Act).

Section 303. Technical clarification

This section amends section 156(a) of title 35, United States Code (35 U.S.C. 156(a)), to clarify that the expiration date of a pat-

ent, for purposes of the Hatch-Waxman Act, shall take into account any adjustment of patent term under this Act.

Section 304. Effective date

This section states that the amendments made by section 301 of this Act will apply to any application filed on or after June 8, 1995, except for design patent applications.

TITLE IV—PRIOR DOMESTIC COMMERCIAL USE ACT OF 1997

Section 401. Short title

This title may be cited as the “Prior Domestic Commercial Use Act of 1997.”

Section 402. Defense to patent infringement based on prior domestic commercial use

Subsection (a)—Defense. Subsection (a) amends chapter 28 of title 35, United States Code (35 U.S.C. 271 *et seq.*) to add at the end a new section 273. This subsection provides a defense to patent infringement based on prior use of a patented invention in certain circumstances. The subsection clarifies the rights of a party who had used an invention (a “prior user”) vis-a-vis a party that subsequently patents the invention. Under this subsection, a person who, prior to the effective filing date of a patent, has been commercially using the claimed invention or has made effective and serious preparation for commercial use of such an invention, will have a defense if that party is charged with patent infringement based on the prior use. The provisions of this subsection will permit the prior user to continue the use of the invention even though it is claimed in a subsequently granted patent.

Subsection (a)(1), as created by this subsection, defines the terms “commercially used”, “commercially use”, and “commercial use” as follows:

Subsection (a)(1)(A) includes in the definition of the above terms, use in the United States in commerce, use by the United States, or use in the design, testing, or production in the United States, regardless of whether the subject matter is public.

Subsection (a)(1)(B) includes in the definition of the above terms, use for which the public is the intended beneficiary where the activity is performed by a nonprofit research laboratory, university, research center, or hospital.

Paragraph (1)(B)(i) limits the application of this definition to continued use by the laboratory or nonprofit entity.

Paragraph (1)(B)(ii) further limits the application of this definition by prohibiting the assertion of the defense created by this section with respect to any subsequent commercialization or use outside the relevant laboratory or nonprofit entity.

Subsection (a)(2), created by this subsection, defines the terms “used in commerce” and “use in commerce” to mean that there has been an actual arms-length sale or other commercial transfer, or use by the United States, of the relevant subject matter, or of a product or service resulting from the use of the relevant subject matter. The Committee interprets the arms-length requirement as prohibiting sham compliance with the sale requirement such as

self-dealing or sale between two arms of the same entity. However, the Committee does not interpret the arms-length requirement to mandate anything more than an exchange between two or more independent parties.

Subsection (a)(3), created by this subsection, defines the term “effective filing date” as the earlier of the actual filing date of the application or the filing date of any earlier application in the United States or abroad to which the subject matter is entitled under sections 119, 120, or 365 of title 35, United States Code (35 U.S.C. 119–20, 365).

Subsection (b), created by this subsection, outlines the substance of the prior-use defense. Subsection (b)(1) provides a defense to an infringement suit for anyone who in good faith, commercially used the subject matter before the effective filing date of the patent sought to be enforced.

Subsection (b)(2) deems the sale or other disposition of the subject matter by the prior user to be an exhaustion of the patent holders rights to the extent that they would be exhausted had the patent owner made the sale or other disposition. This provision makes it clear that a party who purchases the subject matter claimed in a patent, or a product or service produced using the subject matter claimed in a patent from a person entitled to assert prior user rights in connection under this section, would not be liable to the patent owner for patent infringement any more than the party would be if he had purchased from the patent owner. One who has the right to assert a prior use defense would be able to sell the subject matter claimed in a patent or the product or service produced using that subject matter without liability to the patent owner for patent infringement. It follows that, if the prior user’s activities were not infringing, the purchaser of the products or services resulting from those noninfringing activities would not be liable for using that which was purchased.

Subsection (c), created by this subsection, provides for certain limitations and qualifications of the defense. Subsection (c)(1) prevents the assertion of the prior use defense if the person who used the relevant subject matter was derived from the patentee or persons in privity with the patentee.

Subsection (c)(2) clarifies that the prior user is not a general licensee, but only has a defense against infringement with respect to the claims in the patent for which the prior user has a defense under this chapter. However, the prior use defense does extend to variations in the quantity or volume of use and to improvements in the subject matter that do not infringe other claimed subject matter.

Subsection (c)(3) states that if the invention could not be commercially sold without a significant investment, it is deemed commercially used if the following conditions are met.

Subsection (c)(3)(A) provides that a person will be deemed to have commercially used the subject matter if before the effective filing date of the patent sought to be enforced, the person claiming the defense reduced the subject matter to practice, completed a significant portion of the total investment, and made an arms-length commercial transaction in connection with the preparation to use the subject matter. It was also the intent of the Committee to re-

quire that the subject matter be “actually” reduced to practice. Due to a typographical error the word “actually” was not included. However, the Committee anticipates no difficulty in adding that requirement later in the legislative process.

Subsection (c)(3)(B) adds to the previous paragraph the requirement that after meeting those requirements, the person diligently completed the remainder of the necessary activities, even if such completion was conducted after the effective filing date of the patent.

It is not the intent of the legislation to limit the prior use defense only to instances in which actual commercial use can be demonstrated. Under this subsection, the defense would also be available to a prior user who can prove that he or she has actually reduced the subsequently patented invention to practice, has made a significant investment or a substantial portion of the total investment necessary to use the subject matter, and has made a commercial transaction in the United States in connection with the preparation to use the subject matter. In addition, the person must have completed in diligent fashion the remainder of the activities and investments needed to commercially use the subject matter. These latter activities can have taken place after the effective filing date of the patent application so long as they are pursued diligently.

To prove that the necessary investment has taken place, the party asserting the defense must show that substantial investment was made in equipment, testing, advertising, or other preparation for commercializing the invention. Only investment in the United States should be considered. Documentation and commercialization plans must be sufficiently developed and in sufficient detail to prove the rights claimed. For example, in the biotechnology or pharmaceutical industry, evidence that a prospective new drug had been cleared for clinical trials prior to the effective filing date would be sufficient to show effective and serious preparation. In the chemical industry, effective and serious preparation would require evidence proving that a substantial investment had been made, for example, in reactors or process equipment designed to employ or manufacture the invention. In the software industry, beta testing and debugging of the computer program prior to licensing should be sufficient to constitute serious preparation for commercial use. Evidence of actions that amount merely to conceiving the invention, developing the invention in a laboratory, experimenting, or reducing an invention to practice, without evidence of subsequent efforts to use the invention commercially and to make the necessary investments to commercialize the invention, would not be adequate to satisfy the test for effective and serious preparation.

Subsection (c)(4) states that the burden of proof is on the person claiming the prior use defense. The prior user must provide evidence to establish each of the conditions precedent to the defense.

Subsection (c)(5) states that if commercial use of the invention is abandoned, that person may not rely on activities performed prior to the abandonment in establishing a defense for activities performed subsequent to the abandonment. Regardless of the degree of commercial use or serious and effective preparation which might have occurred at an earlier point in time, a defense based on prior

user rights may not be invoked if such commercial use was in a state of abandonment, or abandoned after the effective filing date. If the prior use is abandoned after the effective filing date, it is the intent of this section that the prior user right shall be a defense to infringement for the time of commercial use between the effective filing date and abandonment. As the term is used in connection with this legislation, abandonment refers to cessation of use with no intent to resume. Certain activities, however, are naturally periodic or cyclical. Intervals of non-use between such periodic activities such as seasonal factors or reasonable intervals between contracts, shall not be considered abandonment so long as there is no positive corroborating evidence of abandonment.

Subsection (c)(6) limits the application of the prior-user defense to the person who performed the acts necessary to establish the defense. The right to assert the defense cannot be licensed or transferred except in connection with a transfer of the entire enterprise or line of business to which the defense relates.

Subsection (c)(7) prohibits this assertion of the prior-use defense unless the relevant subject matter had been commercially used or actually reduced to practice more than 1 year before the effective filing date of the patent sought to be enforced.

Subsection (d), created by this subsection, instructs the court to award attorney fees to the patent holder in the event of an unreasonable assertion of this defense.

Subsection (e), created by this subsection, states that a patent shall not be deemed invalid under sections 102 or 103 of title 35, United States Code (35 U.S.C. 102–03), solely because of a successful assertion of the prior-use defense. Any determination under those sections must be established separately, although evidence used to establish a defense of prior use could be used in connection with establishing invalidity under those sections.

Subsection (b)—Conforming Amendments. Subsection (b) conforms the table of contents in the U.S. Code to accommodate the new provisions of section 273 of title 35, United States Code.

Section 403. Effective date and applicability

This section provides that this Act will take effect upon enactment and will apply to any action for or adjudication of infringement begun on or after that date.

TITLE V—PATENT REEXAMINATION REFORM

Section 501. Short title

This title may be cited as the “Patent Reexamination Reform Act of 1997”.

Section 502. Definitions

This section amends section 100 of title 35, United States Code (35 U.S.C. 100) to add a new subsection 100(e). The newly created subsection (e) defines a “third-party requester” as the party seeking reexamination who is not the patent owner.

Section 503. Reexamination procedures

This section amends sections 302 to 306 of title 35, United States Code (35 U.S.C. 302–306), and adds a new section 308.

Subsection (a)—Request for Reexamination. Subsection (a) amends section 302 of title 35, United States Code (35 U.S.C. 302), as follows:

Section 302(a), as amended, permits any person to file a request for reexamination on the basis of any prior art.

Section 302(b), as amended, sets out the requirements for such a filing.

Subsection (b)(1) requires that the request be in writing, include the identity of the real party in interest, and be accompanied by payment of the appropriate fee.

Subsection (b)(2) requires that the request also state the pertinency and manner of applying the cited prior art for every claim sought to be reexamined.

Section 302(c), as amended, requires that the Commissioner send a copy of the request to the patent owner, unless the owner is the requester.

Subsection (b)—Determination of Issue by Commissioner. Subsection (b) amends section 303 of title 35, United States Code (35 U.S.C. 303) as follows:

Section 303(a), as amended, requires that within 3 months of the filing of a reexamination request, the Commissioner of Patents must determine whether the request raises a substantial new question of patentability. The Commissioner is authorized but not required to consider other patents or printed publications in reaching this determination. Further, at any time and on the Commissioner's own initiative, the Commissioner may determine whether a substantial new question of patentability is raised by other patents and publications.

Section 303(b), as amended, requires that a copy of the Commissioner's determination under the previous subsection be placed in the file of the patent and copies sent to the patent owner and the third-party requester, if any.

Section 303(c), as amended, states that the Commissioner's determination under subsection (a) of this section shall be final and nonreviewable. In the event that no substantial new question of patentability is found, the Commissioner is authorized to refund part of the reexamination fee. This change clarifies that all determinations of the Commissioner under subsection (a) (e.g., that a substantial new question of patentability has or has not been raised) are nonappealable. This amendment codifies existing case law which provides that a positive determination by the Director that a substantial new question of patentability has been raised is nonappealable. The phrase "that no new question of patentability has been raised" is added to the second sentence of this subsection to clarify that refunds may be made for negative determinations. Review of negative determinations should remain available for both patent owner requesters and third-party requesters by petition to the Commissioner under 37 C.F.R. 1.181, as currently provided for in 37 C.F.R. 1.515(c).

Subsection (c)—Reexamination Order by Commissioner. Subsection (c) amends section 304 of title 35, United States Code (35

U.S.C. 304), to provide that if the Commissioner determines that a substantive new question of patentability is raised by the reexamination request, that determination shall include an order for reexamination. That order may be accompanied by the initial action of the Patent Office conducted in accordance with section 305 of title 35, United States Code (35 U.S.C. 305). This subsection also deletes provisions that allow the patent owner to file a preliminary statement, which must be served on any third-party requester, and may allow the third-party requester to file a reply to the patent owner's statement. These changes are made in view of the procedure in subsection (d) of this section.

Subsection (d)—Conduct of Reexamination Proceedings. Subsection (d) amends section 305 of title 35, United States Code (35 U.S.C. 305), as follows:

Section 305 (a), as amended, instructs that reexaminations are to be conducted according to the procedures used for initial examination. In addition, the patent owner is given the right to propose an amendment to the patent and new claims, so long as the amendment does not seek to enlarge the scope of the claims of the patent.

Section 305(b)(1), as amended, states that this subsection applies to all reexaminations based on a request by a third-party.

Section 305(b)(2), as amended, requires that all documents filed by either the patent owner or the third-party requester be served on the other party, except for the initial request.

Section 305(b)(3), as amended, states that if the patent owner files a response to any reexamination action on the merits of the patent, the third-party requester will have one opportunity to file written comments as well. The third-party must file these comments in a reasonable period of time, not less than 1 month after receiving the patent owner's response. The third-party's comments must be limited to issues covered by the Patent Office action or the patent owner's response.

Section 305(c), as amended, states that unless the Commissioner has good cause to the contrary, all reexaminations will be conducted by the Patent Office with special dispatch.

Subsection (e)—Appeal. Subsection (e) amends section 306 of title 35, United States Code (35 U.S.C. 306), as follows:

Section 306(a)(1), as amended, gives the patent owner the right to appeal any decision that is adverse to any original, proposed amended, or new claim of the patent.

Section 306(a)(2), as amended, provides the patent owner with the opportunity to be party to any appeal taken by the third-party requester.

Section 306(b)(1), as amended, states that a third-party requester may appeal any decision favorable to any original, proposed amended, or new claim of the patent.

Section 306(b)(2), as amended, provides the third-party requester with the opportunity to be party to any appeal taken by the patent owner.

Section 306(c)(1), as amended, states that once the reexamination is ordered, the third-party requester is estopped from asserting in any future infringement suit the invalidity of any claim found to be patentable on appeal. This estoppel extends to any claim that was raised or could have been raised by the third-party requester

during the reexamination proceedings. However, this subsection does not prevent the assertion of invalidity based on prior art that was unavailable to the requester and the Patent Office at the time of the reexamination.

Section 306(c)(2), as amended, states that a third party is deemed to not have participated as a party to an appeal by the patent owner unless the third party files a notice of appeal electing to participate with the Commissioner not more than 20 days after the patent owner has filed a notice of appeal.

Subsection (f)—Reexamination Prohibited. Subsection (f)(1) amends section 308 of title 35, United States Code (35 U.S.C. 308), as follows:

Section 308(a), as amended, states that during the course of a reexamination, neither the patent owner nor the third-party requester may file a new request for reexamination of the patent.

Section 308(b), as amended, states that once a final decision has been entered in a suit in Federal court and that decision is favorable to patent validity, neither the party nor any of its privies claiming invalidity may later request reexamination of the patent on the basis of issues that that party raised or could have raised in the civil action. Similarly, in a reexamination instituted by a third party where the final decision is favorable to the patentability or any original, proposed amended, or new claim, neither the third party nor any of its privies may request a reexamination on the issues that were raised or could have been raised. However, this does not prohibit the assertion of invalidity based on prior art that was unavailable to the requester and the Patent Office at the time of the reexamination.

The net effect of this subsection is to create a situation wherein a party wishing to challenge the validity of a patent will have their day in court, but will be limited to one bite at the apple. Such a party would have the choice of either pursuing a reexamination or going directly to Federal court. In either event, the estoppel provisions of this section prevent that party or its privies from raising the same issues or any issues that could have been raised at that time again in the future. Thus, the Committee is confident that this Act provides for an invigorated reexamination procedure that will provide a viable alternative to the tremendous expense of Federal litigation but that also guards closely against abuse of this title as a tool of harassment.

Subsection (f)(2) amends chapter 30 of title 35, United States Code (35 U.S.C. 301 *et seq.*), to change the table of contents to accommodate the new section 308.

Section 504. Conforming amendments

This section makes various conforming amendments to accommodate the new reexamination procedures.

Subsection (a)—Patent Fees; Patent Search Systems. Subsection (a) amends section 41(a)(7) of title 35, United States Code (35 U.S.C. 41(a)(7)), to set the fee for an unintentionally delayed response in a reexamination proceeding at \$1,250.

Subsection (b)—Appeal to the Board of Patent Appeals and Interferences. Subsection (b) amends section 134, United States Code (35 U.S.C. 134), as follows:

Section 134(a), as amended, is the text of the current section 134, providing the right of an applicant to appeal the decision of the primary examiner to the Board of Patent Appeals and Interferences.

Section 134(b), as amended, provides the patent owner in a reexamination proceeding the right to appeal the final rejection of any claim by the primary examiner to the Board of Patent Appeals and Interferences.

Section 134(c), as amended, provides the right of a third-party requester in a reexamination proceeding the right to appeal the final decision by the primary examiner that is favorable to the patentability of any original, proposed amended, or new claim of the patent.

Subsection (d)—Appeal to the Court of Appeals for the Federal Circuit. Subsection (d) amends section 141 of title 35, United States Code (35 U.S.C. 141) to specify that in reexamination, appeals of decisions of the Board of Patent Appeals and Interferences should go to the U.S. Court of Appeals for the Federal Circuit.

Subsection (e)—Proceedings on Appeal. Subsection (e) amends section 143 of title 35, United States Code (35 U.S.C. 143), to require the Commissioner to submit to the court the grounds for the decision of the Patent Office in reexamination proceedings.

Subsection (f)—Civil Action to Obtain Patent. Subsection (f) amends section 145 of title 35, United States Code (35 U.S.C. 145) to make a technical correction referencing the proper subsection of section 134 of title 35, United States Code (35 U.S.C. 134) as amended by this Act.

Section 505. Report to Congress

This section requires the Director of the USPTO to report to Congress within 5 years on the effect of reexamination proceedings under this title on the various parties, and to recommend changes, if necessary, to cure any inequities.

Section 506. Effective date

This title shall take effect 1 year after enactment and shall apply to all reexamination requests filed on or after that date.

TITLE VI—MISCELLANEOUS PATENT PROVISIONS

Section 601. Provisional applications

Subsection (a)—Abandonment. Subsection (a) amends section 111(e)(5) of title 35, United States Code (35 U.S.C. 111(e)(5)), to permit a provisional application to be treated as a nonprovisional application. In order for this to occur, the applicant must request the provisional application to be considered as a nonprovisional application within 12 months of the filing of the provisional application. Failure to act within 12 months results in abandonment of the provisional application.

Subsection (b)—Technical Amendment Relating to Weekends and Holidays. Subsection (b) amends section 119(e) of title 35, United States Code (35 U.S.C. 119(e)), to make a technical amendment to clarify the treatment of provisional applications whose last day of pendency falls on a weekend or Federal holiday.

Subsection (c)—Effective Date. Subsection (c) applies the amendments made by this section to all provisional applications filed on or after June 8, 1995.

Section 602. International applications

This section amends section 119 of title 35, United States Code (35 U.S.C. 119), to permit persons, who filed an application for patent first in a WTO member country, to claim the right of priority in a subsequent patent application filed in the United States, even if such country does not yet afford similar privileges on the basis of applications filed in the United States. This amendment was made in conformity with the requirements of articles 1 and 2 of the TRIPS Agreement. These articles require that WTO member countries apply the substantive provisions of the Paris Convention for the Protection of Industrial Property to other WTO member countries. As, however, some WTO member countries are not yet members of the Paris Convention, and as developing countries are permitted periods of up to 10 years before complying with all provisions of the TRIPS Agreement, they are not required to extend the right of priority to other WTO member countries until such time.

This subsection adds a new subsection (f) to provide for the right of priority in the United States on the basis of an application for a plant breeder's right first filed in a WTO member country or in a UPOV Contracting Party. Many foreign countries provide only a sui generis system of protection for plant varieties. Because section 119 presently addresses only patents and inventors' certificates, applicants from those countries are technically unable to base a priority claim on a foreign application for a plant breeder's right when seeking plant patent or utility protection for a plant variety in this country.

A new subsection (g) is added to define the terms "WTO member country" and "UPOV Contracting Party."

Section 603. Access to electronic patent information

Subsection (a)—In General. Subsection (a) would assist independent inventors and small businesses in rural States by requiring the USPTO to develop and implement statewide computer networks so that the citizens of rural States will have enhanced access to the information in their State's patent and trademark depository libraries. Such a requirement is consistent with the USPTO's attempts to modernize the Office and with independent inventor and small business desires for expanded availability of USPTO information.

Subsection (b)—Definition. Subsection (b) defines "rural States" as States that qualified on January 1, 1997, as rural States under section 10501(b) of the Omnibus Crime Control and Safe Streets Act of 1968 (42 U.S.C. 379bb(b)).

The purpose of this section is to provide remote access to the patent and trademark depository libraries ("PTDL") and PTO APS text search services that currently exist or will be opened in the future in eligible States.

Section 604. Certain limitations on damages for patent infringement not applicable

This section amends section 287(c) of title 35, United States Code (35 U.S.C. 287(c)), to narrow the scope of the ban on enforcement of medical methods patents so as to exempt those patents for which an application was pending on the date of enactment of the ban.

Section 605. Plant patents

Subsection (a)—Tuber Propagated Plants. Subsection (a) amends section 163 of title 35, United States Code (35 U.S.C. 163) to remove the prohibition against patenting tuber propagated plants.

Subsection (b)—Rights in Plant Patents. Subsection (b) amends section 165 of title 35, United States Code (35 U.S.C. 165) to provide patent protection to the sale of asexually produced parts of plants (i.e., flowers, fruit) as well as the entire plant. This provision closes the loophole in current plant patent protection that has allowed infringers to circumvent plant patents by importing only the fruit or flower of a plant. In many circumstances, the fruit or flower is, in fact, the commercially profitable part of the plant. Thus, this provision restores meaningful and full patent protection in this area.

Subsection (c)—Effective Date. Subsection (c) states that the amendments made by subsection (a) apply on the date of enactment. The amendments made by subsection (b) apply to any plant patent issued on or after the date of enactment.

Section 606. Electronic filing

This section amends section 22 of title 35, United States Code (35 U.S.C. 22) to allow the Commissioner to require papers filed in the Patent Office to be on an electronic medium, as well as printed or typewritten.

Section 607. Study and report on biological deposits in support of biotechnology patents

Subsection (a)—In General. Subsection (a) directs the General Accounting Office (GAO) to conduct a study, in consultation with the U.S. Patent Office, and to report to Congress on the potential risks to the U.S. biotechnology industry relating to biological deposits in support of biotechnology patents.

Subsection (b)—Contents. Subsection (b) provides that the study shall include a review of the risk of export and third-party transfer of biological deposits, and the risks posed by the early publication provisions of S. 507, an analysis of comparative legal and regulatory regimes, and any related recommendations.

Subsection (c)—Consideration of Report. Subsection 607(c) states that the U.S. Patent Office is to consider the recommendations of this study when drafting regulations affecting biological deposits.

The Committee is concerned that since biological material deposited for purposes of enabling a patent application is available to the public once the patent is issued, the sample could be withdrawn from a U.S. depository and exported to a different entity anywhere in the world. It could then be utilized and/or reproduced in places where no patent protection for the invention exists, resulting in an economic disadvantage for U.S. patent holders. The Committee is

also aware the U.S. Patent and Trademark Office has previously recognized the unique nature of an invention which requires the deposit of a sample of a biological material as part of the patent application disclosure and the attendant risks the sample may be used in a way or location that would avoid infringement of the patent. Thus, this provision directs the General Accounting Office, in consultation with the United States Patent Office, to conduct a study and make recommendations on the risks to the U.S. biotechnology industry relating to biological deposits in support of biotechnology.

VI. COST ESTIMATE

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, June 30, 1997.

Hon. ORRIN G. HATCH,
Chairman, Committee on the Judiciary, U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for S. 507, the Omnibus Patent Act of 1997.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Rachel Forward (for federal costs) and Matt Eyles (for private-sector impact).

Sincerely,

JUNE E. O'NEILL,
Director.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

SUMMARY

S. 507 would establish the United States Patent and Trademark Office (PTO) as a government corporation and make a number of other changes in laws governing the issuance of patents and related procedures.

CBO estimates that enacting S. 507 would result in additional discretionary spending by the PTO totaling \$144 million over the 1998–2002 period, along with additional costs of \$1.5 million for the General Accounting Office (GAO) for studies required by the bill, assuming appropriation of the necessary amounts. Enacting S. 507 also would result in a decrease in direct spending of \$31 million in fiscal year 1998 and \$211 million over the 1998–2002 period. Because the bill would affect direct spending in fiscal year 1998, pay-as-you-go procedures would apply.

S. 507 would impose new private-sector mandates as defined by the Unfunded Mandates Reform Act of 1995 (UMRA) by authorizing the PTO to raise existing fees and to assess new fees for the services it provides. CBO estimates that the direct costs of the new private-sector mandates in the bill would fall below the \$100 million statutory threshold in UMRA. The bill contains no intergovernmental mandates as defined by UMRA and would not impose costs on state, local, or tribal governments.

DESCRIPTION OF THE BILL'S MAJOR PROVISIONS

Title I would establish a wholly owned government corporation to replace the existing PTO, an agency within the Department of Commerce. The new government corporation, named the United States Patent and Trademark organization, would be composed of the United States Patent office and the United States Trademark office. The PTO would be subject to the policy guidance of the Secretary of Commerce but would not be subject to supervision by any department. The bill would authorize the PTO to adjust patent and trademark fees, after consultation with a Management Advisory Board established by the bill, to provide sufficient revenues to cover the expenses of the organization.

Title II would require the PTO to publish most patent applications within 18 months of filing, regardless of whether a patent has been granted, and would authorize the PTO to charge a fee to cover the cost of early publication. Under current law, the Patent Office issues one patent for each application regardless of the number of innovations covered by the application. If a patent application is published, S. 507 would permit an applicant to request that the PTO grant a patent as each innovation in an application is approved, and would authorize the PTO to charge a fee to cover the cost of issuing multiple patents for a single application.

Title V would modify current reexamination procedures to ease the restrictions on third parties requesting the PTO to reexamine the validity of an existing patent. The bill would require a fee to be paid with each third-party request for the reexamination of a patent. Title VI would require the PTO to establish a system that would allow the public to access patent information electronically. S. 507 also would require the PTO and the GAO to complete a number of studies for the Congress.

Other titles and provisions in S. 507 would not significantly affect the federal budget. For example, title III would direct the PTO to restore to the patent holder any part of a patent term that is lost because of certain administrative delays by the PTO. The bill also would allow an inventor who has used an invention at least one year before it was patented by another party to continue using the invention without infringing on the new patent.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

Under current law, the PTO collects a number of user fees that are spent by the agency to the extent provided in advance in appropriations acts. CBO assumes that over time the PTO would be authorized to spend all of the fees that the agency collects, except for the surcharge fees required to be collected through 1998 pursuant to the Omnibus Budget Reconciliation Act of 1990. Hence, our current-law projections show the estimated authorization levels for fiscal years 1998 through 2002 net of the user fees estimated to be collected and spent by the agency. CBO estimates that the net change in discretionary spending—relative to those current-law projections—would be an increase of about \$144 million over the 1998–2002 period.

For the purposes of this estimate, CBO assumes that S. 507 will be enacted by the end of fiscal year 1997, and that the estimated

amounts necessary to implement the bill will be appropriated by the start of each fiscal year. Outlays have been estimated on the basis of historical spending patterns for the PTO and information provided by the agency. The estimated budgetary impact of S. 507 is shown in table 1.

TABLE 1. ESTIMATED BUDGETARY IMPACT OF S. 507
[By fiscal year, in millions of dollars]

	1997	1998	1999	2000	2001	2002
SPENDING SUBJECT TO APPROPRIATION						
Spending under current law:						
Estimated authorization level ¹	61	61	61	61	61	61
Estimated outlays	-2	24	18	14	10	5
Proposed changes:						
Authorization level	0	26	31	35	40	45
Estimated outlays	0	7	28	32	36	41
Spending under S. 507:						
Authorization level ¹	61	87	92	96	101	106
Estimated outlays	-2	31	46	46	46	46
CHANGES IN DIRECT SPENDING						
Estimated budget authority	0	-31	-38	-42	-47	-53
Estimated outlays	0	-31	-38	-42	-47	-53

¹The 1997 level is the amount appropriated for that year. The estimated authorization levels for 1998–2002 reflect CBO’s baseline estimates for the PTO, assuming no adjustment for inflation.

The budget impact of this legislation falls within budget functions 370 (commerce and housing credit), 550 (health), 600 (income security), and 950 (undistributed offsetting receipts).

BASIS OF ESTIMATE

Spending subject to appropriation

Under current law, the PTO cannot spend any user fees without prior approval in an appropriations act. Although S. 507 would establish the PTO as a government corporation, the agency would still need to receive approval in appropriations acts to spend any of the user fees collected. The bill would authorize the PTO to both adjust existing user fees and establish new user fees to cover expenditures of the new corporation. The current user fees, and any adjustments to those fees, are classified in the budget as offsetting collections. The agency is authorized in annual appropriations acts to both collect and spend the fees. CBO expects, however, that the new fees that this bill would create would be recorded in the budget as offsetting receipts. (Those new fees are discussed below under “direct spending.”)

CBO expects that enacting S. 507 would increase expenditures by the PTO for personnel and for the other requirements of the bill. CBO estimates that some of these costs would be offset by a number of efficiencies and savings, primarily for procurement and administration, but that the agency would need to increase existing user fees (offsetting collections) by \$10 million to \$15 million a year to offset new expenditures by the corporation. CBO expects that the PTO would receive prior approval in appropriations acts to both collect and spend the fees and that the net budgetary impact of these changes would be close to zero over time.

Enacting S. 507 also would result in the collection of new user fees (classified as offsetting receipts) that would be reflected as a net decrease in direct spending. As discussed below, CBO estimates that enacting the bill would allow the PTO to collect an estimated \$177 million in publication, reexamination, and patent issuance fees over the 1998–2002 period. CBO assumes that the agency would be authorized in appropriations acts to spend these additional fees. Because CBO expects a lag between the time the PTO collects and spends the fees, we estimate that the agency would only spend \$144 million of the new fees over the 1998–2002 period. This amount is included in table 1 as spending subject to appropriation.

S. 507 also would provide the PTO with the authority to issue bonds or other forms of indebtedness for purchase by the Treasury, subject to prior approval in appropriations acts. The General Services Administration (GSA) is currently soliciting proposals to lease an estimated 2 million square feet of office space to house the PTO for 20 years beginning in 2002 or 2003. Based on information from GSA and PTO, the lease agreement will likely contain a clause that would allow the Federal Government to buy the buildings at several points during the course of the lease. CBO estimates that the PTO could issue \$800 million worth of bonds for purchase by the Treasury and use the proceeds for the purchase of the buildings after their completion (probably no earlier than 2003), assuming appropriation of the necessary amounts.

CBO estimates that GAO would need to spend \$1.5 million over the 1998–2000 period to conduct two studies required by the bill, assuming the appropriation of the necessary amount.

Direct spending

Enacting the bill would affect direct spending by increasing receipts from several types of fees and by increasing payments from the PTO to the retirement, health insurance, and life insurance funds for government employees. The estimated effects on direct spending are shown in table 2.

TABLE 2. ESTIMATED IMPACT OF S. 507 ON DIRECT SPENDING

[By fiscal year, in millions of dollars]

	1998	1999	2000	2001	2002
CHANGES IN DIRECT SPENDING					
Publication fees:					
Estimated budget authority	-13	-16	-19	-23	-27
Estimated outlays	-13	-16	-19	-23	-27
Reexamination fees:					
Estimated budget authority	-2	-3	-3	-3	-3
Estimated outlays	-2	-3	-3	-3	-3
Patent issuance fees:					
Estimated budget authority	-11	-12	-13	-14	-15
Estimated outlays	-11	-12	-13	-14	-15
Retirement and insurance costs:					
Estimated budget authority	-5	-7	-7	-7	-8
Estimated outlays	-5	-7	-7	-7	-8
Total changes:					
Estimated budget authority	-31	-38	-42	-47	-53
Estimated outlays	-31	-38	-42	-47	-53

Publication Fees.—S. 507 would authorize the PTO to raise existing fees or establish a new fee to offset the cost of publishing the patent applications. Because the PTO would not be allowed to spend the additional fees without approval in appropriations acts, any such collections would reduce direct spending. Based on information from PTO, CBO estimates that the PTO would collect about \$98 million in publication fees over the 1998–2002 period.

Reexamination Fee.—S. 507 would ease restrictions on reexamination proceedings initiated by third parties, thus causing an increase in the number of proceedings. Based on information from PTO, CBO estimates that enacting S. 507 would nearly double the number of reexamination requests, resulting in additional fee collections of about \$14 million over the 1998–2002 period.

Patent Issuance Fee.—Currently the PTO issues one patent for each application although each patent may incorporate several innovations. S. 507 would authorize the PTO to issue a patent for each innovation covered by a patent application as long as the application is published. Based on information from the PTO, CBO estimates that the agency would collect an additional \$65 million over the 1998–2002 period to cover the costs of issuing the additional patents.

Personnel Expenses.—S. 507 would raise the amounts paid by the PTO for health and life insurance benefits for its employees and for retirement payments for its current employees covered by the Civil Service Retirement System. CBO estimates that the increase in such payments by the PTO would add \$34 million in receipts over the 1998–2002 period. The PTO would need to increase fees by an identical amount to cover these additional personnel costs. Thus, instead of having such costs borne by taxpayers generally, they would be borne by the users of PTO's services.

PAY-AS-YOU-GO CONSIDERATIONS

Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts through 1998. CBO estimates that enacting S. 507 would decrease direct spending by about \$31 million in fiscal year 1998 from the increased collections of various patent fees and from additional payments by the PTO into the Government's insurance and retirement funds.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 507 contains no intergovernmental mandates as defined in the UMRA and would impose no costs on State, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

S. 507 would impose new private-sector mandates as defined in UMRA by authorizing the PTO to raise existing fees and to assess new fees for the services it provides. Patent law and patent fees are the exclusive domain of the Federal Government. Therefore, increases in existing patent fees or the creation of new fees constitute new enforceable duties and represent private-sector mandates under UMRA.

The bill would impose private-sector mandates in several areas. It would authorize the PTO to establish new patent-issuance fees and to increase fees to cover the cost of early patent publications. S. 507 would also allow the Commissioner of Patents to levy new fees upon persons who request the PTO to reexamine existing patents. Finally, the PTO would be authorized to raise other fees, for example, to defray the costs of developing electronic patent filing and information systems.

CBO estimates that the direct costs of new private-sector mandates in the bill would fall below the \$100 million statutory threshold in UMRA. On average, new mandates would impose about \$46 million in direct costs per year during the first 5 years that the mandates were effective. That estimate is based on an average annual increase in early publication fees of about \$20 million; new patent issuance fees of \$13 million; and increases to other fees of about \$13 million.

PREVIOUS CBO ESTIMATE

On March 18, 1997, CBO prepared a cost estimate for H.R. 400, the 21st Century Patent System Improvement Act, as ordered reported by the House Committee on the Judiciary on March 12, 1997. The two bills are similar; however, S. 507 would not extend the patent surcharge fee that expires in fiscal year 1998. Both bills would require the PTO to publish most patent applications within 18 months filing but S. 507 also would authorize the PTO to issue patents on individual claims within an application and to collect a fee to cover the costs of issuing such patents. CBO estimates that this fee would produce additional receipts of \$65 million over the 1998–2002 period.

Establishing the PTO as a wholly owned government corporation would result in a number of efficiencies and savings that would be roughly offset by new expenditures under H.R. 400. Additional expenditures under S. 507 would be greater, necessitating an increase of fees of \$10 million to \$15 million in each fiscal year. This increase in fees would result from the bill's requirement that the PTO establish a system for accessing patent information electronically and pay additional retirement and insurance costs for its employees. We assume that the PTO would be authorized in appropriations acts to collect and spend these fees. Thus, the net effect on the deficit of such collections and spending would be roughly zero in each year.

Estimated prepared by: Federal costs: Rachel Forward; impact on the private sector: Matt Eyles.

Estimated approved by Robert A. Sunshine, Deputy Assistant Director for Budget Analysis.

VII. REGULATORY IMPACT STATEMENT

In compliance with paragraph 11(b)(1), rule XXVI of the Standing Rules of the Senate, the Committee, after due consideration, concludes that S. 507 will have significant regulatory impact.

VIII. ADDITIONAL VIEWS OF MR. LEAHY

I am delighted that the minority and majority were able to work together on S. 507, legislation to help American innovators. The new Hatch-Leahy substitute amendment contains many significant improvements to S. 507—changes that should benefit independent inventors, small businesses, and universities.

Publication

I am especially glad that we were able to work together on the issue of publication. The Hatch-Leahy substitute responds to the concerns of independent inventors and small businesses about publication. These concerns were articulated at the hearing by the president of the Vermont Inventors Association, Bill Parker. Mr. Parker suggested giving applicants who only file in the United States a choice about whether or not to publish. He also recommended that we enhance the protections granted to those who choose 18-month publication if we wish to encourage them to take that course.

The substitute does both of those things. Particularly, it allows any applicant to avoid publication before the granting of the patent simply by making such a request upon filing the application and by certifying that their application has not—and will not—be published abroad. The substitute also provides for the issuance of patents on individual claims in published applications as they are approved, rather than waiting for the disposition of all claims contained in such an application, as now occurs. This allows applicants to gain full patent protection—including reasonable royalties, damages, and attorneys fees when appropriate—for some of their component inventions earlier than they would have under the original draft of the bill.

Many other important changes were made to the bill to benefit independent inventors, small businesses and universities, for instance:

Ensuring at least 17 years of patent term to applicants that diligently prosecute patent applications

I was concerned that, as introduced, S. 507 did not preclude the possibility that an applicant who is diligently prosecuting a patent will receive less than 17 years of patent protection. The ability to have a full 17 years of patent protection is important to small and large patent applicants alike. Hence, the Hatch-Leahy substitute makes clear that an applicant that diligently prosecutes a patent application before the PTO will receive a full 17 years of patent protection.

Clarifying that nonprofits, universities and the Government can benefit from the prior user defense in a patent infringement action

Title IV is designed to close a loophole in the present law that arguably permits one who obtains a patent to sue someone who has independently developed and used the same invention prior to the date of the patent application. Specifically, S. 507 accords a defense to one who has “commercially used” subject matter later covered by a patent. I was concerned, however, that the term “commercially used” could be interpreted as not applying to activities, no matter how important or widespread, undertaken by nonprofits, universities, or the U.S. Government. The Hatch-Leahy substitute clarifies that nonprofits, universities, and the U.S. Government can assert the “prior use” defense when appropriate, thus avoiding the anomalous situation where individuals or companies who are prior users of patented subject matter are accorded a defense to an infringement claim, while nonprofits, universities and the U.S. Government are not.

Enhancing access to electronic patent information for independent inventors and small businesses in rural areas

A matter of special interest to me is the section I suggested be added in the Hatch-Leahy substitute to enhance access to patent information. I have long thought that electronic access should be more widespread and want to work with the Patent and Trademark Organization to ensure the effective implementation of statewide electronic accessibility of patent information in rural states and eventually in all areas to make it easier for inventors to study prior art and make further advances. This should be of particular benefit to Vermont, which is only now getting a patent and trademark depository library.

Tightening the prior user defense to ensure that it is asserted only by those who have a justification to use it

Under S. 507 as introduced, the “used in commerce” threshold is met if there has been an actual sale or other commercial transfer of a product or service. The university community expressed concern that this threshold could be met simply by one division of a company making a “sale” to another division of the company. Such interdivisional sales are common and can be easily accomplished through bookkeeping. The Hatch-Leahy substitute requires that a sale or other commercial transfer be at arms-length in order to ensure that a prior user has truly used the process or sold the product “in commerce” rather than an intracompany transfer that is logged on the books as a “commercial sale.”

In order to achieve “effective and serious preparation” under S. 507 as introduced, it is sufficient if the “person” has reduced the subject matter to practice in the United States. The university community expressed concern that this is a low threshold given the ambiguity of the terms (*e.g.*, a person may “reduce to practice” through computer simulation, through tangential experimentation, through “like” application). The Hatch-Leahy substitute therefore intends to raise the threshold by requiring an “actual reduction to practice” of the infringing subject matter.

Enhancing the estoppel provisions for re-examination

Although the goal of the original re-examination provisions was laudable, *i.e.*, reducing legal bills for patent applicants, I was concerned that the legislation protect against harassment by third parties. The Hatch-Leahy substitute enhances protection against harassment by strengthening the estoppel provisions to prevent a party from raising an issue that was raised or could have been raised in one forum from raising it in any other forum in the future. Hence, the re-examination provision in the Hatch-Leahy substitute will provide an alternative to the current costly and time-consuming process of Federal litigation and at the same time, protect patent applicants against undue harassment.

Protection of the Copyright Office

I am also glad that the substitute amendment clarifies that it is not the Senate Judiciary Committee's intent to undercut the Copyright Office in any way. The Copyright Office has served this country and this Committee well for over a hundred years, and it should continue in that role.

At the September 1996 hearing on The Omnibus Patent Act of 1996, S. 1961, several groups testified that it was important to allow the Copyright Office to continue its longstanding role with regards to the policy issues concerning international and domestic copyright law and related matters. See testimony of the American Society of Journalists and Authors; the Association of American Publishers, the American Association of Law Libraries, the National Humanities Alliance, the American Library Association, the Association of Research Libraries, the Medical Library Association, and the Special Libraries Association; the Authors Guild, Inc.; Jane Ginsburg, Morton J. Janklow Professor of Literary and Artistic Property Law; James H. Billington, the Librarian of Congress; the National Writers Union; the United States National Commission of Libraries and Information Science; Marybeth Peters, Register of Copyrights and Librarian for Copyright Services; the American Society of Composers, Authors and Publishers (ASCAP) and Broadcast Music, Inc. (BMI); and William Patry, professor at Cardozo School of Law, Yeshiva University; *The Omnibus Patent Act of 1996: Hearing before the Committee on the Judiciary*, 104th Cong., 2d sess. (1996).

This year's Hatch-Leahy substitute specifies that nothing in the bill shall derogate from the duties or functions of the Register of Copyrights. This language is intended to clarify that the Copyright Office shall continue in its longstanding role as advisor to Congress on matters within its competence, including but not limited to copyright, semiconductor chip protection, and related matters such as database protection and protection for designs of useful articles.

The Copyright Office should also continue its longstanding role as advisor to various Federal agencies on matters within its competence. For example, the Copyright Office advises the U.S. Trade Representative and the State Department on an ongoing basis on the adequacy of foreign copyright laws, and serves as a technical consultant to those agencies in bilateral, regional and multilateral consultations or negotiations with other countries on copyright-related issues. Similarly, the Copyright Office has served as an im-

portant source of expertise on U.S. delegations negotiating and implementing multilateral treaties in the areas of copyright, related rights, and trade-related intellectual property rights—most recently with regard to the two World Intellectual Property Organization (WIPO) treaties concluded in Geneva in December 1996 and the July 1996 review of developed countries copyright laws in the TRIP's Council of the World Trade Organization. On the domestic front, the Register recently participated in the Working Group on Intellectual Property Rights of the Administration's Information Infrastructure Task Force, and provided language to the administration for the technical portions of implementing legislation for the two new WIPO treaties at the 1996 Diplomatic Conference in Geneva. The language in the Hatch-Leahy substitute contemplates that the Copyright Office should continue in this role.

The Copyright Office should continue to carry out studies and programs regarding international and domestic copyright law and related matters. Examples of appropriate studies that the Copyright Office has conducted in the past include a 1984 study, "To Secure Intellectual Property Rights in World Commerce," reprinted in S. Hrg. 98-1183, 98th Cong., 2d sess., Serial No. J-98-142 (Sept. 25, 1984), and studies on the issues of public performance rights in sound recordings, the copyright liability of States, the waiver of moral rights, library photocopying, and the nonprofit library lending exemption to the "rental right" under the Computer Software Rental Amendments Act of 1990. Currently underway are studies of the cable and satellite compulsory licenses, legal protection for databases, and the economic and policy implications of term extension. Among the most important of these studies historically was a series of comprehensive reports on various issues produced in the 1960's as the foundation of the last general revision of U.S. copyright law, enacted as the 1976 Copyright Act. As for carrying out appropriate programs, the Copyright Office should continue to run such programs such as the conferences the Copyright Office has co-sponsored in 1996-1997 on the subject of technology-based intellectual property management, and the International Copyright Institutes that the Copyright Office has conducted for foreign government officials at least annually over the past decade, often in cooperation with WIPO.

Conclusion

I noted at the Senate Judiciary Committee hearing on S. 507 that Vermont has a great tradition of "Yankee ingenuity." In fact, the very first U.S. patent was granted to Samuel Hopkins, a native of Pittsford, VT, who discovered a process for making potash. Those early patents were awarded by Secretary of State Thomas Jefferson, who made his own contributions to our national tradition of inventiveness.

Today's inventors can be individuals in a shop, garage or home lab. They can be teams of scientists working in our largest corporations or at our colleges and universities. Our Nation's patent laws should be fair to American innovators of all kinds—independent inventors, small businesses, venture capitalists and larger corpora-

tions. For this reason, I urge all members of Congress to support the Hatch-Leahy substitute.

PATRICK J. LEAHY.

IX. CHANGES IN EXISTING LAW

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, changes in existing law made by S. 507, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, and existing law in which no change is proposed is shown in roman):

UNITED STATES CODE

* * * * *

TITLE 5—GOVERNMENT ORGANIZATION AND EMPLOYEES

* * * * *

PART III—EMPLOYEES

Subpart D—Pay and Allowances

CHAPTER 51—CLASSIFICATION

* * * * *

§ 5102. Definitions; application

(a) For the purpose of this chapter—

* * * * *

(c) This chapter does not apply to—

[(1) Repealed. Pub.L. 91-375, § 6(c)(9), Aug. 12, 1970, 84 Stat. 776]

[(2) members of the Foreign Service whose pay is fixed under the Foreign Service Act of 1980; and positions in or under the Department of State which are—

* * * * *

(23) [examiners-in-chief] *administrative patent judges* and designated [examiners-in-chief] *administrative patent judges* in the Patent and Trademark [Office, Department of Commerce] *Organization*;

* * * * *

§ 5316. Positions at level V

Level V of the Executive Schedule applies to the following positions, for which the annual rate of basic pay shall be the rate de-

terminated with respect to such level under chapter 11 of title 2, as adjusted by section 5318 of this title:

Administrator, Bonneville Power Administration, Department of the Interior.

* * * * *

Commissioners, Indian Claims Commission (5).

[Commissioner of Patents, Department of Commerce.]

Commissioner, Public Buildings Service, General Services Administration.

* * * * *

Commissioners, United States Parole Commission (8).

[Deputy Commissioner of Patents and Trademarks.]

[Assistant Commissioner for Patents.]

[Assistant Commissioner for Trademarks.]

Commissioner, Administration on Children, Youth, and Families.

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Government Organization and Employees—Appendixes

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APPENDIX 3

INSPECTOR GENERAL ACT OF 1978

* * * * *

§ 11. Definitions

As used in this Act—

(1) the term “head of the establishment” means the Secretary of Agriculture, Commerce, Defense, Education, Energy, Health and Human Services, Housing and Urban Development, the Interior, Labor, State, Transportation, or the Treasury; the Attorney General; the Administrator of the Agency for International Development, Environmental Protection, General Services, National Aeronautics and Space, Small Business, or Veterans’ Affairs; the Director of the Federal Emergency Management Agency, the Office of Personnel Management or the United States Information Agency; the Chairman of the Nuclear Regulatory Commission or the Railroad Retirement Board; the Chairperson of the Thrift Depositor Protection Oversight Board; the Chief Executive Officer of the Corporation for National and Community Service; the Administrator of the Community Development Financial Institutions Fund; and the chief executive officer of the Resolution Trust Corporation; and the Chairperson of the Federal Deposit Insurance Corporation; **[or the Commissioner of Social Security, Social Security Administration;]** *the Commissioner of Social Security, Social*

Security Administration; or the Director of the United States Patent and Trademark Organization, United States Patent and Trademark Organization; as the case may be;

(2) the term “establishment” means the Department of Agriculture, Commerce, Defense, Education, Energy, Health and Human Services, Housing and Urban Development, the Interior, Justice, Labor, State, Transportation, or the Treasury; the Agency for International Development, the Community Development Financial Institutions Fund, the Environmental Protection Agency, the Federal Emergency Management Agency, the General Services Administration, the National Aeronautics and Space Administration, the Nuclear Regulatory Commission, the Office of Personnel Management, the Railroad Retirement Board, the Resolution Trust Corporation, the Federal Deposit Insurance Corporation, the Small Business Administration, the United States Information Agency, the Corporation for National and Community Service, **for³ the Veterans’ Administration, or the Social Security Administration;** *the Veterans’ Administration, the Social Security Administration, or the United States Patent and Trademark Organization; as the case may be;*

* * * * *

TITLE 15—COMMERCE AND TRADE

* * * * *

CHAPTER 22—TRADEMARKS

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Subchapter I—The Principal Register

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【§ 1067. Interference, opposition, and proceedings for concurrent use registration or for cancellation; notice; Trademark Trial and Appeal Board

【In every case of interference, opposition to registration, application to register as a lawful concurrent user, or application to cancel the registration of a mark, the Commissioner shall give notice to all parties and shall direct a Trademark Trial and Appeal Board to determine and decide the respective rights of registration.

【The Trademark Trial and Appeal Board shall include the Commissioner, the Deputy Commissioner, the Assistant Commissioners, and members appointed by the Commissioner. Employees of the Patent and Trademark Office and other persons, all of whom shall be competent in trademark law, shall be eligible for appointment as members. Each case shall be heard by at least three members of the Board, the members hearing such case to be designated by the Commissioner.】

SEC. 17. (a) In every case of interference, opposition to registration, application to register as a lawful concurrent user, or application to cancel the registration of a mark, the Commissioner shall

give notice to all parties and shall direct a Trademark Trial and Appeal Board to determine and decide the respective rights of registration.

(b) The Trademark Trial and Appeal Board shall include the Commissioner of Trademarks, the Deputy Commissioner of Trademarks, and administrative trademark judges competent in trademark law who are appointed by the Commissioner.

* * * * *

§ 1113. Fees

(a) APPLICATIONS; SERVICES; MATERIALS.—

The Commissioner shall establish fees for the filing and processing of an application for the registration of a trademark or other mark and for all other services performed by and materials furnished by the Patent and Trademark Office related to trademarks and other marks. [Fees established under this subsection may be adjusted by the Commissioner once each year to reflect, in the aggregate, any fluctuations during the preceding 12 months in the Consumer Price Index, as determined by the Secretary of Labor. Changes of less than 1 percent may be ignored. No fee established under this section shall take effect until at least 30 days after notice of the fee has been published in the Federal Register and in the Official Gazette of the Patent and Trademark Office.] Fees established under this subsection may be adjusted by the Commissioner, after consulting with the Trademark Office Management Advisory Board in accordance with section 53(a)(2)(C) of this Act and after notice and opportunity for full participation by interested public and private parties. The Director of the United States Patent and Trademark Organization shall determine whether such fees are consistent with the policy direction of the Secretary of Commerce.

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TITLE 31—MONEY AND FINANCE

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Subtitle VI—Miscellaneous

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CHAPTER 91—GOVERNMENT CORPORATIONS

* * * * *

§ 9101. Definitions

In this chapter—

(1) “Government corporation” means a mixed-ownership Government corporation and a wholly owned Government corporation.

* * * * *

(3) “wholly owned Government corporation” means—

- (A) the Commodity Credit Corporation.
- * * * * *
- (Q) the Alternative Agricultural Research and Commercialization Corporation * * *.
- (R) the United States Patent and Trademark Organization.
- * * * * *

TITLE 35—PATENTS

Part	<ul style="list-style-type: none"> [I. Patent and Trademark Office <i>I. United States Patent Office</i> * * * * * 	Sec. 1] <i>1</i> *
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[PART I—PATENT AND TRADEMARK OFFICE]

PART I—UNITED STATES PATENT OFFICE

Chap.	<ul style="list-style-type: none"> [1. Establishment, Officers, Functions <i>I. Establishment, Officers and Employees, Functions</i> * * * * * 	Sec. 1] <i>1</i> *
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CHAPTER 1—ESTABLISHMENT, OFFICERS, FUNCTIONS

- [Sec.
- [1. Establishment.
- [2. Seal.
- [3. Officers and employees.
- [4. Restrictions on officers and employees as to interest in patents.
- [[5. Repealed.]
- [6. Duties of Commissioner.
- [7. Board of Appeals.
- [8. Library.
- [9. Classification of patents.
- [10. Certified copies of records.
- [11. Publications.
- [12. Exchange of copies of patents with foreign countries.
- [13. Copies of patents for public libraries.
- [14. Annual report to Congress.]

CHAPTER 1—ESTABLISHMENT, OFFICERS AND EMPLOYEES, FUNCTIONS

- Sec.
- 1. Establishment.*
- 2. Powers and duties.*
- 3. Officers and employees.*
- 4. Restrictions on officers and employees as to interest in patents.*
- 5. Patent Office Management Advisory Board.*
- 6. Duties of Commissioner.*
- 7. Board of Patent Appeals and Interferences.*
- 8. Library.*
- 9. Classification of patents.*
- 10. Certified copies of records.*
- 11. Publications.*
- 12. Exchange of copies of patents and applications with foreign countries.*
- 13. Copies of patents and applications for public libraries.*
- 14. Annual report to Congress.*

【§ 1. Establishment

【The Patent and Trademark Office shall continue as an office in the Department of Commerce, where records, books, drawings, specifications, and other papers and things pertaining to patents and to trademark registrations shall be kept and preserved, except as otherwise provided by law.】

§ 1. Establishment

(a) *ESTABLISHMENT.*—*The United States Patent Office is established as a separate administrative unit of the United States Patent and Trademark Organization, where records, books, drawings, specifications, and other papers and things pertaining to patents shall be kept and preserved, except as otherwise provided by law.*

(b) *REFERENCE.*—*For purposes of this title, the United States Patent Office shall also be referred to as the “Office” and the “Patent Office”.*

【§ 2. Seal

【The Patent and Trademark Office shall have a seal with which letters patent, certificates of trade-mark registrations, and papers issued from the Office shall be authenticated.】

§ 2. Powers and duties

The United States Patent Office, under the policy direction of the Secretary of Commerce through the Director of the United States Patent and Trademark Organization, shall be responsible for—

(1) *granting and issuing patents;*

(2) *conducting studies, programs, or exchanges of items or services regarding domestic and international patent law, the administration of the Organization, or any other function vested in the Organization by law, including programs to recognize, identify, assess, and forecast the technology of patented inventions and their utility to industry;*

(3) *authorizing or conducting studies and programs cooperatively with foreign patent offices and international organizations, in connection with the granting and issuing of patents; and*

(4) *disseminating to the public information with respect to patents.*

【§ 3. Officers and employees

【(a) There shall be in the Patent and Trademark Office a Commissioner of Patents and Trademarks, a Deputy Commissioner, two Assistant Commissioners, and examiners-in-chief appointed under section 7 of this title. The Deputy Commissioner, or, in the event of a vacancy in that office, the Assistant Commissioner during a vacancy in that office until the Commissioner is appointed and takes office. The Commissioner of Patents and Trademarks, the Deputy Commissioner, and the Assistant Commissioners shall be appointed by the President, by and with the advice and consent of the Senate. The Secretary of Commerce, upon the nomination of the Commissioner, in accordance with law, shall appoint all other officers and employees.

[(b) The Secretary of Commerce may vest in himself the functions of the Patent and Trademark Office and its officers and employees specified in this title and may from time to time authorize their performance by any other officer or employee.

[(c) The Secretary of Commerce is authorized to fix the per annum rate of basic compensation of each examiner-in-chief in the Patent and Trademark Office at not in excess of the maximum scheduled rate provided for positions in grade 17 of the General Schedule of the Classification Act of 1949, as amended.

[(d) The Commissioner of Patents and Trademarks shall be an Assistant Secretary of Commerce and shall receive compensation at the rate prescribed by law for Assistant Secretaries of Commerce.

[(e) The members of the Trademark Trial and Appeal Board of the Patent and Trademark Office shall each be paid at a rate not to exceed the maximum rate of basic pay payable for GS-16 of the General Schedule under section 5332 of Title 5.]

§3. Officers and employees

(a) COMMISSIONER.—

(1) IN GENERAL.—The management of the United States Patent Office shall be vested in a Commissioner of Patents, who shall be a citizen of the United States and who shall be appointed by the Director of the United States Patent and Trademark Organization and shall serve at the pleasure of the Director of the United States Patent and Trademark Organization. The Commissioner of Patents shall be a person who, by reason of professional background and experience in patent law, is especially qualified to manage the Office.

(2) DUTIES.—

(A) IN GENERAL.—The Commissioner shall be responsible for all aspects of the management, administration, and operation of the Office, including the granting and issuing of patents, and shall perform these duties in a fair, impartial, and equitable manner.

(B) ADVISING THE DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK ORGANIZATION.—The Commissioner of Patents shall advise the Director of the United States Patent and Trademark Organization of all activities of the Office undertaken in response to obligations of the United States under treaties and executive agreements, or which relate to cooperative programs with those authorities of foreign governments that are responsible for granting patents. The Commissioner of Patents shall advise the Director of the United States Patent and Trademark Organization on matters of patent law and shall recommend to the Director of the United States Patent and Trademark Organization changes in law or policy which may improve the ability of United States citizens to secure and enforce patent rights in the United States or in foreign countries.

(C) REGULATIONS.—The Commissioner may establish regulations, not inconsistent with law, for the conduct of proceedings in the Patent Office. The Director of the United States Patent and Trademark Organization shall deter-

mine whether such regulations are consistent with the policy direction of the Secretary of Commerce.

(D) CONSULTATION WITH THE MANAGEMENT ADVISORY BOARD.—*(i) The Commissioner shall consult with the Management Advisory Board established in section 5—*

(I) on a regular basis on matters relating to the operation of the Office; and

(II) before submitting budgetary proposals to the Director of the United States Patent and Trademark Organization for submission to the Office of Management and Budget or changing or proposing to change patent user fees or patent regulations.

(ii) The Director of the United States Patent and Trademark Organization shall determine whether such fees or regulations are consistent with the policy direction of the Secretary of Commerce.

(3) OATH.—*The Commissioner shall, before taking office, take an oath to discharge faithfully the duties of the Office.*

(4) COMPENSATION.—

(A) IN GENERAL.—*The Commissioner shall receive compensation at the rate of pay in effect for level IV of the Executive Schedule under section 5315 of title 5.*

(B) BONUS.—*In addition to compensation under subparagraph (A), the Commissioner may, at the discretion of the Director of the United States Patent and Trademark Organization, receive as a bonus, an amount which would raise total compensation to the equivalent of the rate of pay in effect for level III of the Executive Schedule under section 5314 of title 5.*

(b) OFFICERS AND EMPLOYEES.—

(1) DEPUTY COMMISSIONER OF PATENTS.—*The Commissioner shall appoint a Deputy Commissioner of Patents who shall be vested with the authority to act in the capacity of the Commissioner in the event of the absence or incapacity of the Commissioner. In the event of a vacancy in the office of Commissioner, the Deputy Commissioner shall fill the office of Commissioner until a new Commissioner is appointed and takes office.*

(2) OMBUDSMAN.—*The Commissioner shall appoint an ombudsman to advise the Commissioner on the concerns of independent inventors, nonprofit organizations, and small business concerns.*

(3) OTHER OFFICERS AND EMPLOYEES.—*Other officers, attorneys, employees, and agents shall be selected and appointed by the Commissioner, and shall be vested with such powers and duties as the Commissioner may determine.*

§ 4. Restrictions on officers and employees as to interest in patents

Officers and employees of the [Patent and Trademark Office] Patent Office shall be incapable, during the period of their appointments and for one year thereafter, of applying for a patent and of acquiring, directly or indirectly, except by inheritance or bequest, any patent or any right or interest in any patent, issued or to be issued by the Office. In patents applied for thereafter they shall not

be entitled to any priority date earlier than one year after the termination of their appointment.

§5. Patent Office Management Advisory Board

(a) **ESTABLISHMENT OF MANAGEMENT ADVISORY BOARD.**—

(1) **APPOINTMENT.**—*The United States Patent Office shall have a Management Advisory Board (hereafter in this title referred to as the “Advisory Board”) of 5 members, who shall be appointed by the President and shall serve at the pleasure of the President. Not more than 3 of the 5 members shall be members of the same political party. At least 1 member shall be an independent inventor, as defined in regulations issued by the Commissioner.*

(2) **CHAIR.**—*The President shall designate a Chair of the Advisory Board, whose term as chair shall be for 3 years.*

(3) **TIMING OF APPOINTMENTS.**—*Initial appointments to the Advisory Board shall be made within 3 months after the effective date of the United States Patent and Trademark Organization Act of 1997. Vacancies shall be filled in the manner in which the original appointment was made under this subsection within 3 months after they occur.*

(b) **BASIS FOR APPOINTMENTS.**—*Members of the Advisory Board shall be citizens of the United States who shall be chosen so as to represent the interests of diverse users of the United States Patent Office, and shall include individuals with substantial background and achievement in corporate finance and management.*

(c) **MEETINGS.**—*The Advisory Board shall meet at the call of the Chair to consider an agenda set by the Chair.*

(d) **DUTIES.**—*The Advisory Board shall—*

(1) *review the policies, goals, performance, budget, and user fees of the United States Patent Office, and advise the Commissioner on these matters;*

(2) *within 60 days after the end of each fiscal year—*

(A) *prepare an annual report on the matters referred to in paragraph (1);*

(B) *transmit the report to the Director of the United States Patent and Trademark Organization, the President, and the Committees on the Judiciary of the Senate and the House of Representatives; and*

(C) *publish the report in the Patent Office Official Gazette.*

(f) **COMPENSATION.**—*Each member of the Advisory Board shall be compensated for each day (including travel time) during which such member is attending meetings or conferences of the Advisory Board or otherwise engaged in the business of the Advisory Board, at the rate which is the daily equivalent of the annual rate of basic pay in effect for level III of the Executive Schedule under section 5314 of title 5, and while away from such member’s home or regular place of business such member may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5.*

(g) **ACCESS TO INFORMATION.**—*Members of the Advisory Board shall be provided access to records and information in the United States Patent Office, except for personnel or other privileged infor-*

mation and information concerning patent applications required to be kept in confidence by section 122.

(h) APPLICABILITY OF CERTAIN ETHICS LAWS.—Members of the Advisory Board shall be special Government employees within the meaning of section 202 of title 18.

【§ 6. Duties of Commissioner

【(a) The Commissioner, under the direction of the Secretary of Commerce, shall superintend or perform all duties required by law respecting the granting and issuing of patents and the registration of trademarks; shall have the authority to carry on studies, programs, or exchanges of items or services regarding domestic and international patent and trademark law or the administration of the Patent and Trademark Office, including programs to recognize, identify, assess and forecast the technology of patented inventions and their utility to industry; and shall have charge of property belonging to the Patent and Trademark Office. He may, subject to the approval of the Secretary of Commerce, establish regulations, not inconsistent with law, for the conduct of proceedings in the Patent and Trademark Office.

【(b) The Commissioner, under the direction of the Secretary of Commerce, may, in coordination with the Department of State, carry on programs and studies cooperatively with foreign patent offices and international intergovernmental organizations, or may authorize such programs and studies to be carried on, in connection with the performance of duties stated in subsection (a) of this section.

【(c) The Commissioner, under the direction of the Secretary of Commerce, may, with the concurrence of the Secretary of State, transfer funds appropriated to the Patent and Trademark Office, not to exceed \$100,000 in any year, to the Department of State for the purpose of making special payments to international intergovernmental organizations for studies and programs for advancing international cooperation concerning patents, trademarks, and related matters. These special payments may be in addition to any other payments or contributions to the international organization and shall not be subject to any limitations imposed by law on the amounts of such other payments or contributions by the Government of the United States.】

【§ 7. Board of Patent Appeals and Interferences

【(a) The examiners-in-chief shall be persons of competent legal knowledge and scientific ability, who shall be appointed to the competitive service. The Commissioner, the Deputy Commissioner, the Assistant Commissioners, and the examiners-in-chief shall constitute the Board of Patent Appeals and Interferences.

【(b) The Board of Patent Appeals and Interferences shall, on written appeal of an applicant, review adverse decisions of examiners upon applications for patents and shall determine priority and patentability of invention in interferences declared under section 135(a) of this title. Each appeal and interference shall be heard by at least three members of the Board of Patent Appeals and Interferences, who shall be designated by the Commissioner. Only the

Board of Patent Appeals and Interferences has the authority to grant rehearings.

[(c) Whenever the Commissioner considers it necessary, in order to keep current the work of the Board of Patent Appeals and Interferences, the Commissioner may designate any patent examiner of the primary examiner grade or higher, having the requisite ability, to serve as examiner-in-chief for periods not exceeding six months each. An examiner so designated shall be qualified to act as a member of the Board of Patent Appeals and Interferences. Not more than one of the members of the Board of Patent Appeals and Interferences hearing an appeal or determining an interference may be an examiner so designated. The Secretary of Commerce is authorized to fix the pay of each designated examiner-in-chief in the Patent and Trademark Office at not to exceed the maximum rate of basic pay payable for grade GS-16 of the General Schedule under section 5332 of title 5. The rate of basic pay of each individual designated examiner-in-chief shall be adjusted, at the close of the period for which that individual was designated to act as examiner-in-chief, to the rate of basic pay which that individual would have been receiving at the close of such period if such designation had not been made.]

§ 7. Board of Patent Appeals and Interferences

(a) *ESTABLISHMENT AND COMPOSITION.*—*There shall be in the United States Patent Office a Board of Patent Appeals and Interferences. The Commissioner, the Deputy Commissioner, and the administrative patent judges shall constitute the Board. The administrative patent judges shall be persons of competent legal knowledge and scientific ability.*

(b) *DUTIES.*—

(1) *IN GENERAL.*—*The Board of Patent Appeals and Interferences shall, on written appeal of an applicant, a patent owner, or a third-party requester in a reexamination proceeding—*

(A) *review adverse decisions of examiners—*

- (i) *upon applications for patents; and*
- (ii) *in reexamination proceedings; and*

(B) *determine priority and patentability of invention in interferences declared under section 135(a).*

(2) *HEARINGS.*—*Each appeal and interference shall be heard by at least 3 members of the Board, who shall be designated by the Deputy Commissioner. Only the Board of Patent Appeals and Interferences may grant rehearings.*

§ 8. Library

The Commissioner shall maintain a library of scientific and other works and periodicals, both foreign and domestic, in the [Patent and Trademark Office] *Patent Office* to aid the officers in the discharge of their duties.

* * * * *

§ 10. Certified copies of records

The Commissioner may furnish certified copies of specifications and drawings of patents issued by the [Patent and Trademark Office] *Patent Office*, and of other records available either to the public or to the person applying therefor.

§ 11. Publications

(a) The Commissioner may print, or cause to be printed, the following:

1. Patents *and published applications for patents*, including specifications and drawings, together with copies of the same. the [Patent and Trademark Office] *Patent Office* may print the headings of the drawings for patents for the purpose of photolithography.

* * * * *

3. The Official Gazette of the United States [Patent and Trademark Office] *Patent Office*.

* * * * *

(b) The Commissioner may exchange any of the publications specified in items 3, 4, 5, and 6 of subsection (a) of this section for publications desirable for the use of the [Patent and Trademark Office] *Patent Office*.

§ 12. Exchange of copies of patents *and applications* with foreign countries

The Commissioner may exchange copies of specifications and drawings of United States patents *and published applications for patents* for those of foreign countries.

§ 13. Copies of patents *and applications* for public libraries

The Commissioner may supply printed copies of specifications and drawings of patents *and published applications for patents* to public libraries in the United States which shall maintain such copies for the use of the public, at the rate for each year's issue established for this purpose in section 41(d) of this title.

§ 14. Annual report to Congress

[The Commissioner shall report to Congress annually the moneys received and expended, statistics concerning the work of the Office, and other information relating to the Office as may be useful to the Congress or the public.]

§ 14. Annual report to Congress

The Commissioner shall report to the Director of the United States Patent and Trademark Organization such information as the Director is required to submit to Congress annually under section 157(d) of this title, and under chapter 91 of title 31, including—

- (1) *the total of the moneys received and expended by the Office;*
- (2) *the purposes for which the moneys were spent;*
- (3) *the quality and quantity of the work of the Office; and*

(4) other information relating to the Office.

* * * * *

CHAPTER 2—PROCEEDINGS IN THE [PATENT AND TRADEMARK OFFICE] PATENT OFFICE

Sec.

- 21. Day for taking action falling on Saturday, Sunday, or holiday.
- 22. Printing of papers filed.
- 23. Testimony in [Patent and Trademark Office] *Patent Office* cases.
- 24. Subpoenas, witnesses.
- 25. Declaration in lieu of oath.
- 26. Effect of defective execution.

§ 21. Filing date and day for taking action

(a) The Commissioner may by rule prescribe that any paper or fee required to be filed in the [Patent and Trademark Office] *Patent Office* will be considered filed in the Office on the date on which it was deposited with the United States Postal Service but for postal service interruptions or emergencies designated by the Commissioner.

(b) When the day, or the last day, for taking any action or paying any fee in the United States [Patent and Trademark Office] *Patent Office* falls on Saturday, Sunday, or a federal holiday within the District of Columbia, the action may be taken, or the fee paid, on the next succeeding secular or business day.

§ 22. Printing of papers filed

The Commissioner may require papers filed in the [Patent and Trademark Office] *Patent Office* to be [printed or typewriter] printed, typewritten, or on an electric medium

§ 23. Testimony in [Patent and Trademark Office] *Patent Office* cases

The Commissioner may establish rules for taking affidavits and depositions required in cases in the [Patent and Trademark Office] *Patent Office*. Any officer authorized by law to take depositions to be used in the courts of the United States, or of the State where he resides, may take such affidavits and depositions.

§ 24. Subpoenas, witnesses

The clerk of any United States court for the district wherein testimony is to be taken for use in any contested case in the [Patent and Trademark Office] *Patent Office*, shall, upon the application of any party thereto, issue a subpoena for any witness residing or being within such district, commanding him to appear and testify before an officer in such district authorized to take depositions and affidavits, at the time and place stated in the subpoena. The provisions of the Federal Rules of Civil Procedure relating to the attendance of witnesses and to the production of documents and things shall apply to contested cases in the [Patent and Trademark Office] *Patent Office*.

* * * * *

§ 25. Declaration in lieu of oath

(a) The Commissioner may by rule prescribe that any document to be filed in the [Patent and Trademark Office] *Patent Office* and which is required by any law, rule, or other regulation to be under oath may be subscribed to by a written declaration in such form as the Commissioner may prescribe, such declaration to be in lieu of the oath otherwise required.

* * * * *

§ 26. Effect of defective execution

Any document to be filed in the [Patent and Trademark Office] *Patent Office* and which is required by any law, rule, or other regulation to be executed in a specified manner may be provisionally accepted by the Commissioner despite a defective execution, provided a properly executed document is submitted within such time as may be prescribed.

**CHAPTER 3—PRACTICE BEFORE [PATENT AND
TRADEMARK OFFICE] *PATENT OFFICE***

Sec.

- 31. Regulations for agents and attorneys.
- 32. Suspension or exclusion from practice.
- 33. Unauthorized representation as practitioner.

§ 31. Regulations for agents and attorneys

[The Commissioner, subject to the approval of the Secretary of Commerce, may prescribe regulations governing the recognition and conduct of agents, attorneys, or other persons representing applicants or other parties before the Patent and Trademark Office, and may require them, before being recognized as representatives of applicants or other persons, to show that they are of good moral character and reputation and are possessed of the necessary qualifications to render to applicants or other persons valuable service, advice, and assistance in the presentation or prosecution of their applications or other business before the Office.]

§ 31. *Regulations for agents and attorneys*

The Commissioner may prescribe regulations governing the recognition and conduct of agents, attorneys, or other persons representing applicants or other parties before the Office. The regulations may require such persons, before being recognized as representatives of applicants or other persons, to show that they are of good moral character and reputation and are possessed of the necessary qualifications to render to applicants or other persons valuable service, advice, and assistance in the presentation or prosecution of their applications or other business before the Office.

§ 32. Suspension or exclusion from practice

The Commissioner may, after notice and opportunity for a hearing, suspend or exclude, either generally or in any particular case, from further practice before the [Patent and Trademark Office] *Patent Office*, any person, agent, or attorney shown to be incompetent or disreputable, or guilty of gross misconduct, or who does

not comply with the regulations established under section 31 of this title, or who shall, by word, circular, letter, or advertising, with intent to defraud in any manner, deceive, mislead, or threaten any applicant or prospective applicant, or other person having immediate or prospective business before the Office. The reasons for any such suspension or exclusion shall be duly recorded. *The Commissioner shall have the discretion to designate any attorney who is an officer or employee of the United States Patent Office to conduct the hearing required by this section.* The United States District Court for the District of Columbia, under such conditions and upon such proceedings as it by its rules determines, may review the action of the Commissioner upon the petition of the person so refused recognition or so suspended or excluded.

§ 33. Unauthorized representation as practitioner

Whoever, not being recognized to practice before the [Patent and Trademark Office] *Patent Office*, holds himself out or permits himself to be held out as so recognized, or as being qualified to prepare or prosecute applications for patent, shall be fined not more than \$1,000 for each offense.

CHAPTER 4—PATENT FEES; FUNDING; SEARCH SYSTEMS

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§ 41. Patent fees; patent and trademark search systems

- (a) The Commissioner shall charge the following fees;
 - (1)(A) On filing each application for an original patent, except in design or plant cases, \$500.

* * * * *

[(7) On filing each petition for the revival of an unintentionally abandoned application for a patent or for the unintentionally delayed payment of the fee for issuing each patent, \$820, unless the petition is filed under section 133 or 151 of this title, in which case the fee shall be \$78.]

(7) On filing each petition for the revival of an unintentionally abandoned application for a patent, for the unintentionally delayed payment of the fee for issuing each patent, or for an unintentionally delayed response by the patent owner in a reexamination proceeding, \$1,250, unless the petition is filed under section 133 of 151 of this title, in which case the fee shall be \$100.

* * * * *

(9) Basic national fee for an international application where the [Patent and Trademark Office] *Patent Office* was the International Preliminary Examining Authority and the International Searching Authority, \$450.

(10) Basic national fee for an international application where the [Patent and Trademark Office] *Patent Office* was the International Searching Authority but not the International Preliminary Examining Authority, \$500.

(11) Basic national fee for an international application where the [Patent and Trademark Office] *Patent Office* was the

International Searching Authority nor the International Preliminary Examining Authority, \$670.

(12) Basic national fee for an international application where the **Patent and Trademark Office** *Patent Office* was the international preliminary examination report states that the provisions of Article 33(2), (3), and (4) of the Patent Cooperation Treaty have been satisfied for all claims in the application entering the national state, \$66.

* * * * *

(b) The Commissioner shall charge the following fees for maintaining in force all patents based on applications filed on or after December 12, 1980:

(1) 3 years and 6 months after grant, \$650.

* * * * *

Unless payment of the applicable maintenance fee is received in the **Patent and Trademark Office** *Patent Office* on or before the date the fee is due or within a grace period of six months thereafter, the patent will expire as of the end of such grace period. The Commissioner may require the payment of a surcharge as a condition of accepting within such six-month grace period the late payment of an applicable maintenance fee. No fee will be established for maintaining a design or plant patent in force.

* * * * *

[(f) The fees established in subsection (a) and (b) of this section may be adjusted by the Commissioner on October 1, 1992, and every year thereafter, to reflect any fluctuations occurring during the previous 12 months in the Consumer Price Index, as determined by the Secretary of Labor. Changes of less than 1 per centum may be ignored.]

(f) The Commissioner, after consulting with the Patent Office Management Advisory Board pursuant to section 3(a)(2)(C) of this title and after notice and opportunity for full participation by interested public and private parties, may, by regulation, adjust the fees established in this section. The Director of the United States Patent and Trademark Organization shall determine whether such fees are consistent with the policy direction of the Secretary of Commerce.

(g) No fee established by the Commissioner under this section shall take effect until at least 30 days after notice of the fee has been published in the Federal Register and in the Official Gazette of the **Patent and Trademark Office** *Patent Office*.

(h)(1) Fees charged under subsection (a) or (b) shall be reduced by 50 percent with respect to their application to any small business concern as defined under section 3 of the Small Business Act, and to any independent inventor or nonprofit organization as defined in regulations issued by the **Commissioner of Patents and Trademarks** *Commissioner*.

* * * * *

(i)(1) * * *

(2) The Commissioner shall provide for the full deployment of the automated search systems of the **Patent and Trademark Office** *Patent Office* so that such systems are available for use by the public, and shall assure full access by the public to, and dissemination

of, patent and trademark information, using a variety of automated methods, including electronic bulletin boards and remote access by users to mass storage and retrieval systems.

(3) The Commissioner may establish reasonable fees for access by the public to the automated search systems of the [Patent and Trademark Office] *Patent Office*. If such fees are established, a limited amount of free access shall be made available to users of the systems for purposes of education and training. The Commissioner may waive the payment by an individual of fees authorized by this subsection upon a showing of need or hardship, and if such a waiver is in the public interest.

(4) The Commissioner shall submit to the Congress an annual report on the automated search systems of the [Patent and Trademark Office] *Patent Office* and the access by the public to such systems. The Commissioner shall also publish such report in the Federal Register. The Commissioner shall provide an opportunity for the submission of comments by interested persons on each such report.

§ 42. Patent and Trademark Office funding

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

[(b) All fees paid to the Commissioner and all appropriations for defraying the costs of the activities of the Patent and Trademark Office will be credited to the Patent and Trademark Office Appropriation Account in the Treasury of the United States.

[(c) Revenues from fees shall be available to the Commissioner to carry out, to the extent provided in appropriation Acts, the activities of the Patent and Trademark Office. Fees available to the Commissioner under section 31 of the Trademark Act of 1946 may be used only for the processing of trademark registrations and for other activities, services, and materials relating to trademarks and to cover a proportionate share of the administrative costs of the Patent and Trademark Office.

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

[(e) The Secretary of Commerce shall, on the day each year on which the President submits the annual budget to the Congress, provide the Committees on the Judiciary of the Senate and the House of Representatives—

[(1) a list of patent and trademark fee collections by the Patent Trademark Office during the preceding fiscal year;

[(2) a list of activities of the Patent and Trademark Office during the preceding fiscal year which were supported by patent fee expenditures, trademark fee expenditures, and appropriations;

[(3) budget plans for significant programs, projects, and activities of the Office, (including out-year funding estimates);

[(4) any proposed disposition of surplus fees by the Office; and

[(5) such other information as the committees consider necessary.]

§ 42. Patent Office funding

(a) *FEES PAYABLE TO THE OFFICE.*—All fees for services performed by or materials furnished by the United States Patent Office shall be payable to the Office.

(b) *USE OF MONEYS.*—Moneys from fees shall be available to the United States Patent Office to carry out, to the extent provided in appropriations Acts, the functions of the Office. Moneys of the Office not otherwise used to carry out the functions of the Office shall be kept in cash on hand or on deposit, or invested in obligations of the United States or guaranteed by the United States, or in obligations or other instruments which are lawful investments for fiduciary, trust, or public funds. Fees available to the Commissioner under this title shall be used only for the processing of patent applications and for other services and materials relating to patents, including the agreed upon share of any centralized function, as set forth in section 113(b)(2)(E) of the United States Patent and Trademark Organization Act of 1997.

(c) *CONTRIBUTION TO THE OFFICE OF THE DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK ORGANIZATION.*—The Patent Office shall contribute 50 percent of the annual budget of the Office of the Director of the United States Patent and Trademark Organization.

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PART II—PATENTABILITY OF INVENTIONS AND GRANT OF PATENTS

Chap.		Sec.
10. Patentability of Inventions		100
* * * * *		
13. Review of [Patent and Trademark Office] <i>Patent Office</i> Decisions		141
* * * * *		

CHAPTER 10—PATENTABILITY OF INVENTIONS

* * * * *

§ 100. Definitions

When used in this title unless the context otherwise indicates—

(a) The term “invention” means invention or discovery.

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(d) The word “patentee” includes not only the patentee to whom the patent was issued but also the successors in title to the patentee.

(e) *The term “third-party requester” means a person requesting re-examination under section 302 of this title who is not the patent owner.*

* * * * *

§ 102. Conditions for patentability; novelty and loss of right to patent

A person shall be entitled to a patent unless—

(a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, or

* * * * *

[(e) the invention was described in a patent granted on an application for patent by another filed in the United States before the invention thereof by the applicant for patent, or on an international application by another who has fulfilled the requirements of paragraphs (1), (2), and (4) of section 371(c) of this title before the invention thereof by the applicant for patent, or]

(e) *the invention was described in—*

(1)(A) *an application for patent, published pursuant to section 122(b) of this title, by another filed in the United States before the invention by the applicant for patent, except that an international application filed under the treaty defined in section 351(a) of this title shall have the effect under this subsection of a national application published under section 122(b) of this title only if the international application designating the United States was published under Article 21(2)(a) of such treaty in the English language, or*

(B) *a patent granted on an application for patent by another filed in the United States before the invention by the applicant for patent, or*

* * * * *

§ 104. Invention made abroad

(a) IN GENERAL.—

(1) PROCEEDINGS.—In proceedings in the [Patent and Trademark Office] *Patent Office*, in the courts, and before any other competent authority, an applicant for a patent, or a patentee, may not establish a date of invention by reference to knowledge or use thereof, or other activity with respect thereto, in a foreign country other than a NAFTA country or a WTO member country, except as provided in sections 119 and 365 of this title.

* * * * *

(3) USE OF INFORMATION.—To the extent that any information in a NAFTA country or a WTO member country concerning knowledge, use, or other activity relevant to proving or disproving a date of invention has not been made available for use in a proceeding in the [Patent and Trademark Office] *Patent Office*, a court, or any other competent authority to the same extent as such information could be made available in the United States, the Commissioner, court, or such other authority shall draw appropriate inferences, or take other action permitted by statute, rule, or regulation, in favor of the party that requested the information in the proceeding.

* * * * *

Sec.

111. Application for patent.

* * * * *

122. Confidential status of application; *publication of patent applications.*

§ 111. Application.

(a) IN GENERAL.—

(1) WRITTEN APPLICATION.—An application for patent shall be made, or authorized to be made, by the inventor, except as otherwise provided in this title, in writing to the Commissioner.

* * * * *

(4) FAILURE TO SUBMIT.—Upon failure to submit the fee and oath within such prescribed period, the application shall be regarded as abandoned, unless it is shown to the satisfaction of the Commissioner that the delay in submitting the fee and oath was unavoidable or unintentional. The filing date of an application shall be the date on which the specification and any required drawing are received in the [Patent and Trademark Office] *Patent Office*.

(b) PROVISIONAL APPLICATION.—

(1) AUTHORIZATION. A provisional application for patent shall be made or authorized to be made by the inventor, except as otherwise provided in this title, in writing to the Commissioner. Such application shall include—

* * * * *

(4) FILING DATE.—The filing date of a provisional application shall be the date on which the specification and any required drawing are received in the [Patent and Trademark Office] *Patent Office*.

[(5) ABANDONMENT.—The provisional application shall be regarded as abandoned 12 months after the filing date of such application and shall not be subject to revival thereafter.]

(5) ABANDONMENT.—*Notwithstanding the absence of a claim, upon timely request and as prescribed by the Commissioner, a provisional application may be treated as an application filed under subsection (a). Subject to section 1993(c)(3) of this title, if no such request is made, the provisional application shall be regarded as abandoned 12 months after the filing date of such application and shall not be subject to revival thereafter.*

* * * * *

§ 119. Benefit of earlier filing date; right of priority

(a) An application for patent for an invention filed in this country by any person who has, or whose legal representatives or assigns have, previously regularly filed an application for a patent for the same invention in a foreign country which affords similar privileges in the case of applications filed in the United States, or to citizens of the United States, or in a WTO member country shall have the same effect as the same application would have if filed in this country on the date on which the application for patent for the same invention was first filed in such foreign country, if the application in this country is filed within twelve months from the earliest date on which such foreign application was filed; but no patent shall be granted on any application for patent for an invention which had been patented or described in a printed publication in any country more than one year before the date of the actual filing

of the application in this country, or which had been in public use or on sale in this country more than one year prior to such filing.

[(b) No application for patent shall be entitled to this right of priority unless a claim therefor and a certified copy of the original foreign application, specification and drawings upon which it is based are filed in the [Patent and Trademark Office] *Patent Office* before the patent is granted, or at such time during the pendency of the application as required by the Commissioner not earlier than six months after the filing of the application in this country. Such certification shall be made by the patent office of the foreign country in which filed and show the date of the application and of the filing of the specification and other papers. The Commissioner may require a translation of the papers filed if not in the English language and such other information as he deems necessary.]

(b)(1) No application for patent shall be entitled to this right of priority unless a claim, identifying the foreign application by specifying its application number, country, and the day, month, and year of its filing, is filed in the Patent Office at such time during the pendency of the application as required by the Commissioner.

(2) The Commissioner may consider the failure of the applicant to file a timely claim for priority as a waiver of any such claim. The Commissioner may establish procedures, including the payment of a surcharge, to accept an unintentionally delayed claim under this section.

(3) The Commissioner may require a certified copy of the original foreign application, specification, and drawings upon which it is based, a translation if not in the English language, and such other information as the Commissioner considers necessary. Any such certification shall be made by the foreign intellectual property authority in which the foreign application was filed and show the date of the application and of the filing of the specification and other papers.

* * * * *

(e)(1) * * *

(2) A provisional application filed under section 111(b) of this title may not be relied upon in any proceeding in the [Patent and Trademark Office] *Patent Office* unless the fee set forth in subparagraph (A) or (C) of section 41(a)(1) of this title has been paid and the provisional application was pending on the filing date of the application for patent under section 111(a) or section 363 of this title.

(3) If the day that is 12 months after the filing date of a provisional application falls on a Saturday, Sunday, or Federal holiday within the District of Columbia, the period of pendency of the provisional application shall be extended to the next succeeding secular or business day.

(f) Applications for plant breeder's rights filed in a WTO member country (or in a foreign UPOV Contracting Party) shall have the same effect for the purpose of the right of priority under subsections (a) through (c) of this section as applications for patents, subject to the same conditions and requirements of this section as apply to applications for patents.

(g) As used in this section—

(1) the term ‘WTO member country’ has the same meaning as the term is defined in section 104(b)(2) of this title; and

(2) the term “UPOV Contracting Party” means a member of the International Convention for the Protection of New Varieties of Plants.

§ 120. Benefit of earlier filing date in the United States

An application for patent for an invention disclosed in the manner provided by the first paragraph of section 112 of this title in an application previously filed in the United States, or as provided by section 363 of this title, which is filed by an inventor or inventors named in the previously filed application shall have the same effect, as to such invention, as though filed on the date of the prior application, if filed before the patenting or abandonment of or termination of proceedings on the first application or on an application similarly entitled to the benefit of the filing date of the first application and if it contains or is amended to contain a specific reference to the earlier filed application. *The Commissioner may determine the time period during the pendency of the application within which an amendment containing the specific reference to the earlier filed application is submitted. The Commissioner may consider the failure to submit such an amendment within that time period as a waiver of any benefit under this section. The Commissioner may establish procedures, including the payment of a surcharge, to accept unavoidably late submissions of amendments under this section.*

§ 121. Divisional applications

If two or more independent and distinct inventions are claimed in one application, the Commissioner may require the application to be restricted to one of the inventions. If the other invention is made the subject of a divisional application which complies with the requirements of section 120 of this title it shall be entitled to the benefit of the filing date of the original application. A patent issuing on an application with respect to which a requirement for restriction under this section has been made, or on an application filed as a result of such a requirement, shall not be used as a reference either in the [Patent and Trademark Office] *Patent Office* or in the courts against a divisional application or against the original application or any patent issued on either of them, if the divisional application is filed before the issuance of the patent on the other application. If a divisional application is directed solely to subject matter described and claimed in the original application as filed, the Commissioner may dispense with signing and execution by the inventor. The validity of a patent shall not be questioned for failure of the Commissioner to require the application to be restricted to one invention.

[§ 122. Confidential status of applications

[Applications for patents shall be kept in confidence by the Patent and Trademark Office and no information concerning the same given without authority of the applicant or owner unless necessary to carry out the provisions of any Act of Congress or in such special circumstances as may be determined by the Commissioner.]

§ 122. Confidential status of applications; publication of patent applications

(a) *CONFIDENTIALITY.*—Except as provided in subsection (b), applications for patents shall be kept in confidence by the Patent Office and no information concerning the same given without authority of the applicant or owner unless necessary to carry out the provisions of an Act of Congress or in such special circumstances as may be determined by the Commissioner.

(b) *PUBLICATION.*—

(1) *IN GENERAL.*—(A) Subject to paragraph (2), each application for patent, except applications for design patents filed under chapter 16 of this title and provisional applications filed under section 111(b) of this title, shall be published, in accordance with procedures determined by the Commissioner, as soon as possible after the expiration of a period of 18 months from the earliest filing date for which a benefit is sought under this title. At the request of the applicant, and application may be published earlier than the end of such 18-month period.

(B) No information concerning published patent applications shall be made available to the public except as the Commissioner determines.

(C) Notwithstanding any other provision of law, a determination by the Commissioner to release or not to release information concerning a published patent application shall be final and nonreviewable.

(2) *EXCEPTIONS.*—(A) An application that is no longer pending shall not be published.

(B) An application that is subject to a secrecy order pursuant to section 181 of this title shall not be published.

(C)(i) Where an applicant makes a request upon filing, certifying that the invention disclosed in the application has not and will not be the subject of an application filed in a foreign country, the application shall not be published as provided in paragraph (1).

(ii) An applicant may rescind a request made under clause (i) at any time. An applicant has a duty to notify the Director within 1 month of filing an application in a foreign country.

(iii) Where an applicant rescinds a request made under clause (i) or notifies the Director that an application was filed in a foreign country, the application shall be published in accordance with the provisions of paragraph (1).

(c) *PRE-ISSUANCE OPPOSITION.*—The provisions of this section shall not operate to create any new opportunity for pre-issuance opposition. The Commissioner may establish appropriate procedures to ensure that this section does not create any new opportunity for pre-issuance opposition that did not exist prior to the adoption of this section.

(d) *STUDY.*—

(1) *IN GENERAL.*—The General Accounting Office shall conduct a 3-year study of the applicants who file only in the United States after the effective date of this title.

(2) *CONTENTS.*—The study conducted under paragraph (1) shall—

(A) consider the number of such applicants in relation to the number of applicants who file in the United States and outside the United States;

(B) examine how many domestic-only filers request at the time of filing not to be published;

(C) examine how many such filers rescind that request or later choose to file abroad; and

(D) examine the manner of entity seeking an application and any correlation that may exist between such manner and publication of patent applications.

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CHAPTER 12—EXAMINATION OF APPLICATION

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§ 132. Notice of rejection; reexamination

[Whenever] (a) *Whenever*, on examination, any claim for a patent is rejected, or any objection or requirement made, the Commissioner shall notify the applicant thereof, stating the reasons for such rejection, or objection or requirement, together with such information and references as may be used in judging of the propriety of continuing the prosecution of his application; and if after receiving such notice, the applicant persists in his claim for a patent, with or without amendment, the application shall be reexamined. No amendment shall introduce new matter into the disclosure of the invention.

(b) *The Commissioner shall prescribe regulations to provide for the further limited reexamination of applications for patent at the request of the applicant. The Commissioner may establish appropriate fees for such further limited examination and shall be authorized to provide a 50 percent reduction on such fees for small entities that qualify for reduced fees under section 41(H)(1) of this title.*

* * * * *

[§ 134. Appeal to the Board of Patent Appeals and Interferences

[An applicant for a patent, any of whose claims has been twice rejected, may appeal from the decision of the primary examiner to the Board of Patent Appeals and Interferences, having once paid the fee for such appeal.]

§ 134. Appeal to the Board of Patent Appeals and Interferences

(a) *PATENT APPLICANT.—An applicant for a patent, any of whose claims has been twice rejected, may appeal from the decision of the primary examiner to the Board of Patent Appeals and Interferences, having once paid the fee for such appeal.*

(b) *PATENT OWNER.—A patent owner in a reexamination proceeding may appeal from the final rejection of any claim by the primary examiner to the Board of Patent Appeals and Interferences, having once paid the fee for such appeal.*

(c) *THIRD-PARTY.*—A third-party requester may appeal to the Board of Patent Appeals and Interferences from the final decision of the primary examiner favorable to the patentability of any original or proposed amended or new claim of a patent, having once paid the fee for such appeal.

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§ 135. Interferences

(a) Whenever an application is made for a patent which, in the opinion of the Commissioner, would interfere with any pending application, or with any unexpired patent, an interference may be declared and the Commissioner shall give notice of such declaration to the applicants, or applicant and patentee, as the case may be. The Board of Patent Appeals and Interferences shall determine questions of priority of the inventions and may determine questions of patentability. Any final decision, if adverse to the claim of an applicant, shall constitute the final refusal by the [Patent and Trademark Office] *Patent Office* of the claims involved, and the Commissioner may issue a patent to the applicant who is adjudged the prior inventor. A final judgment adverse to a patentee from which no appeal or other review has been or can be taken or had shall constitute cancellation of the claims involved in the patent, and notice of such cancellation shall be endorsed on copies of the patent distributed after such cancellation by the [Patent and Trademark Office] *Patent Office*.

* * * * *

(c) Any agreement or understanding between parties to an interference, including any collateral agreements referred to therein, made in connection with or in contemplation of the termination of the interference, shall be in writing and a true copy thereof filed in the [Patent and Trademark Office] *Patent Office* before the termination of the interference as between the said parties to the agreement or understanding. If any party filing the same so requests, the copy shall be kept separate from the file of the interference, and made available only to Government agencies on written request, or to any person on a showing of good cause. Failure to file the copy of such agreement or understanding shall render permanently unenforceable such agreement or understanding and any patent of such parties involved in the interference or any patent subsequently issued on any application of such parties so involved. The Commissioner may, however, on a showing of good cause for failure to file within the time prescribed, permit the filing of the agreement or understanding during the six-month period subsequent to the termination of the interference as between the parties to the agreement or understanding.

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CHAPTER 13—REVIEW OF [PATENT AND TRADEMARK OFFICE] *PATENT OFFICE* DECISIONS

§ 141. Appeal to Court of Appeals for the Federal Circuit

[An applicant dissatisfied with the decision in an appeal to the Board of Patent Appeals and Interferences under section 134 of

this title may appeal the decision to the United States Court of Appeals for the Federal Circuit.】 *An applicant, a patent owner, or a third-party requester, dissatisfied with the final decision in an appeal to the Board of Patent Appeals and Interferences under section 134 of this title, may appeal the decision to the United States Court of Appeals for the Federal Circuit.* By filing such an appeal the applicant waives his or her right to proceed under section 145 of this title. A party to an interference dissatisfied with the decision of the Board of Patent Appeals and Interferences on the interference may appeal the decision to the United States Court of Appeals for the Federal Circuit, but such appeal shall be dismissed if any adverse party to such interference, within twenty days after the appellant has filed notice of appeal in accordance with section 142 of this title, files notice with the Commissioner that the party elects to have all further proceedings conducted as provided in section 146 of this title. If the appellant does not, within thirty days after the filing of such notice by the adverse party, file a civil action under section 146, the decision appealed from shall govern the further proceedings in the case.

§ 142. Notice of appeal

When an appeal is taken to the United States Court of Appeals for the Federal Circuit, the appellant shall file in the [Patent and Trademark Office] *Patent Office* a written notice of appeal directed to the Commissioner, within such time after the date of the decision from which the appeal is taken as the Commissioner prescribes, but in no case less than 60 days after that date.

§ 143. Proceedings on appeal

With respect to an appeal described in section 142 of this title, the Commissioner shall transmit to the United States Court of Appeals for the Federal Circuit a certified list of the documents comprising the record in the [Patent and Trademark Office] *Patent Office*. The court may request that the Commissioner forward the original or certified copies of such documents during pendency of the appeal. [In an ex parte case, the Commissioner shall submit to the court in writing the grounds for the decision of the Patent and Trademark Office, addressing all the issues involved in the appeal.】 *In ex parte and reexamination cases, the Commissioner shall submit to the court in writing the grounds for the decision of the Patent Office, addressing all the issues involved in the appeal.* The court shall, before hearing an appeal, give notice of the time and place of the hearing to the Commissioner and the parties in the appeal.

§ 144. Decision on appeal

The United States Court of Appeals for the Federal Circuit shall review the decision from which an appeal is taken on the record before the [Patent and Trademark Office] *Patent Office*. *Upon its determination the court shall issue to the Commissioner its mandate and opinion, which shall be entered of record in the [Patent and Trademark Office] Patent Office and shall govern the further proceedings in the case.*

§ 145. Civil action to obtain patent

An applicant dissatisfied with the decision of the Board of Patent Appeals and Interferences in an appeal under section 134(a) of this title may unless appeal has been taken to the United States Court of Appeals for the Federal Circuit, have remedy by civil action against the Commissioner in the United States District Court for the District of Columbia if commenced within such time after such decision, not less than sixty days, as the Commissioner appoints. The court may adjudge that such applicant is entitled to receive a patent for his invention, as specified in any of his claims involved in the decision of the Board of Patent Appeals and Interferences, as the facts in the case may appear and such adjudication shall authorize the Commissioner to issue such patent on compliance with the requirements of law. All the expenses of the proceedings shall be paid by the applicant.

§ 146. Civil action in case of interference

Any party to an interference dissatisfied with the decision of the Board of Patent Appeals and Interferences on the interference, may have remedy by civil action, if commenced with such time after such decision, not less than sixty days, as the Commissioner appoints or as provided in section 141 of this title, unless he has appealed to the United States Court of Appeals for the Federal Circuit, and such appeal is pending or has been decided. In such suits the record in the [Patent and Trademark Office] *Patent Office* shall be admitted on motion of either party upon the terms and conditions as to costs, expenses, and the further cross-examination of the witnesses as the court imposes, without prejudice to the right of the parties to take further testimony. The testimony and exhibits of the record in the [Patent and Trademark Office] *Patent Office* when admitted shall have the same effect as if originally taken and produced in the suit.

Such suit may be instituted against the party in interest as shown by the records of the [Patent and Trademark Office] *Patent Office* at the time of the decision complained of, but any party in interest may become a party to the action. If there be adverse parties residing in a plurality of districts not embraced within the same state, or an adverse party residing in a foreign country, the United States District Court for the District of Columbia shall have jurisdiction and may issue summons against the adverse parties directed to the marshal of any district in which any adverse party resides. Summons against adverse parties residing in foreign countries may be served by publication or otherwise as the court directs. The Commissioner shall not be a necessary party but he shall be notified of the filing of the suit by the clerk of the court in which it is filed and shall have the right to intervene. Judgment of the court in favor of the right of an applicant to a patent shall authorize the Commissioner to issue such patent on the filing in the [Patent and Trademark Office] *Patent Office* of certified copy of the judgment and on compliance with the requirements of law.

CHAPTER 14—ISSUE OF PATENT

Sec.

151. Issue of patent.

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154. Contents and term of patent; *provisional rights*.

* * * * *

§ 152. Issue of patent to assignee

Patents may be granted to the assignee of the inventor of record in the [Patent and Trademark Office] *Patent Office*, upon the application made and the specification sworn to by the inventor, except as otherwise provided in this title.

§ 153. How issued

Patents shall be issued in the name of the United States of America, under the seal of the [Patent and Trademark Office] *Patent Office*, and shall be signed by the Commissioner or have his signature placed thereon and attested by an officer of the [Patent and Trademark Office] *Patent Office* designated by the Commissioner, and shall be recorded in the [Patent and Trademark Office] *Patent Office*.

§ 154. Contents and term of patent; *provisional rights*

(a) IN GENERAL.—

(1) CONTENTS.—

* * * * *

[(b) TERM EXTENSION.—

[(1) INTERFERENCE DELAY OR SECRECY ORDERS.—If the issue of an original patent is delayed due to a proceeding under section 135(a) of this title, or because the application for patent is placed under an order pursuant to section 181 of this title, the term of the patent shall be extended for the period of delay, but in no case more than 5 years.

[(2) EXTENSION FOR APPELLATE REVIEW.—If the issue of a patent is delayed due to appellate review by the Board of Patent Appeals and Interferences or by a Federal court and the patent is issued pursuant to a decision in the review reversing an adverse determination of patentability, the term of the patent shall be extended for a period of time but in no case more than 5 years. A patent shall not be eligible for extension under this paragraph if it is subject to a terminal disclaimer due to the issue of another patent claiming subject matter that is not patentably distinct from that under appellate review.

[(3) LIMITATIONS.—The period of extension referred to in paragraph (2)—

[(A) shall include any period beginning on the date on which an appeal is filed under section 134 or 141 of this title, or on which an action is commenced under section 145 of this title, and ending on the date of a final decision in favor of the applicant;

[(B) shall be reduced by any time attributable to appellate review before the expiration of 3 years from the filing date of the application for patent; and

[(C) shall be reduced for the period of time during which the applicant for patent did not act with due diligence, as determined by the Commissioner.

[(4) LENGTH OF EXTENSION.—The total duration of all extensions of a patent under this subsection shall not exceed 5 years.]

(b) *ADJUSTMENT OF PATENT TERM.*—

(1) *BASIS FOR PATENT TERM RESTORATION.*—

(A) *DELAY.*—*Subject to the limitations under paragraph*

(2), *if the issue of an original patent is delayed due to—*

(i) *a proceeding under section 135(a) of this title;*

(ii) *the imposition of an order pursuant to section 181 of this title;*

(iii) *appellate review by the Board of Patent Appeals and Interferences or by a Federal court where the patent was issued pursuant to a decision in the review reversing an adverse determination of patentability; or*

(iv) *an unusual administrative delay by the Patent Office in issuing the patent,*

the term of the patent shall be adjusted for the period of delay.

(B) *ADMINISTRATIVE DELAY.*—*For purposes of subparagraph (A)(iv), an unusual administrative delay by the Patent Office is the failure to—*

(i) *make a notification of the rejection of any claim for a patent or any objection or argument under section 132 of this title or give or mail a written notice of allowance under section 151 of this title not later than 14 months after the date on which the application was filed;*

(ii) *respond to a reply under section 132 of this title or to an appeal taken under section 134 of this title not later than 4 months after the date on which the reply was filed or the appeal was taken;*

(iii) *act on an application not later than 4 months after the date of a decision by the Board of Patent Appeals and Interferences under section 134 or 135 of this title or a decision by a Federal court under section 141, 145, or 146 of this title where allowable claims remain in an application;*

(iv) *issue a patent not later than 4 months after the date on which the issue fee was paid under section 151 of this title and all outstanding requirements were satisfied; or*

(v) *issue a patent within 3 years after the actual filing date of the application in the United States, if the applicant—*

(I) *has not obtained further limited examination of the application under section 132(b) of this title;*

(II) has not benefited from an adjustment of patent term under clause (i), (ii), or (iii) or paragraph (1)(A);

(III) has not sought or obtained appellate review by the Board of Patent Appeals and Interferences or by a Federal court other than in a case in which the patent was issued pursuant to a decision in the review reversing an adverse determination of patentability; and

(IV) has not requested any delay in the processing of the application by the Patent Office.

(2) LIMITATIONS.—

(A) IN GENERAL.—The total duration of any adjustments granted pursuant to either subclause (iii) or (iv) of paragraph (1)(A) or both such subclauses shall not exceed 10 years. To the extent that periods of delay attributable to grounds specified in paragraph (1) overlap, the period of any adjustment granted under this subsection shall not exceed the actual number of days the issuance of the patent was delayed.

(B) REDUCTION OF ADJUSTMENT.—The period of adjustment of the term of a patent under this subsection shall be reduced by a period equal to the time in which the applicant failed to engage in reasonable efforts to conclude prosecution of the application. The Commissioner shall prescribe regulations establishing the circumstances that constitute a failure of an applicant to engage in reasonable efforts to conclude processing or examination of an application.

(C) DISCLAIMED TERM.—No patent the term of which has been disclaimed beyond a specified date may be adjusted under this section beyond the expiration date specified in the disclaimer.

(D) APPLICANT DELAY.—The period of adjustment of the term of a patent under clause (iv) of paragraph (1)(A), which is based on the failure of the Patent Office to meet the criteria set forth in clause (v) of paragraph (1)(B), shall be reduced by the cumulative total of any periods of time that an applicant takes to respond in excess of 3 months after the date on which the Patent Office makes any rejection, objection, argument, or other request, except that the Commissioner, upon petition from the applicant in the case of a nonprofit research laboratory or nonprofit entity such as a university, research center, or hospital, shall reinstate all or part of such time upon a showing of good cause by the applicant, but in no case more than 3 additional months for each such response beyond 3 months.

(3) PROCEDURES.—The Commissioner shall prescribe regulations establishing procedures for the notification of patent term extensions under this subsection and procedures for contesting patent term extensions under this subsection.

(4) NOTICE TO COMMISSIONER.—In a case in which a patent term is adjusted under this subsection, the Commissioner shall determine the period of any patent term adjustment available

under this section and shall include a copy of that determination with the final notice. The Commissioner shall prescribe regulations establishing procedures for the application for, and notification of, patent term adjustments granted by the Commissioner under this subsection.

(5) *JUDICIAL REVIEW.*—Any applicant dissatisfied with a determination of the Commissioner under paragraph (3) may have remedy by civil action in the United States Court of Federal Claims if commenced within 180 days after the mailing of the notice of allowance as the Commissioner appoints. The initiation of a civil action under this section shall not delay the issuance of a patent.

(c) *CONTINUATION.*—

(1) *DETERMINATION.*—The term of a patent that is in force on or that results from an application filed before the date that is 6 months after the date of the enactment of the Uruguay Round Agreements Act shall be the greater of the 20-year term provided in subsection (a), or 17 years from grant, subject to any terminal disclaimers.

* * * * *

(d) *PROVISIONAL RIGHTS.*—

(1) *IN GENERAL.*—In addition to other rights provided by this section, a patent shall include the right to obtain a reasonable royalty from any person who, during the period beginning on the date of publication of the application for such patent pursuant to section 122(b) of this title, or in the case of an international application filed under the treaty defined in section 351(a) of this title designating the United States under Article 21(2)(a) of such treaty, the date of publication of the application, and ending on the date the patent is issued—

(A)(i) makes, uses, offers for sale, or sells in the United States the invention as claimed in the published patent application or imports such an invention into the United States; or

(ii) if the invention as claimed in the published patent application is a process, uses, offers for sale, or sells in the United States or imports into the United States products made by that process as claimed in the published patent application; and

(B) had actual notice of the published patent application, and where the right arising under this paragraph is based upon an international application designating the United States that is published in a language other than English, a translation of the international application into the English language.

(2) *RIGHT BASED ON SUBSTANTIALLY IDENTICAL INVENTIONS.*—The right under paragraph (1) to obtain a reasonable royalty shall not be available under this subsection unless the invention as claimed in the patent is substantially identical to the invention as claimed in the published patent application.

(3) *TIME LIMITATION ON OBTAINING A REASONABLE ROYALTY.*—The right under paragraph (1) to obtain a reasonable royalty shall be available only in an action brought not later than 6 years after the patent is issued. The right under para-

graph (1) to obtain a reasonable royalty shall not be affected by the duration of the period described in paragraph (1).

(4) REQUIREMENTS FOR INTERNATIONAL APPLICATION.—

(A) EFFECTIVE DATE.—The right under paragraph (1) to obtain a reasonable royalty based upon the publication under the treaty of an international application designating the United States shall commence from the date that the Patent Office receives a copy of the publication under the treaty defined in section 351(a) of this title of the international application, or, if the publication under the treaty of the international application is in a language other than English, from the date that the Patent Office receives a translation of the international application in the English language.

(B) COPIES.—The Commissioner may require the applicant to provide a copy of the international application and a translation thereof.

(5) ISSUANCE OF PATENTS ON INDIVIDUAL CLAIMS.—Where the Director in a notification to the applicant under section 132 of this title indicates that one or more claims of a published application are allowable, the applicant may request the issuance of a patent incorporating those claims. The applicant may continue prosecution of the remaining claims as provided in chapter 12 of this title. Any subsequently allowed claims may be incorporated into the patent. The Director may establish appropriate fees to cover the costs of incorporating any additional claims into the patent.

§ 155. Patent term extension

Notwithstanding the provisions of section 154, the term of a patent which encompasses within its scope a composition of matter or a process for using such composition shall be extended if such composition or process has been subjected to a regulatory review by the Federal Food and Drug Administration pursuant to the Federal Food, Drug, and Cosmetic Act leading to the publication of regulation permitting the interstate distribution and sale of such composition or process and for which there has thereafter been a stay of regulation of approval imposed pursuant to section 409 of the Federal Food, Drug, and Cosmetic Act which stay was in effect on January 1, 1981, by a length of time to be measured from the date such stay of regulation of approval was imposed until such proceedings are finally resolved and commercial marketing permitted. The patentee, his heirs, successors or assigns shall notify the [Commissioner of Patents and Trademarks] *Commissioner* within ninety days of the date of enactment of this section or the date the stay of regulation of approval has been removed, whichever is later, of the number of the patent to be extended and the date the stay was imposed and the date commercial marketing was permitted. On receipt of such notice, the Commissioner shall promptly issue to the owner of record of the patent a certificate of extension, under seal, stating the fact and length of the extension and identifying the composition of matter or process for using such composition to which such extension is applicable. Such certificate shall be recorded in the official file of each patent extended and such certifi-

cate shall be considered as part of the original patent, and an appropriate notice shall be published in the Official Gazette of the **[Patent and Trademark Office]** *Patent Office*.

§ 155A. Patent term restoration

(a) Notwithstanding section 154 of this title, the term of each of the following patents shall be extended in accordance with this section:

* * * * *

(c) The patentee of any patent described in subsection (a) of this section shall, within ninety days after the date of enactment of this section, notify the **[Commissioner of Patents and Trademarks]** *Commissioner* of the number of any patent so extended. On receipt of such notice, the Commissioner shall confirm such extension by placing a notice thereof in the official file of such patent and publishing an appropriate notice of such extension in the Official Gazette of the Patent and Trademark Office.

§ 156. Extension of patent term

(a) The term of a patent which claims a product, a method of using a product, or a method of manufacturing a product shall be extended in accordance with this section from the original expiration date of the patent, *which shall include any patent term adjustment granted under section 154(b)*, if—

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(f) For purposes of this section:

(1) The term “product” means:

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(6) The term “patent” means a patent issued by the United States **[Patent and Trademark Office]** *Patent Office*.

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§ 157. Statutory invention registration

(a) Notwithstanding any other provision of this title, the Commissioner is authorized to publish a statutory invention registration containing the specification and drawings of a regularly filed application for a patent without examination if the applicant—

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(d) The **[Secretary of Commerce]** *Director of the United States Patent and Trademark Organization* shall report to the Congress annually on the use of statutory invention registrations. Such report shall include an assessment of the degree to which agencies of the Federal Government are making use of the statutory invention registration system, the degree to which it aids the management of federally developed technology, and an assessment of the cost savings to the Federal government of the use of such procedures.

CHAPTER 15—PLANT PATENTS

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§ 161. Patents for plants

Whoever invents or discovers and asexually reproduces any distinct and new variety of plant, including cultivated sport, mutants, hybrids, and newly found seedlings, other than [a tuberpropagated plant or] a plant found in an uncultivated state, may obtain a patent therefor, subject to the conditions and requirements of this title.

The provisions of this title relating to patents for inventions shall apply to patents for plants, except as otherwise provided.

* * * * *

[§ 163. Grant

[In the case of a plant patent the grant shall be of the right to exclude others from asexually reproducing the plant or selling or using the plant so reproduced.]

In the case of a plant patent, the grant to the patentee, such patentee's heirs or assigns, shall have the right to exclude others from asexually reproducing the plant, and from using, offering for sale, or selling the plant so reproduced, or any of its parts, throughout the United States, or from importing the plant so reproduced, or any parts thereof, into the United States.

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CHAPTER 17—SECURITY OF CERTAIN INVENTIONS AND FILING APPLICATIONS IN FOREIGN COUNTRY

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§ 181. Secrecy of certain inventions and withholding of patent

Whenever publication or disclosure *by the publication of an application or* by the grant of a patent on an invention in which the Government has a property interest might, in the opinion of the head of the interested Government agency, be detrimental to the national security, the Commissioner upon being so notified shall order that the invention be kept secret and shall withhold *the publication of the application or* the grant of a patent therefor under the conditions set forth hereinafter.

Whenever the publication or disclosure of an invention by the publication of an application or by the granting of a patent, in which the Government does not have a property interest, might, in the opinion of the Commissioner, be detrimental to the national security, he shall make the application for patent in which such invention is disclosed available for inspection to the Atomic Energy Commission, the Secretary of Defense, and the chief officer of any other department or agency of the Government designated by the President as a defense agency of the United States.

Each individual to whom the application is disclosed shall sign a dated acknowledgment thereof, which acknowledgment shall be entered in the file of the application. If, in the opinion of the Atomic Energy Commission, the Secretary of a Defense Department, or the chief officer of another department or agency so designated, the publication or disclosure of the invention *by the publication of the*

application or by the granting of a patent therefor would be detrimental to the national security, the Atomic Energy Commission, the Secretary of a Defense Department, or such other chief officer shall notify the Commissioner and the Commissioner shall order that the invention be kept secret and shall withhold *the publication of the application* or the grant of a patent for such period as the national interest requires, and notify the applicant thereof. Upon proper showing by the head of the department or agency who caused the secrecy order to be issued that the examination of the application might jeopardize the national interest, the Commissioner shall thereupon maintain the application in a sealed condition and notify the applicant thereof. The owner of an application which has been placed under a secrecy order shall have a right to appeal from the order to the Secretary of Commerce under rules prescribed by him.

An invention shall not be ordered kept secret and *the publication of an application* or the grant of a patent withheld for a period or more than one year. The Commissioner shall renew the order at the end thereof, or at the end of any renewal period, for additional periods of one year upon notification by the head of the department or the chief officers of the agency who caused the order to be issued that an affirmative determination has been made that the national interest continues so to require. An order in effect, or issued, during a time when the United States is at war, shall remain in effect for the duration of hostilities and one year following cessation of hostilities. An order in effect, or issued, during a national emergency declared by the President shall remain in effect for the duration of the national emergency and six months thereafter. The Commissioner may rescind any order upon notification by the heads of the departments and the chief officers of the agencies who caused the order to be issued that the publication or disclosure of the invention is no longer deemed detrimental to the national security.

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CHAPTER 18—PATENT RIGHTS IN INVENTIONS MADE WITH FEDERAL ASSISTANCE

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§ 205. Confidentiality

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

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**PART III—PATENTS AND PROTECTION OF
PATENT RIGHTS**

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**CHAPTER 25—AMENDMENT AND CORRECTION OF
PATENTS**

Sec.

251. Reissue of defective patents.

254. Certificate of correction of **[Patent and Trademark Office]** *Patent Office* mistake.

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§ 252. Effect of reissue

The surrender of the original patent shall take effect upon the issue of the reissued patent, and every reissued patent shall have the same effect and operation in law, on the trial of actions for causes thereafter arising, as if the same had been originally granted in such amended form, but in so far as the claims of the original and reissued patents are *substantially* identical, such surrender shall not affect any action then pending nor abate any cause of action then existing, and the reissued patent, to the extent that its claims are *substantially* identical with the original patent, shall constitute a continuation thereof and have effect continuously from the date of the original patent.

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§ 253. Disclaimer

Whenever, without any deceptive intention, a claim of a patent is invalid the remaining claims shall not thereby be rendered invalid. A patentee, whether of the whole or any sectional interest therein, may, on payment of the fee required by law, make disclaimer of any complete claim, stating therein the extent of his interest in such patent. Such disclaimer shall be in writing, and recorded in the **[Patent and Trademark Office]** *Patent Office*; and it shall thereafter be considered as part of the original patent to the extent of the interest possessed by the disclaimant and by those claiming under him.

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§ 254. Certificate of corrections of **[Patent and Trademark Office] *Patent Office* mistake**

Whenever a mistake in a patent, incurred through the fault of the **[Patent and Trademark Office]** *Patent Office* is clearly disclosed by the records of the Office, the Commissioner may issue a certificate of correction stating the fact and nature of such mistake, under seal, without charge, to be recorded in the records of patents. A printed copy thereof shall be attached to each printed copy of the patent, and such certificate shall be considered as part of the original patent. Every such patent, together with such certificate, shall have the same effect and operation in law on the trial of actions for causes thereafter arising as if the same had been originally issued in such corrected form. The Commissioner may issue a cor-

rected patent without charge in lieu of and with like effect as a certificate of correction.

§ 255. Certificate of correction of applicant’s mistake

Whenever a mistake of a clerical or typographical nature, or of minor character, which was not the fault of the [Patent and Trademark Office] *Patent Office*, appears in a patent and a showing has been made that such mistake occurred in good faith, the Commissioner may, upon payment of the required fee, issue a certificate of correction, if the correction does not involve such changes in the patent as would constitute new matter or would require re-examination. Such patent, together with the certificate, shall have the same effect and operation in law on the trial of actions for causes thereafter arising as if the same had been originally issued in such corrected form.

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CHAPTER 26—OWNERSHIP AND ASSIGNMENT

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§ 261. Ownership; assignment

Subject to the provisions of this title, patents shall have the attributes of personal property.

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An assignment, grant or conveyance shall be void as against any subsequent purchaser or mortgagee for a valuable consideration, without notice, unless it is recorded in the [Patent and Trademark Office] *Patent Office* within three months from its date or prior to the date of such subsequent purchase or mortgage.

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CHAPTER 28—INFRINGEMENT OF PATENTS

Sec.

271. Infringement of patent.

272. Temporary presence in the United States.

273. *Prior domestic commercial use; defense to infringement.*

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§ 273. *Prior domestic commercial use; defense to infringement*

(a) *DEFINITIONS.—For purposes of this section—*

(1) the terms “commercially used,” “commercial use,” and “commercial use”—

(A) mean the use in the United States in commerce, use by the United States, or the use in the design, testing, or production in the United States of a product or service which is used in commerce or used by the United States, whether or not the subject matter at issue is accessible to or otherwise known to the public; and

(B) includes in the case of activities performed by a nonprofit research laboratory, or nonprofit entity such as a university, research center, or hospital, a use for which the

public is the intended beneficiary shall be considered to be a use described in subparagraph (A) except that the use:

(i) may be asserted as a defense under this section only for continued use by and in the laboratory or nonprofit entity; and

(ii) may not be asserted as a defense with respect to any subsequent commercialization or use outside such laboratory or nonprofit entity;

(2) the terms “used in commerce,” and “use in commerce” mean that there has been an actual arms-length sale or other commercial transfer, or use by the United States, of the subject matter at issue or that there has been an actual arms-length sale or other commercial transfer, or use by the United States, of a product or service resulting from the use of the subject matter at issue; and

(3) the “effective filing date” of a patent is the earlier of the actual filing date of the application for the patent or the filing date of any earlier United States, foreign, or international application to which the subject matter at issue is entitled under section 119, 120, or 365 of this title.

(b) DEFENSE TO INFRINGEMENT.—

(1) IN GENERAL.—A person shall not be liable as an infringer under section 271 of this title, nor shall the United States be held liable under section 1498(a) of title 28, with respect to any subject matter that would otherwise infringe one or more claims in the patent being asserted against such person, if such person had, acting in good faith, commercially used the subject matter before the effective filing date of such patent.

(2) EXHAUSTION OF RIGHT.—The sale or other disposition of the subject matter of a patent by a person entitled to assert a defense under this section with respect to that subject matter shall exhaust the patent owner’s rights under the patent to the extent such rights would have been exhausted had such sale or other disposition been made by the patent owner.

(c) LIMITATION AND QUALIFICATIONS OF DEFENSE.—The defense to infringement under this section is subject to the following:

(1) DERIVATION.—A person may not assert the defense under this section if the subject matter on which the defense is based was derived from the patentee or persons in privity with the patentee.

(2) NOT A GENERAL LICENSE.—The defense asserted by a person under this section is not a general license under all claims of the patent at issue, but extends only to the subject matter claimed in the patent with respect to which the person can assert a defense under this chapter, except that the defense shall also extend to variations in the quantity or volume of use of the claimed subject matter that do not infringe additional specifically claimed subject matter of the patent.

(3) EFFECTIVE AND SERIOUS PREPARATION.—With respect to subject matter that cannot be commercialized without a significant investment of time, money, and effort, a person shall be deemed to have commercially used the subject matter if—

(A) before the effective filing date of the patent, the person reduced the subject matter to practice in the United States,

completed a significant portion of the total investment necessary to commercially use the subject matter, and made an arms-length commercial transaction in the United States in connection with the preparation to use the subject matter; and

(B) thereafter the person diligently completed the remainder of the activities and investments necessary to commercially use the subject matter, and promptly began commercial use of the subject matter, even if such activities were conducted after the effective filing date of the patent.

(4) *BURDEN OF PROOF.*—A person asserting the defense under this section shall have the burden of establishing the defense.

(5) *ABANDONMENT OF USE.*—A person who has abandoned commercial use of subject matter may not rely on activities performed before the date of such abandonment in establishing a defense under subsection (b) with respect to actions taken after the date of such abandonment.

(6) *PERSONAL DEFENSE.*—The defense under this section may only be asserted by the person who performed the acts necessary to establish the defense and, except for any transfer to the patent owner, the right to assert the defense shall not be licensed or assigned or transferred to another person except in connection with the good faith assignment or transfer of the entire enterprise or line of business to which the defense relates.

(7) *ONE-YEAR LIMITATION.*—A person may not assert a defense under this section unless the subject matter on which the defense is based had been commercially used or actually reduced to practice more than one year prior to the effective filing date of the patent by the person asserting the defense or someone in privity with that person.

(d) *UNSUCCESSFUL ASSERTION OF DEFENSE.*—If the defense under this section is pleaded by a person who is found to infringe the patent and who subsequently fails to demonstrate a reasonable basis for asserting the defense, the court shall find the case exceptional for the purpose of awarding attorney's fees under section 285 of this title.

(e) *INVALIDITY.*—A patent shall not be deemed to be invalid under section 102 or 103 of this title solely because a defense is established under this section.

CHAPTER 29—REMEDIES FOR INFRINGEMENT OF PATENT, AND OTHER ACTIONS

* * * * *

§ 284. Damages

Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed. *Increased damages*

under this paragraph shall not apply to provisional rights under section 154(d) of this title.

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§ 287. Limitation on damages and other remedies; marking and notice

(a) * * *

* * * * *

(c)(1) With respect to a medical practitioner's performance of a medical activity that constitutes an infringement under section 271(a) or (b) of this title, the provisions of sections 281, 283, 284, and 285 of this title shall not apply against the medical practitioner or against a related health care entity with respect to such medical activity.

* * * * *

(4) This subsection shall not apply to any patent issued [before the date of enactment of this subsection] *based on an application the earliest effective filing date of which is prior to September 30, 1996.*

* * * * *

§ 288. Action for infringement of a patent containing an invalid claim

Whenever, without deceptive intention, a claim of a patent is invalid, an action may be maintained for the infringement of a claim of the patent which may be valid. The patentee shall recover no cost unless a disclaimer of the invalid claim has been entered at the [Patent and Trademark Office] *Patent Office* before the commencement of the suit. .

* * * * *

§ 293. Nonresident patentee; service and notice

Every patentee not residing in the United States may file in the [Patent and Trademark Office] *Patent Office* a written designation stating the name and address of a person residing within the United States on whom may be served process or notice of proceedings affecting the patent or rights thereunder. If the person designated cannot be found at the address given in the last designation, or if no person has been designated, the United States District Court for the District of Columbia shall have jurisdiction and summons shall be served by publication or otherwise as the court directs. The court shall have the same jurisdiction to take any action respecting the patent or rights thereunder that it would have if the patentee were personally within the jurisdiction of the court.

* * * * *

CHAPTER 30—PRIOR ART CITATIONS TO OFFICE AND REEXAMINATION OF PATENTS

Sec.
301. Citation of prior art.

* * * * *

308. *Reexamination prohibited.*

* * * * *

【§ 302. Request for reexamination

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

§302. Request for reexamination

(a) *IN GENERAL.*—Any person at any time may file a request for reexamination by the Office of a patent on the basis of any prior art cited under the provisions of section 301 of this title.

(b) *REQUIREMENTS.*—The request shall—

(1) *be in writing, include the identity of the real party in interest, and be accompanied by payment of a reexamination fee established by the Commissioner of Patents pursuant to the provisions of section 41 of this title; and*

(2) *set forth the pertinency and manner of applying cited prior art to every claim for which reexamination is requested.*

(c) *COPY.*—Unless the requesting person is the owner of the patent, the Commissioner promptly shall send a copy of the request to the owner of record of the patent.

【§ 303. Determination of issue by Commissioner

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

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

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

§ 303. Determination of issue by Commissioner

(a) *REEXAMINATION.*—Not later than 3 months after the filing of a request for reexamination under the provisions of section 302 of this title, the Commissioner shall determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request, with or without consideration of other patents or printed publications. On the Commissioner's initiative, and any time, the Commissioner may determine whether a substantial new question of patentability is raised by patents and publications.

(b) *RECORD.*—A record of the Commissioner's determination under subsection (a) shall be placed in the official file of the patent, and a copy shall be promptly given or mailed to the owner or record of the patent and to the third-party requester, if any.

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

§ 304. Reexamination order by Commissioner

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

§ 304. Reexamination order by Commissioner

If, in a determination made under the provisions of section 303(a) of this title, the Commissioner finds that a substantial new question of patentability affecting a claim of a patent is raised, the determination shall include an order for reexamination of the patent for resolution of the question. The order may be accompanied by the initial action of the Patent Officer on the merits of the reexamination conducted in accordance with section 305 of this title.

§ 305. Conduct of reexamination proceedings

【After the times for filing the statement and reply provided for by section 304 of this title have expired, reexamination will be conducted according to the procedures established for initial examination under the provisions of sections 132 and 133 of this title. In any reexamination proceeding under this chapter, the patent owner

will be permitted to propose any amendment to his patent and a new claim or claims thereto, in order to distinguish the invention as claimed from the prior art cited under the provisions of section 301 of this title, or in response to a decision adverse to the patentability of a claim of a patent. No proposed amended or new claim enlarging the scope of a claim of the patent will be permitted in a reexamination proceeding under this chapter. All reexamination proceedings under this section, including any appeal to the Board of Patent Appeals and Interferences, will be conducted with special dispatch within the Office.】

§305. Conduct of reexamination proceedings

(a) *IN GENERAL.*—Subject to subsection (b), reexamination shall be conducted according to the procedures established for initial examination under the provisions of sections 132 and 133 of this title. In any reexamination proceeding under this chapter, the patent owner shall be permitted to propose any amendment to the patent and a new claim or claims, except that no proposed amended or new claim enlarging the scope of the claims of the patent shall be permitted.

(b) *RESPONSE.*—(1) This subsection shall apply to any reexamination proceeding in which the order for reexamination is based upon a request by a third-party requester.

(2) With the exception of the reexamination request, any document filed by either the patent owner or the third-party requester shall be served on the other party.

(3) If the patent owner files a response to any Patent Office action on the merits, the third-party requester shall have 1 opportunity to file written comments within a reasonable period not less than 1 month after the date of service of the patent owner's response. Written comments provided under this paragraph shall be limited to issues covered by the Patent Office action or the patent owner's response.

(c) *SPECIAL DISPATCH.*—Unless otherwise provided by the Commissioner for good cause, all reexamination proceedings under this section, including any appeal to the Board of Patent Appeals and Interferences, shall be conducted with special dispatch within the Office.

【§ 306. Appeal

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

§306. Appeal

(a) *PATENT OWNER.*—The patent owner involved in a reexamination proceeding under this chapter—

(1) may appeal under the provisions of section 134 of this title, and may appeal under the provisions of sections 141 through 144 of this title, with respect to any decision adverse

to the patentability of any original or proposed amended or new claim of the patent, and

(2) may be a party to any appeal taken by a third-party requester pursuant to subsection (b) of this section.

(b) THIRD-PARTY REQUESTER.—A third-party requester may—

(1) appeal under the provisions of section 134 of this title, and may appeal under the provisions of sections 141 through 144 of this title, with respect to any final decision favorable to the patentability of any original or proposed amended or new claim of the patent; or

(2) be a party to any appeal taken by the patent owner, subject to subsection (c) of this section.

(c) PARTICIPATION AS PARTY.—

(1) IN GENERAL.—A third-party requester whose request for a reexamination results in an order under section 304 of this title is stopped from asserting at a later time, in any civil action arising in whole or in part under section 1338 of title 28, the invalidity of any claim determined to be patentable on appeal on any ground which the third-party requester raised or could have raised during the reexamination proceedings. This subsection does not prevent the assertion of invalidity based on newly discovered prior art unavailable to the third-party requester and the Patent Office at the time of the reexamination proceedings.

(2) ELECTION TO PARTICIPATE.—A third-party requester is deemed not to have participated as a party to an appeal by the patent owner unless, not later than 20 days after the patent owner has filed notice of appeal, the third-party requester files notice with the Commissioner electing to participate.

* * * * *

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

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

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

§ 308. Reexamination prohibited

(a) *ORDER FOR REEXAMINATION.—Notwithstanding any provision of this chapter, once an order for reexamination of a patent has been*

issued under section 304 of this title, neither the patent owner nor the third-party requester, if any, nor privies of either, may file a subsequent request for reexamination of the patent until a reexamination certificate is issued and published under section 307 of this title, unless authorized by the Commissioner.

(b) *FINAL DECISION.*—Once a final decision has been entered against a party in a civil action arising in whole or in part under section 1388 of title 28 that the party has not sustained its burden of proving the invalidity of any patent claim in suit or if a final decision in a reexamination proceeding instituted by a third-party requester is favorable to a patentability of any original or proposed amended as new claim of the patent and such decision is not appealed by the third-party requester under section 306(b), then neither that party nor its privies may thereafter request reexamination of any such patent claim on the basis of issues which that party or its privies raised or could have raised in such civil action or reexamination proceeding, and a reexamination requested by that party or its privies on the basis of such issues may not thereafter be maintained by the Office, notwithstanding any other provision of this chapter. This subsection does not prevent the assertion of invalidity based on newly discovered prior art unavailable to the third-party requester and the Patent Office at the time of the reexamination proceedings.

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PART IV—PATENT COOPERATION TREATY

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CHAPTER 35—DEFINITIONS

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§ 351. Definitions

When used in this part unless the context otherwise indicates—

(a) The term “treaty” means the Patent Cooperation Treaty done at Washington, on June 19, 1970, excluding chapter II thereof.

* * * * *

(d) The term “international application originating in the United States” means an international application filed in the [Patent and Trademark Office] *Patent Office* when it is acting as a Receiving Office under the treaty, irrespective of whether or not the United States has been designated in that international application.

* * * * *

CHAPTER 36—INTERNATIONAL STAGE

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§ 361. Receiving Office

(a) The [Patent and Trademark Office] *Patent Office* shall act as a Receiving Office for international applications filed by nationals or residents of the United States. In accordance with any agreement made between the United States and another country, the

【Patent and Trademark Office】 *Patent Office* may also act as a Receiving Office for international applications filed by residents or nationals of such country who are entitled to file international applications.

(b) The 【Patent and Trademark Office】 *Patent Office* shall perform all acts connected with the discharge of duties required of a Receiving Office, including the collection of international fees and their transmittal to the International Bureau.

(c) International applications filed in the 【Patent and Trademark Office】 *Patent Office* shall be in the English language.

* * * * *

§ 362. International Searching Authority and International Preliminary Examining Authority

(a) The 【Patent and Trademark Office】 *Patent Office* may act as an International Searching Authority and International Preliminary Examining Authority with respect to international applications in accordance with the terms and conditions of an agreement which may be concluded with the International Bureau, and may discharge all duties required of such Authorities, including the collection of handling fees and their transmittal to the International Bureau.

* * * * *

§ 363. International application designating the United States: Effect

An international application designating the United States shall have the effect, from its international filing date under article 11 of the treaty, of a national application for patent regularly filed in the 【Patent and Trademark Office】 *Patent Office* except as otherwise provided in section 102(e) of this title.

§ 364. International stage: Procedure

(a) International applications shall be processed by the 【Patent and Trademark Office】 *Patent Office* when acting as a Receiving Office, International Searching Authority, or International Preliminary Examining Authority, in accordance with the applicable provisions of the treaty, the Regulations, and this title.

* * * * *

§ 365. Right of priority; benefit of the filing date of a prior application

(a) * * *

* * * * *

(c) In accordance with the conditions and requirements of section 120 of this title, and international application designating the United States shall be entitled to the benefit of the filing date of a prior national application or a prior international application designating the United States, and a national application shall be entitled to the benefit of the filing date of a prior international application designating the United States. If any claim for the benefit of an earlier filing date is based on a prior international application

which designated but did not originate in the United States, the Commissioner may require the filing in the [Patent and Trademark Office] *Patent Office* of a certified copy of such application together with a translation thereof into the English language, if it was filed in another language.

* * * * *

§ 367. Actions of other authorities: Review

(a) Where a Receiving Office other than the [Patent and Trademark Office] *Patent Office* has refused to accord an international filing date to an international application designating the United States or where it has held such application to be withdrawn either generally or as to the United States, the applicant may request review of the matter by the Commissioner, on compliance with the requirements of and within the time limits specified by the treaty and the Regulations. Such review may result in a determination that such application be considered as pending in the national stage.

* * * * *

§ 368. Secrecy of certain inventions; filing international applications in foreign countries

(a) International application filed in the [Patent and Trademark Office] *Patent Office* shall be subject to the provisions of chapter 17 of this title.

* * * * *

(c) If a license to file in a foreign country is refused or if an international application is ordered to be kept secret and a permit refused, the [Patent and Trademark Office] *Patent Office* when acting as a Receiving Office, International Searching Authority, or International Preliminary Examining Authority, may not disclose the contents of such application to anyone not authorized to receive such disclosure.

CHAPTER 37—NATIONAL STAGE

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§ 371. National stage: Commencement

(a) * * *

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(c) The applicant shall file in the [Patent and Trademark Office] *Patent Office*—

(1) the national fee provided in section 41(a) of this title;

* * * * *

(3) amendments, if any, to the claims in the international application, made under article 19 of the treaty, unless such amendments have been communicated to the [Patent and Trademark Office] *Patent Office* by the International Bureau,

and a translation into the English language if such amendments were made in another language;

* * * * *

§ 372. National stage: Requirements and procedure

(a) All questions of substance and, within the scope of the requirements of the treaty and Regulations, procedure in an international application designating the United States shall be determined as in the case of national applications regularly filed in the [Patent and Trademark Office] *Patent Office*.

* * * * *

§ 373. Improper applicant

An international application designating the United States, shall not be accepted by the [Patent and Trademark Office] *Patent Office* for the national stage if it was filed by anyone not qualified under chapter 11 of this title to be an applicant for the purpose of filing a national application in the United States. Such international application shall not serve as the basis for the benefit of an earlier filing date under section 120 of this title in a subsequently filed application, but may serve as the basis for a claim of the right of priority under subsection (a) through (d) of section 119 of this title, if the United States was not the sole country designated in such international application.

§ 374. Publication of international application: Effect

[The publication under the treaty of an international application shall confer no rights and shall have no effect under this title other than that of a printed publication.]

§ 374. Publication of international application: Effect

The publication under the treaty, defined in section 351(a) of this title, of an international application designating the United States shall confer the same rights and shall have the same effect under this title as an application for patent published under section 122(b), except as provided in sections 102(e) and 154(d) of this title.

* * * * *

§ 376. Fees

(a) The required payment of the international fee and the handling fee, which amounts are specified in the Regulations, shall be paid in United States currency. The [Patent and Trademark Office] *Patent Office* shall charge a national fee as provided in section 41(a), and may also charge the following fees:

* * * * *

THE ACT OF JULY 5, 1946

(Commonly referred to as the Trademark Act of 1946)

(15 U.S.C.)

* * * * *

TITLE X—UNITED STATES TRADEMARK OFFICE

SEC. 51. ESTABLISHMENT.

(a) *ESTABLISHMENT.*—*The United States Trademark Office is established as a separate administrative unit of the United States Patent and Trademark Organization.*

(b) *REFERENCE.*—*For purposes of this chapter, the United States Trademark Office shall also be referred to as the “Office” and the “Trademark Office”.*

SEC. 52. POWERS AND DUTIES.

The United States Trademark Office, under the policy direction of the Secretary of Commerce through the Director of the United States Patent and Trademark Organization, shall be responsible for—

- (1) *the registration of trademarks;*
- (2) *conducting studies, programs, or exchanges of items or services regarding domestic and international trademark law or the administration of the Office;*
- (3) *authorizing or conducting studies and programs cooperatively with foreign trademark offices and international organizations, in connection with the registration of trademarks; and*
- (4) *disseminating to the public information with respect to trademarks.*

SEC. 53. OFFICERS AND EMPLOYEES.

(a) *COMMISSIONER.*—

(1) *IN GENERAL.*—*The management of the United States Trademark Office shall be vested in a Commissioner of Trademarks, who shall be a citizen of the United States and who shall be appointed by the Director of the United States Patent and Trademark Organization and shall serve at the pleasure of the Director of the United States Patent and Trademark Organization. The Commissioner of Trademarks shall be a person who, by reason of professional background and experience in trademark law, is especially qualified to manage the Office.*

(2) *DUTIES.*—

(A) *IN GENERAL.*—*The Commissioner shall be responsible for all aspects of the management, administration, and operation of the Office, including the registration of trademarks, and shall perform these duties in a fair, impartial, and equitable manner.*

(B) *ADVISING THE DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK ORGANIZATION.*—*The Commissioner of Trademarks shall advise the Director of the United States Patent and Trademark Organization of all activities of the Office undertaken in response to obligations of the United States under treaties and executive agreements, or which relate to cooperative programs with those authorities of foreign governments that are responsible for registering trademarks. The Commissioner of Trademarks shall advise the Director of the United States Patent and Trademark Organization on matters of trademark law and shall recommend to the Director of the United States Patent and Trademark*

Organization changes in law or policy which may improve the ability of United States citizens to secure and enforce trademark rights in the United States or in foreign countries.

(C) *REGULATIONS.*—*The Commissioner may establish regulations, not inconsistent with law, for the conduct of proceedings in the Trademark Office. The Director of the United States Patent and Trademark Organization shall determine whether such regulations are consistent with the policy direction of the Secretary of Commerce.*

(D) *CONSULTATION WITH THE MANAGEMENT ADVISORY BOARD.*—(i) *The Commissioner shall consult with the Trademark Office Management Advisory Board established under section 54—*

(I) *on a regular basis on matters relating to the operation of the Office; and*

(II) *before submitting budgetary proposals to the Director of the United States Patent and Trademark Organization for submission to the Office of Management and Budget or changing or proposing to change trademark user fees or trademark regulations.*

(ii) *The Director of the United States Patent and Trademark Organization shall determine whether such fees or regulations are consistent with the policy direction of the Secretary of Commerce.*

(E) *PUBLICATIONS.*—(i) *The Commissioner may print, or cause to be printed, the following:*

(I) *Certificates of trademark registrations, including statements and drawings, together with copies of the same.*

(II) *The Official Gazette of the United States Trademark Office.*

(III) *Annual indexes of trademarks and registrants.*

(IV) *Annual volumes of decisions in trademark cases.*

(V) *Pamphlet copies of laws and rules relating to trademarks and circulars or other publications relating to the business of the Office.*

(ii) *The Commissioner may exchange any of the publications specified under clause (i) for publications desirable for the use of the Trademark Office.*

(3) *OATH.*—*The Commissioner shall, before taking office, take an oath to discharge faithfully the duties of the Office.*

(4) *COMPENSATION.*—

(A) *IN GENERAL.*—*The Commissioner shall receive compensation at the rate of pay in effect for level IV of the Executive Schedule under section 5315 of title 5, United States Code.*

(B) *BONUS.*—*In addition to compensation under subparagraph (A), the Commissioner may, at the discretion of the Director of the United States Patent and Trademark Organization, receive as a bonus, an amount which would raise total compensation to the equivalent of the rate of pay in effect for level III of the Executive Schedule under section 5314 of title 5.*

(b) *OFFICERS AND EMPLOYEES.*—The Commissioner shall appoint a Deputy Commissioner of Trademarks who shall be vested with the authority to act in the capacity of the Commissioner in the event of the absence or incapacity of the Commissioner. In the event of a vacancy in the office of Commissioner, the Deputy Commissioner shall fill the office of Commissioner until a new Commissioner is appointed and takes office. Other officers, attorneys, employees, and agents shall be selected and appointed by the Commissioner, and shall be vested with such powers and duties as the Commissioner may determine.

SEC. 54. TRADEMARK OFFICE MANAGEMENT ADVISORY BOARD.

(a) *ESTABLISHMENT OF MANAGEMENT ADVISORY BOARD.*—

(1) *APPOINTMENT.*—The United States Trademark Office shall have a Management Advisory Board (hereafter in this title referred to as the “Advisory Board”) of 5 members, who shall be appointed by the President and shall serve at the pleasure of the President. Not more than 3 of the 5 members shall be members of the same political party.

(2) *CHAIR.*—The President shall designate a Chair of the Advisory Board, whose term as chair shall be for 3 years.

(3) *TIMING OF APPOINTMENTS.*—Initial appointments to the Advisory Board shall be made within 3 months after the effective date of the United States Patent and Trademark Organization Act of 1997. Vacancies shall be filled in the manner in which the original appointment was made under this section within 3 months after they occur.

(b) *BASIS FOR APPOINTMENTS.*—Members of the Advisory Board shall be citizens of the United States who shall be chosen so as to represent the interests of diverse users of the United States Trademark Office, and shall include individuals with substantial background and achievement in corporate finance and management.

(c) *MEETINGS.*—The Advisory Board shall meet at the call of the Chair to consider an agenda set by the Chair.

(d) *DUTIES.*—The Advisory Board shall—

(1) review the policies, goals, performance, budget, and user fees of the United States Trademark Office, and advise the Commissioner on these matters; and

(2) within 60 days after the end of each fiscal year—

(A) prepare an annual report on the matters referred to under paragraph (1);

(B) transmit the report to the Director of the United States Patent and Trademark Organization, the President, and the Committees on the Judiciary of the Senate and the House of Representatives; and

(C) publish the report in the Trademark Office Official Gazette.

(f) *COMPENSATION.*—Each member of the Advisory Board shall be compensated for each day (including travel time) during which such member is attending meetings or conferences of the Advisory Board or otherwise engaged in the business of the Advisory Board, at the rate which is the daily equivalent of the annual rate of basic pay in effect for level III of the Executive Schedule under section 5314 of title 5, United States Code, and while away from such member’s home or regular place of business such member may be allowed

travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code.

(g) ACCESS TO INFORMATION.—Members of the Advisory Board shall be provided access to records and information in the United States Trademark Office, except for personnel or other privileged information.

(h) APPLICABILITY OF CERTAIN ETHIC LAWS.—Members of the Advisory Board shall be special Government employees within the meaning of section 202 of title 18.

SEC. 55. ANNUAL REPORT TO CONGRESS.

The Commissioner shall report to the Director of the United States Patent and Trademark Organization such information as the Director is required to report to Congress annually under chapter 91 of title 5, including—

- (1) the moneys received and expended by the Office;*
- (2) the purposes for which the moneys were spent;*
- (3) the quality and quantity of the work of the Office; and*
- (4) other information relating to the Office.*

SEC. 56. TRADEMARK OFFICE FUNDING.

(a) FEES PAYABLE TO THE OFFICE.—All fees for services performed by or materials furnished by the United States Trademark Office shall be payable to the Office.

(b) USE OF MONEYS.—Moneys from fees shall be available to the United States Trademark Office to carry out, to the extent provided in appropriations Acts, the functions of the Office. Moneys of the Office not otherwise used to carry out the functions of the Office shall be kept in cash on hand or on deposit, or invested in obligations of the United States or guaranteed by the United States, or in obligations or other instruments which are lawful investments for fiduciary, trust, or public funds. Fees available to the Commissioner under this chapter shall be used only for the registration of trademarks and for other services and materials relating to trademarks, including the agreed upon share of any centralized function, as set forth in section 113(b)(2)(E) of the United States Patent and Trademark Organization Act of 1997.

(c) CONTRIBUTION TO THE OFFICE OF THE DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK ORGANIZATION.—The Trademark Office shall contribute 50 percent of the annual budget of the Office of the Director of the United States Patent and Trademark Organization.

TITLE [X] XI—CONSTRUCTION AND DEFINITIONS

SEC. [45] 61. In the construction of this Act, unless the contrary is plainly apparent from the context—

* * * * *

TITLE [XI] *XII*—REPEAL OF PREVIOUS ACTS

SEC. [46] 71. (a) This Act shall be in force * * *

* * * * *

SEC. [47] 72. (a) All applications for registration pending in the Patent Office at the effective date of this Act may be amended, if practicable, to bring them under the provisions of this Act. The prosecution of such applications so amended and the grant of registrations thereon shall be proceeded with in accordance with the provisions of this Act. If such amendments are not made, the prosecution of said applications shall be proceeded with and registrations thereon granted in accordance with the Acts under which said applications were filed, and said Acts are hereby continued in force to this extent and for this purpose only, notwithstanding the foregoing general repeal thereof.

* * * * *

SEC. [48] 73. Section 4 of the Act of January 5, 1905 (U.S.C., title 36, sec. 4), as amended, entitled “An Act to incorporate the National Red Cross”, and section 7 of the Act of June 15, 1916 (U.S.C., title 36, sec. 27), entitled “An Act to incorporate the Boy Scouts of America, and for other purposes”, and the Act of June 20, 1936 (U.S.C., title 22, sec. 248), entitled “An Act to prohibit the commercial use of the coat of arms of the Swiss Confederation”, are not repealed or affected by this Act.

SEC. [49] 74. Nothing herein shall adversely affect the rights or the enforcement of rights in marks acquired in good faith prior to the effective date of this Act.

SEC. [50] 75. If any provision of this Act or the application of such provision to any person or circumstance is held invalid, the remainder of the Act shall not be affected thereby.

SEC. [51] 76. All certificates of registration based upon applications for registration pending in the Patent and Trademark Office on the effective date of the Trademark Law Revision Act of 1988 shall remain in force for a period of 10 years.

* * * * *

§ 1051. Registration of trade-marks

(a) TRADE-MARKS USED IN COMMERCE.—

The owner of a trademark used in commerce may apply to register his or her trademark under this chapter on the principal register established:

(1) By filing in the [Patent and Trademark Office] *Trademark Office*—

* * * * *

(2) By paying into the [Patent and Trademark Office] *Trademark Office* the prescribed fee.

* * * * *

(b) TRADE-MARKS INTENDED FOR USE IN COMMERCE.—

A person who has a bona fide intention, under circumstances showing the good faith of such person, to use a trademark in commerce may apply to register the trademark under this chapter on the principal register hereby established:

(1) By filing in the **【Patent and Trademark Office】** *Trademark Office*—

* * * * *

(2) By paying in the **【Patent and Trademark Office】** *Trademark Office* the prescribed fee.

* * * * *

(d) VERIFIED STATEMENT THAT TRADE-MARK IS USED IN COMMERCE.—

(1) Within six months after the date on which the notice of allowance with respect to a mark is issued under section 1063(b)(2) of this title to an applicant under subsection (b) of this section, the applicant shall file in the **【Patent and Trademark Office】** *Trademark Office*, together with such number of specimens or facsimiles of the mark as used in commerce as may be required by the Commissioner and payment of the prescribed fee, a verified statement that the mark is in use in commerce and specifying the date of the applicant's first use of the mark in commerce, those goods or services specified in the notice of allowance on or in connection with which the mark is used in commerce, and the mode or manner in which the mark is used on or in connection with such goods or services. Subject to examination and acceptance of the statement of use, the mark shall be registered in the **【Patent and Trademark Office】** *Trademark Office*, a certificate of registration shall be issued for those goods or services recited in the statement for use for which the mark is entitled to registration, and notice of registration shall be published in the Official Gazette of the **【Patent and Trademark Office】** *Trademark Office*. Such examination may include an examination of the factors set forth in subsections (a) through (e) of section 1052 of this title. The notice of registration shall specify the goods or services for which the mark is registered.

* * * * *

(e) DESIGNATION OF RESIDENT FOR SERVICE OF PROCESS AND NOTICES.—

If the applicant is not domiciled in the United States he shall designate by a written document filed in the **【Patent and Trademark Office】** *Trademark Office* the name and address of some person resident in the United States on whom may be served notices of process in proceedings affecting the mark. Such notices or process may be served upon the person so designated by leaving with him or mailing to him a copy thereof at the address specified in the last designations so filed. If the person so designated cannot be found at the address given in the last designation, such notice or process may be served upon the Commissioner.

§ 1052. Trademarks registrable on principal register; concurrent registration

No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it—

(a) * * *

* * * * *

(d) Consists of or comprises a mark which so resembles a mark registered in the [Patent and Trademark Office] *Trademark Office*, or a mark or trade name previously used in the United States by another and not abandoned, as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive: Provided, That if the Commissioner determines that confusion, mistake, or deception is not likely to result from the continued use by more than one person of the same or similar marks under conditions and limitations as to the mode or place of use of the marks or the goods on or in connection with which such marks are used, concurrent registrations may be issued to such persons when they have become entitled to use such marks as a result of their concurrent lawful use in commerce prior to (1) the earliest of the filing dates of the applications pending or of any registration issued under this chapter; (2) July 5, 1947, in the case of registrations previously issued under the Act of March 3, 1881, or February 20, 1905, and continuing in full force and effect on that date; or (3) July 5, 1947, in the case of applications filed under the Act of February 20, 1905, and registered after July 5, 1947. Use prior to the filing date of any pending application or a registration shall not be required when the owner of such application or registration consents to the grant of a concurrent registration to the applicant. Concurrent registrations may also be issued by the Commissioner when a court of competent jurisdiction has finally determined that more than one person is entitled to use the same or similar marks in commerce. In issuing concurrent registrations, the Commissioner shall prescribe conditions and limitations as to the mode or place of use of the mark or the goods on or in connection with which such mark is registered to the respective persons.

* * * * *

§ 1057. Certificates of registration

(a) ISSUANCE AND FORM.—

Certificates of registration of marks registered upon the principal register shall be issued in the name of the United States of America, under the seal of the [Patent and Trademark Office] *Trademark Office*, and shall be signed by the Commissioner or have his signature placed thereon, and a record thereof shall be kept in the [Patent and Trademark Office] *Trademark Office*. The registration shall reproduce the mark, and state that the mark is registered on the principal register under this chapter, the date of the first use of the mark, the date of the first use of the mark in commerce, the particular goods or services for which it is registered, the number and date of the registration, the term thereof, the date on which the application for registration was received in the [Patent and

Trademark Office] *Trademark Office*, and any conditions and limitations that may be imposed in the registration.

* * * * *

(d) ISSUANCE TO ASSIGNEE.—

A certificate of registration of a mark may be issued to the assignee of the applicant, but the assignment must first be recorded in the [Patent and Trademark Office] *Trademark Office*. In case of change of ownership the Commissioner shall, at the request of the owner and upon a proper showing and the payment of the prescribed fee, issue to such assignee a new certificate of registration of the said mark in the name of such assignee, and for the unexpired part of the original period.

(e) SURRENDER, CANCELLATION, OR AMENDMENT BY REGISTRANT.—

Upon application of the registrant the Commissioner may permit any registration to be surrendered for cancellation, and upon cancellation appropriate entry shall be made in the records of the [Patent and Trademark Office] *Trademark Office*. Upon application of the registrant and payment of the prescribed fee, the Commissioner for good cause may permit any registration to be amended or to be disclaimed in part: *Provided*, That the amendment or disclaimer does not alter materially the character of the mark. Appropriate entry shall be made in the records of the [Patent and Trademark Office] *Trademark Office* and upon the certificate of registration or, if said certificate is lost or destroyed, upon a certified copy thereof.

(f) COPIES OF [PATENT AND TRADEMARK OFFICE] *TRADEMARK OFFICE* RECORDS AS EVIDENCE.—

Copies of any records, books, papers, or drawings belonging to the [Patent and Trademark Office] *Trademark Office* relating to marks, and copies of registrations, when authenticated by the seal of the [Patent and Trademark Office] *Trademark Office* and certified by the Commissioner, or in his name by an employee of the Office duly designated by the Commissioner, shall be evidence in all cases wherein the originals would be evidence; and any person making application therefore and paying the prescribed fee shall have such copies.

(g) CORRECTION OF [PATENT AND TRADEMARK OFFICE] *TRADEMARK OFFICE* MISTAKE.—

Whenever a material mistake in a registration, incurred through the fault of the [Patent and Trademark Office] *Trademark Office*, is clearly disclosed by the records of the Office a certificate stating the fact and nature of such mistake, shall be issued without charge and recorded and a printed copy thereof shall be attached to each printed copy of the registration certificate and such corrected registration shall thereafter have the same effect as if the same had been originally issued in such corrected form, or in the discretion of the Commissioner a new certificate of registration may be issued without charge. All certificates of correction heretofore issued in accordance with the rules of the [Patent and Trademark Office] *Trademark Office* and the registrations to which they are attached

shall have the same force and effect as if such certificates and their issue had been specifically authorized by statute.

* * * * *

§ 1058. Duration of registration

(a) AFFIDAVIT OF CONTINUING USE.—

Each certificate of registration shall remain in force for ten years: *Provided*, That the registration of any mark under the provisions of this chapter shall be canceled by the Commissioner at the end of six years following its date, unless within one year next preceding the expiration of such six years the registrant shall file in the [Patent and Trademark Office] *Trademark Office* an affidavit setting forth those goods or services recited in the registration on or in connection with which the mark is in use in commerce and attaching to the affidavit a specimen or facsimile showing current use of the mark, or showing that any nonuse is due to special circumstances which excuse such nonuse and is not due to any intention to abandon the mark. Special notice of the requirement for such affidavit shall be attached to each certificate of registration.

(b) REGISTRATION PUBLISHED UNDER OTHER PROVISIONS OF LAW.—

Any registration published under the provisions of subsection (c) of section 1062 of this title shall be canceled by the Commissioner at the end of six years after the date of such publication unless within one year next preceding the expiration of such six years the registrant shall file in the [Patent and Trademark Office] *Trademark Office* an affidavit showing that said mark is in use in commerce or showing that its nonuse is due to special circumstances which excuse such nonuse and is not due to any intention to abandon the mark.

* * * * *

§ 1060. Assignment of mark; execution; recording; purchaser without notice

A registered mark or a mark for which application to register has been filed shall be assignable with the goodwill of the business in which the mark is used, or with that part of the goodwill of the business connected with the use of and symbolized by the mark. However, no application to register a mark under section 1051(b) of this title shall be assignable prior to the filing of the verified statement of use under section 1051(d) of this title, except to a successor to the business of the applicant, or portion thereof, to which the mark pertains, if that business is ongoing and existing. In any assignment authorized by this section it shall not be necessary to include the goodwill of the business connected with the use of and symbolized by any other mark used in the business or by the name or style under which the business is conducted. Assignments shall be by instruments in writing duly executed. Acknowledgement shall be prima facie evidence of the execution of an assignment and when recorded in the [Patent and Trademark Office] *Trademark Office* the record shall be prima facie evidence of execution. An assignment shall be void as against any subsequent purchaser for a valuable consideration without notice, unless it is recorded in the

【Patent and Trademark Office】 *Trademark Office* within three months after the date thereof or prior to such subsequent purchase. A separate record of assignments submitted for recording hereunder shall be maintained in the 【Patent and Trademark Office】 *Trademark Office*.

* * * * *

§ 1062. Publication

(a) EXAMINATION AND PUBLICATION.—

Upon the filing of an application for registration and payment of the prescribed fee, the Commissioner shall refer the application to the examiner in charge of the registration of marks, who shall cause an examination to be made and, if on such examination it shall appear that the applicant is entitled to registration, or would be entitled to registration upon the acceptance of the statement of use required by section 1051(d) of this title, the Commissioner shall cause the mark to be published in the Official Gazette of the 【Patent and Trademark Office】 *Trademark Office: Provided*, That in the case of an applicant claiming concurrent use, or in the case of an application to be placed in an interference as provided for in section 1066 of this title, the mark, if otherwise registrable, may be published subject to the determination of the rights of the parties to such proceedings.

* * * * *

§ 1063. Opposition to registration

(a) Any person who believes that he would be damaged by the registration of a mark upon the principal register may, upon payment of the prescribed fee, file an opposition in the 【Patent and Trademark Office】 *Trademark Office*, stating the grounds therefor, within thirty days after the publication under subsection (a) of section 1062 of this title of the mark sought to be registered. Upon written request prior to the expiration of the thirty-day period, the time for filing opposition shall be extended for an additional thirty days, and further extensions of time for filing opposition may be granted by the Commissioner for good cause when requested prior to the expiration of an extension. The Commissioner shall notify the applicant of each extension of the time for filing opposition. An opposition may be amended under such conditions as may be prescribed by the Commissioner.

(b) Unless registration is successfully opposed—

(1) a mark entitled to registration on the principal register based on an application filed under section 1051(a) or pursuant to section 1126 of this title shall be registered in the 【Patent and Trademark Office】 *Trademark Office*, a certificate of registration shall be issued, and notice of the registration shall be published in the Official Gazette of the 【Patent and Trademark Office】 *Trademark Office*; or

* * * * *

§ 1065. Incontestability of right to use mark under certain conditions

Except on a ground for which application to cancel may be filed at any time under paragraphs (3) and (5) of section 1064 of this title, and except to the extent, if any, to which the use of a mark registered on the principal register infringes a valid right acquired under the law of any State or Territory by use of a mark or trade name continuing from a date prior to the date of registration under this chapter of such registered mark, the right of the registrant to use such registered mark in commerce for the goods or services on or in connection with which such registered mark has been in continuous use for five consecutive years subsequent to the date of such registration and is still in use in commerce, shall be incontestable: *Provided*, That—

(1) * * *

(2) there is no proceeding involving said rights pending in the **【Patent and Trademark Office】** *Trademark Office* or in a court and not finally disposed of; and

* * * * *

§ 1067. Interference, opposition, and proceedings for concurrent use registration or for cancellation; notice; Trademark Trial and Appeal Board

In every case of interference, opposition to registration, application to register as a lawful concurrent user, or application to cancel the registration of a mark, the Commissioner shall give notice to all parties and shall direct a Trademark Trial and Appeal Board to determine and decide the respective rights of registration.

The Trademark Trial and Appeal Board shall include the Commissioner, the Deputy Commissioner, the Assistant Commissioners, and members appointed by the Commissioner. Employees of the **【Patent and Trademark Office】** *Trademark Office* and other persons, all of whom shall be competent in trademark law, shall be eligible for appointment as members. Each case shall be heard by at least three members of the Board, the members hearing such case to be designated by the Commissioner.

* * * * *

§ 1071. Appeal to courts

(a) PERSONS ENTITLED TO APPEAL; UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT; WAIVER OF CIVIL ACTION; ELECTION OF CIVIL ACTION BY ADVERSE PARTY; PROCEDURE.—

(1) * * *

(2) When an appeal is taken to the United States Court of Appeals for the Federal Circuit, the appellant shall file in the **【Patent and Trademark Office】** *Trademark Office* a written notice of appeal directed to the Commissioner, within such time after the date of the decision from which the appeal is taken as the Commissioner prescribes, but in no case less than 60 days after that date.

(3) The Commissioner shall transmit to the United States Court of Appeals for the Federal Circuit a certified list of the documents comprising the record in the **【Patent and Trade-**

mark Office] *Trademark Office*. The court may request that the Commissioner forward the original or certified copies of such documents during pendency of the appeal. In an ex parte case, the Commissioner shall submit to that court a brief explaining the grounds for the decision of the [Patent and Trademark Office] *Trademark Office*, addressing all the issues involved in the appeal. The court shall, before hearing an appeal, give notice of the time and place of the hearing to the Commissioner and the parties in the appeal.

(4) The United States Court of Appeals for the Federal Circuit shall review the decision from which the appeal is taken on the record before the [Patent and Trademark Office] *Trademark Office*. Upon its determination the court shall issue its mandate and opinion to the Commissioner, which shall be entered of record in the [Patent and Trademark Office] *Trademark Office* and shall govern the further proceedings in the case. However, no final judgment shall be entered in favor of an applicant under section 1051(b) of this title before the mark is registered, if such applicant cannot prevail without establishing constructive use pursuant to section 1057(c) of this title.

(b) CIVIL ACTION; PERSONS ENTITLED TO; JURISDICTION OF COURT; STATUS OF COMMISSIONER; PROCEDURE.—

(1) * * *

* * * * *

(3) In any case where there is no adverse party, a copy of the complaint shall be served on the Commissioner, and, unless the court finds the expenses to be unreasonable, all the expenses of the proceeding shall be paid by the party bringing the case, whether the final decision is in favor of such party or not. In suits brought hereunder, the record in the [Patent and Trademark Office] *Trademark Office* shall be admitted on motion of any party, upon such terms and conditions as to costs, expenses, and the further cross-examination of the witnesses as the court imposes, without prejudice to the right of any party to take further testimony. The testimony and exhibits of the record in the [Patent and Trademark Office] *Trademark Office*, when admitted, shall have the same effect as if originally taken and produced in the suit.

(4) Where there is an adverse party, such suit may be instituted against the party in interest as shown by the records of the [Patent and Trademark Office] *Trademark Office* at the time of the decision complained of, but any party in interest may become a party to the action. If there be adverse parties residing in a plurality of districts not embraced within the same State, or an adverse party residing in a foreign country, the United States District Court for the District of Columbia shall have jurisdiction and may issue summons against the adverse parties directed to the marshal of any district in which any adverse party resides. Summons against adverse parties residing in foreign countries may be served by publication or otherwise as the court directs.

* * * * *

§ 1092. Publication; not subject to opposition; cancellation

Marks for the supplemental register shall not be published for or be subject to opposition, but shall be published on registration in the Official Gazette of the [Patent and Trademark Office] *Trademark Office*. Whenever any person believes that he is or will be damaged by the registration of a mark on this register he may at any time, upon payment of the prescribed fee and the filing of a petition stating the ground therefor, apply to the Commissioner to cancel such registration. The Commissioner shall refer such application to the Trademark Trial and Appeal Board which shall give notice thereof to the registrant. If it is found after a hearing before the Board that the registrant is not entitled to registration thereof, or that the mark has been abandoned, the registration shall be canceled by the Commissioner. However, no final judgment shall be entered in favor of an applicant under section 1051(b) of this title before the mark is registered, if such applicant cannot prevail without establishing constructive use pursuant to section 1057(c) of this title.

* * * * *

Subchapter III—General Provisions

§ 1111. Notice of registration; display with mark; recovery of profits and damages in infringement suit

Notwithstanding the provisions of section 1072 of this title, a registrant of a mark registered in the [Patent and Trademark Office] *Trademark Office*, may give notice that his mark is registered by displaying with the mark the words “Registered in U.S. [Patent and Trademark Office] *Trademark Office*” or “Reg. U.S. Pat. & Tm. Off.” or the letter R enclosed within a circle, thus ®; and in any suit for infringement under this chapter by such a registrant failing to give such notice of registration, no profits and no damages shall be recovered under the provisions of this chapter unless the defendant had actual notice of the registration.

§ 1112. Classification of goods and services; registration in plurality of classes

The Commissioner may establish a classification of goods and services, for convenience of [Patent and Trademark Office] *Trademark Office* administration, but not to limit or extend the applicant’s or registrant’s rights. The applicant may apply to register a mark for any or all of the goods or services on or in connection with which he or she is using or has a bona fide intention to use the mark in commerce: Provided, That if the Commissioner by regulation permits the filing of an application for the registration of a mark for goods or services which fall within a plurality of classes, a fee equaling the sum of the fees for filing an application in each class shall be paid, and the Commissioner may issue a single certificate of registration for such mark.

§ 1113. Fee.

(a) APPLICATIONS; SERVICES; MATERIALS.—

The Commissioner shall establish fees for the filing and processing of an application for the registration of a trademark or other mark and for all other services performed by and materials furnished by the [Patent and Trademark Office] *Trademark Office* related to trademarks and other marks. Fees established under this subsection may be adjusted by the Commissioner once each year to reflect, in the aggregate, any fluctuations during the preceding 12 months in the Consumer Price Index, as determined by the Secretary of Labor. Changes of less than 1 percent may be ignored. No fee established under this section shall take effect until at least 30 days after notice of the fee has been published in the Federal Register and in the Official Gazette of the [Patent and Trademark Office] *Trademark Office*.

* * * * *

§ 1116. Injunctive relief

(a) JURISDICTION; SERVICE.—

The several courts vested with jurisdiction of civil actions arising under this chapter shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right of the registrant of a mark registered in the [Patent and Trademark Office] *Trademark Office* or to prevent a violation under section 1125(a) of this title. Any such injunction may include a provision directing the defendant to file with the court and serve on the plaintiff within thirty days after the service on the defendant of such injunction, or such extended period as the court may direct, a report in writing under oath setting forth in detail the manner and form in which the defendant has complied with the injunction. Any such injunction granted upon hearing, after notice to the defendant, by any district court of the United States, may be served on the parties against whom such injunction is granted anywhere in the United States where they may be found, and shall be operative and may be enforced by proceedings to punish for contempt, or otherwise, by the court by which such injunction was granted, or by any other United States district court in whose jurisdiction the defendant may be found.

* * * * *

(d) CIVIL ACTIONS ARISING OUT OF USE OF COUNTERFEIT MARKS.—

(1)(A) In the case of a civil action arising under section 1114(1)(a) of this title or section 380 of Title 36 with respect to a violation that consists of using a counterfeit mark in connection with the sale, offering for sale, or distribution of goods or services, the court may, upon ex parte application, grant an order under subsection (a) of this section pursuant to this subsection providing for the seizure of goods and counterfeit marks involved in such violation and the means of making such marks, and records documenting the manufacture, sale, or receipt of things involved in such violation.

(B) As used in this subsection the term “counterfeit mark” means—

(i) a counterfeit of a mark that is registered on the principal register in the United States [Patent and Trademark Office] *Trademark Office* for such goods or services sold, offered for sale, or distributed and that is in use, whether or not the person against whom relief is sought knew such mark was so registered; or

* * * * *

§ 1117. Recovery for violation of rights

(a) PROFITS; DAMAGES AND COSTS; ATTORNEY FEES.—

When a violation of any right of the registrant of a mark registered in the [Patent and Trademark Office] *Trademark Office*, or a violation under section 1125(a) of this title, shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant’s profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant’s sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.

* * * * *

§ 1118. Destruction of infringing articles

In any action arising under this chapter, in which a violation of any right of the registrant of a mark registered in the [Patent and Trademark Office] *Trademark Office*, or a violation under section 1125(a) of this title, shall have been established, the court may order that all labels, signs, prints, packages, wrappers, receptacles, and advertisements in the possession of the defendant, bearing the registered mark or, in the case of a violation of section 1125(a) of this title, the word, term, name, symbol, device, combination thereof, designation, description, or representation that is the subject of the violation, or any reproduction, counterfeit, copy, or colorable imitation thereof, and all plates, molds, matrices, and other means of making the same, shall be delivered up and destroyed. The party seeking an order under this section for destruction of articles seized under section 1116(d) of this title shall give ten days’ notice to the United States attorney for the judicial district in which such order

is sought (unless good cause is shown for lesser notice) and such United States attorney may, if such destruction may affect evidence of an offense against the United States, seek a hearing on such destruction or participate in any hearing otherwise to be held with respect to such destruction.

§ 1119. Power of court over registration

In any action involving a registered mark the court may determine the right to registration, order the cancellation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action. Decrees and orders shall be certified by the court to the Commissioner, who shall make appropriate entry upon the records of the [Patent and Trademark Office] *Trademark Office*, and shall be controlled thereby.

§ 1120. Civil liability for false or fraudulent registration

Any person who shall procure registration in the [Patent and Trademark Office] *Trademark Office* of a mark by a false or fraudulent declaration or representation, oral or in writing, or by any false means, shall be liable in a civil action by any person injured thereby for any damages sustained in consequence thereof.

§ 1121. Jurisdiction of Federal courts; State and local requirements that registered trademarks be altered or displayed differently; prohibition

(a) * * *

(b) No State or other jurisdiction of the United States or any political subdivision or any agency thereof may require alteration of a registered mark, or require that additional trademarks, service marks, trade names, or corporate names that may be associated with or incorporated into the registered mark be displayed in the mark in a manner differing from the display of such additional trademarks, service marks, trade names, or corporate names contemplated by the registered mark as exhibited in the certificate of registration issued by the United States [Patent and Trademark Office] *Trademark Office*.

* * * * *

§ 1123. Rules and regulations for conduct of proceedings in [Patent and Trademark Office] *Trademark Office*

The Commissioner shall make rules and regulations, not inconsistent with law, for the conduct of proceedings in the [Patent and Trademark Office] *Trademark Office* under this chapter.

* * * * *

§ 1127. Construction and definitions; intent of chapter

In the construction of this chapter, unless the contrary is plainly apparent from the context—

* * * * *

The terms “applicant” and “registrant” embrace the legal representatives, predecessors, successors and assigns of such applicant or registrant.

【The term “Commissioner” means the Commissioner of Patents and Trademarks.】

The term “Commissioner” means the Commissioner of Trademarks.

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The term “registered mark” means a mark registered in the United States 【Patent and Trademark Office】 *Trademark Office* under this chapter or under the Act of March 3, 1881, or the Act of February 20, 1905, or the Act of March 19, 1920. The phrase “marks registered in the 【Patent and Trademark Office】 *Trademark Office* means registered marks.

The term “Act of March 3, 1881”, “Act of February 20, 1905”, or “Act of March 19, 1920,” means the respective Act as amended.

A “counterfeit” is a spurious mark which is identical with, or substantially indistinguishable from, a registered mark.

Words used in the singular include the plural and vice versa.

The intent of this chapter is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce;

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UNCODIFIED LANHAM ACT PROVISIONS

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§ 47(a). Applications pending on effective date of Act

All applications for registration pending in the 【Patent and Trademark Office】 *Trademark Office* at the effective date of this Act may be amended, if practicable, to bring them under the provisions of this Act. This prosecution of such applications so amended and the grant of registrations thereon shall be proceeded with in accordance with the provisions of this Act. If such amendments are not made, the prosecution of said applications shall be proceeded with and registrations thereof granted in accordance with the Acts under which said applications were filed, and said Acts are hereby continued in force to this extent for this purpose only, notwithstanding the foregoing general repeal thereof.

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§ 51. Pending Applications

All certificates of registration based upon applications for registration pending in the 【Patent and Trademark Office】 *Trademark Office* on the effective date of the Trademark Law Revision Act of 1988 shall remain in force for a period * * *.