(B) by inserting before the period the following: ''(G) in the case of certified nurse-midwife services or certified midwife services under section 1961(s)(2)(L), payment may be made in accordance with subparagraph (A), except that payment may also be made to such person or entity (or to the agent of such person or entity) as the certified nurse-midwife or certified midwife may designate under an agreement between the certified nurse-midwife or certified midwife and such person or entity (or the agent of such person or entity);

(7) CLARIFICATION REGARDING PAYMENTS UNDER PART B FOR SUCH SERVICES FURNISHED IN TEACHING HOSPITALS.—(A) Section 1842(b)(7) of such Act (42 U.S.C. 1395u(b)(7)) is amended—

(i) in subparagraphs (A) and (C), by inserting ''or, for purposes of subparagraph (E), the conditions described in section 1861(b)(8),'' after ''section 1861(b)(7),''; and

(ii) by adding at the end the following new subparagraph:

''(E) In the case of certified nurse-midwife services or certified midwife services furnished to a patient in a hospital with a teaching program approved as specified in section 1861(b)(6) but which does not meet the conditions described in section 1861(b)(8), the provisions of subparagraphs (A) through (C) shall apply with respect to a certified nurse-midwife or a certified midwife respectively under this subparagraph as they apply to a physician under subparagraphs (A) through (C).''.

(B) Not later than 180 days after the date of the enactment of this Act, the Secretary shall prescribe regulations to carry out the amendments made by subparagraph (A).

SEC. 3. MEDICARE PAYMENT FOR FREESTANDNG BIRTH CENTER SERVICES.

(a) FREESTANDING BIRTH CENTER SERVICES, FREESTANDING BIRTH CENTER DEFINED.—

(1) IN GENERAL.—(A) Section 1861(gg) of the Social Security Act (42 U.S.C. 1395x(gg)), as amended in section 2(a)(1), is amended by adding at the end the following new paragraphs:

''(5) The term 'freestanding birth center services' means items and services furnished by a freestanding birth center (as defined in paragraph (6)) and such items and services furnished as an incident to the freestanding birth center's service as would otherwise be covered if furnished by a physician or as an incident to a physician's service.

''(6) the term 'freestanding birth center' means a facility, institution, or site (other than a rural health clinic, critical access hospital, or a sole community hospital) (A) in which births are planned to occur (outside the mothers's place of residence), (B) in which comprehensive health care services are furnished, and (C) which has been approved by the Secretary or accredited by an organization recognized by the Secretary for purposes of accrediting freestanding birth centers. Such term does not include a facility, institution, or site that is a hospital or an ambulatory surgical center, unless with respect to ambulatory surgical centers, the State law or regulation that regulates such centers also regulates freestanding birth centers in the State.''.

(B) The heading in section 1861(gg) of such Act (42 U.S.C. 1359x(gg)), as amended in section 2(b)(2), is further amended by adding at the end the following:

''; Freestanding Birth Center Services''.

(2) MEDICAL AND OTHER SERVICES.—Section 1861(s)(2)(L) of such Act (42 U.S.C. 1395x(s)(2)(L)), as amended in section 2(b)(1), is further amended—

(A) by inserting ''(i)'' after ''(L)'';

(B) by adding ''and'' after the semicolon; and

(C) by adding at the end the following new clause:

''(ii) freestanding birth center services;''.

(b) PART B BENEFIT.—

(1) IN GENERAL.—Section 1832(a)(2)(B)(iii) of such Act (42 U.S.C. 1395k(a)(2)(B)(iii)), as amended in section 2(b)(4), is further amended by inserting ''freestanding birth center services,'' after ''certified midwife services,''.

(2) AMOUNT OF PAYMENT.—Section 1833(a)(1) of such Act (42 U.S.C. 1395l(a)(1)) is amended—

(A) by striking ''and (S)'' and inserting in lieu thereof ''(S)''; and

(B) by inserting before the semicolon the following new subparagraph: '', and (T) with respect to freestanding birth center services under section 1861(s)(2)(L)(ii), the amount paid shall be made on an assignment-related basis and shall be 80 percent of the lesser of (i) the actual charge for the services or (ii) an amount established by the Secretary for purposes of this subparagraph, such amount being 95 percent of the Secretary's estimate of the average total payment made to hospitals and physicians during 1997 for charges for delivery and pre-delivery visits, such amounts adjusted to allow for regional variations in labor costs; except that (I) such estimate shall not include payments for diagnostic tests, drugs, or the cost associated with the transfer of a patient to the hospital or the physician whether or not separate payments were made under this title for such tests, drugs, or transfers, and (II) such amount shall be updated by applying the single conversion factor for 1998 under section 1848(d)(1)(C)''.

SEC. 4. INTERIM, FINAL REGULATIONS.

Except as provided in section 2(b)(7)(B), in order to carry out the amendments made by this Act in a timely manner, the Secretary of Health and Human Services may first promulgate regulations, that take effect on an interim basis, after notice and pending opportunity for public comment, by not later than 6 months after the date of the enactment of this Act.

FOREIGN OPERATIONS, EXPORT FINANCING, AND RELATED PROGRAMS APPROPRIATIONS ACT, 2000

SPEECH OF

HON. SHEILA JACKSON-LEE

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Monday, August 2, 1999

The House in Committee of the Whole House on the State of the Union had under consideration the bill (H.R. 2606) making appropriations for foreign operations, export financing, and related programs for the fiscal year ending September 30, 2000, and for other purposes:

Ms. JACKSON-LEE of Texas. Mr. Chairman, I rise in opposition to this amendment offered by Representative BURTON. This amendment terminates United States bilateral aid to India for human rights reasons.

The Burton amendment is wrong on several fronts. In the wake of the recent Pakistani incursion across the line of control, the U.S. and India have a new opportunity to build a broad-based relationship. Instead of applauding India for the admirable restraint shown in the recent Kashmir crisis, this amendment would punish India by cutting humanitarian assistance.

India has been working to address its human rights record. As evidenced by the most recent State Department Country Reports on Human Rights, India has received high marks for its significant improvement. The report praised India for its substantial progress and for its Independent National Human Rights Commission. Despite the continued dispute over the future of Kashmir, India continues to allow the International Committee of the Red Cross to visit prisons in Kashmir.

India the world's largest democracy has a strong and vibrant democracy. Despite the relative youth of this democracy it features an independent judiciary, free press and political parties. The Indian press has been at the forefront in investigating human rights violations.

In a few short months, most Indians will exercise one of the greatest hallmarks of democracy, the right to vote. In the world's largest exercise of democracy, more than 250 million people will vote and more than 100 national regional parties will participate in this national election for India.

The best way we can influence our democratic allies is to continue our nation to nation dialogue. Punitive damages will only serve to hinder the progress that has been made in the relations between the United States and India. During the last year this relationship has resulted in an increased dialogue on nuclear nonproliferation, a firmer understanding of Southeast Asia security concerns, and an increase in constructive trade between our two nations. And we must encourage India and Pakistan to seek peace not war.

A ''yes'' vote on the Burton amendment would send the wrong message at the wrong time. We do not want to be responsible for undercutting peace and stability in the region. I respectfully ask my colleagues to vote ''no'' on the Burton amendment and let us continue the dialogue with India.

AMERICAN INVENTORS PROTECTION ACT OF 1999

SPEECH OF

HON. HOWARD COBLE

OF NORTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, August 3, 1999

Mr. COBLE. Mr. Speaker, in light of eleventh-hour negotiations on a final suspension version of H.R. 1907, which the House of Representatives passed on August 4, 1999, changes have been made to the bill which are not reflected in the committee report that was filed. I therefore intend that this document supplement the report for purposes of detailing a more accurate legislative history of H.R. 1907. It should be noted that the later-adopted changes to the suspension version primarily concern title II, title V, and title VI, to which these supplementary comments will be confined. Changes to other sections of the bill are technical.

TITLE II—FIRST INVENTOR DEFENSE

Generally. Title II strikes an equitable balance between the interests of U.S. inventors who have invented and commercialized business methods and processes, many of which until recently were thought not to be patentable, and U.S. or foreign inventors who later patent the methods and processes. The title creates a defense for inventors who have reduced an invention to practice in the U.S. at least one year before the patent filing date of another, typically later, inventor and commercially used the invention in the U.S. before the filing date. A party entitled to the

defense must not have derived the invention from the patent owner. The bill protects the patent owner by providing that the establishment of the defense by such an inventor or entrepreneur does not invalidate the patent.

The title clarifies the interface between two key branches of intellectual property law—patents and trade secrets. Patent law serves the public interest by encouraging innovation and investment in new technology, and may be thought of as providing a right to exclude other parties from an invention in return for the inventor making a public disclosure of the invention. Trade secret law, however, also serves the public interest by protecting investments in new technology. Trade secrets have taken on a new importance with an increase in the ability to patent all business methods and processes. It would be administratively and economically impossible to expect any inventor to apply for a patent on all methods and processes now deemed patentable. In order to protect inventors and to encourage proper disclosure, this title focuses on methods for doing and conducting business, including methods used in connection with internal commercial operations as well as those used in connection with the sale or transfer of useful end results—whether in the form of physical products, or in the form of services, or in the form of some other useful results; for example, results produced through the manipulation of data or other inputs to produce a useful result.

The earlier-inventor defense is important to many small and large businesses, including financial services, software companies, and manufacturing firms—any business that relies on innovative business processes and methods. The 1998 opinion by the U.S. Court of Appeals for the Federal Circuit in State Street Bank and Trust Co. v. Signature Financial Group,[1] which held that methods of doing business are patentable, has added to the urgency of the issue. As the Court noted, the reference to the business method exception had been improperly applied to a wide variety of processes, blurring the essential question of whether the invention produced a ''useful, concrete, and tangible result.'' in the wake of State Street, thousands of methods and processes used internally are now being patented. In the past, many businesses that developed and used such methods and processes thought secrecy was the only protection available. Under established law, any of these inventions which have been in commercial use—public or secret—for more than one year cannot now be the subject of a valid U.S. patent.

Sec. 201. Short title. Title II may be cited as the ''First to Invent Act.''

Sec. 202. Defense to patent infringement based on earlier inventor. In establishing the defense, subsection (a) of §202 creates a new §273 of the Patent Act, which in subsection (a) sets forth the following definitions:

(5) *commercially used and commercial use* mean use of any method in the United States so long as the use is in connection with an internal commercial use or an actual sale or transfer of a useful end result;

(2) commercial use as applied to a nonprofit research laboratory and nonprofit entities such as a university, research center, or hospital intended to benefit the public means that such entities may assert the defense only based on continued use by and in the entities themselves, but that the defense is inapplicable to subsequent commercialization or use outside the entities;

(3) method means any method for doing or conducting an entity's business; and

(4) effective filing date means the earlier of the actual filing date of the application for the patent or the filing date of any earlier U.S., foreign, or international application to which the subject matter at issue is entitled under the Patent Act.

To be ''commercially used'' or in ''commercial use'' for purposes of subsection (a), the use must be in connection with either an internal commercial use or an actual arm's-length sale or other arm's-length commercial transfer of a useful end result. The method that is the subject matter of the defense may be an internal method for doing business, such as an internal human resources management process, or a method for conducting business such as a preliminary or intermediate manufacturing procedure, which contributes to the effectiveness of the business by producing a useful end result for the internal operation of the business or for external sale. Commercial use does not require the subject matter at issue to be accessible to or otherwise known to the public.

Subject matter that must undergo a premarketing regulatory review period during which safety or efficacy is established before commercial marketing or use is considered to be commercially used and in commercial use during the regulatory review period.

The issue of whether an invention is a method is to be determined based on its underlying nature and not on the technicality of the form of the claims in the patent. For example, a method for doing or conducting business that has been claimed in a patent as a programmed machine, as in the State Street case, is a method for purposes of §273 if the invention could have as easily been claimed as a method. Form should not rule substance.

Subsection (b)(1) of proposed §273 establishes a general defense against infringement under §271 of the Patent Act. Specifically, a person will not be held liable with respect to any subject matter that would otherwise infringe one or more claims to a method in another party's patent if the person:

(1) acting in good faith, actually reduced the subject matter to practice at least one year before the effective filing date of the patent; and

(2) commercially used the subject matter before the effective filing date of the patent.

The first inventor defense is not limited to methods in any particular industry such as the financial services industry, but applies to any industry which relies on trade secrecy for protecting methods for doing or conducting the operations of their business.

Subsection (b)(2) states that the sale or other lawful disposition of a useful end result produced by a patented method, by a person entitled to assert a §273 defense, exhausts the patent owner's rights with respect to that end result to the same extent such rights would have been exhausted had the sale or other disposition been made by the patent owner. For example, if a purchaser would have had the right to resell a product or other end result if bought from the patent owner, the purchaser will have the same right if the product is purchased from a person entitled to a §273 defense.

Subsection (b)(3) creates limitations and qualifications on the use of the defense. First, a person may not assert the defense unless the invention for which the defense is asserted is for a commercial use of a method as defined in §273(a) (1) and (3). Second, a person may not assert the defense if the subject matter was derived from the patent owner or persons in privity with the patent owner. Third, subsection (b)(3) makes clear that the application of the defense does not create a general license under all claims of the patent in question—it extends only to the specific subject matter claimed in the patent with respect to which the person can assert the defense. At the same time, however, the defense does extend to variations in the quantity or volume of use of the claimed subject matter, and to improvements that do not infringe additional, specifically-claimed subject matter.

Subsection (b)(4) requires that the person asserting the defense has the burden of proof in establishing it by clear and convincing evidence. Subsection (b)(5) establishes that the person who abandons the commercial use of subject matter may not rely on activities performed before the date of such abandonment in establishing the defense with respect to actions taken after the date of abandonment. Such a person can rely only on the date when commercial use of the subject matter was resumed.

Subsection (b)(6) notes that the defense may only be asserted by the person who performed the acts necessary to establish the defense, and, except for transfer to the patent owner, the right to assert the defense cannot be licensed, assigned, or transferred to a third party except as an ancillary and subordinate part of a good-faith assignment or transfer for other reasons of the entire enterprise or line of business to which the defense relates.

When the defense has been transferred along with the enterprise or line of business to which it relates as permitted by subsection (b)(6), subsection (b)(7) limits the sites for which the defense may be asserted. Specifically, when the enterprise or line of business to which the defense relates has been transferred, the defense may be asserted only for uses at those sites where the subject matter was used before the later of the patent filing date or the date of transfer of the enterprise or line of business.

Subsection (b)(8) states that a person who fails to demonstrate a reasonable basis for asserting the defense may be held liable for attorneys' fees under §285 of the Patent Act.

Subsection (b)(9) specifies that the successful assertion of the defense does not mean that the affected patent is invalid. Paragraph (9) eliminates a point of uncertainty under current law, and strikes a balance between the rights of an inventor who obtains a patent after another inventor has taken the steps to qualify for a prior use defense. The bill provides that the commercial use of a method in operating a business before the patentee's filing date, by an individual or entity that can establish a §273 defense, does not invalidate the patent. For example, under current law, although the matter has seldom been litigated, a party who commercially used an invention in secrecy before the patent filing date and who also invented the subject matter before the patent owner's invention may argue that the patent is invalid under §102(g) of the Patent Act. Arguably, commercial use of an invention in secrecy is not suppression or concealment of the invention within the meaning of §102(g), and therefore the party's earlier invention could invalidate the patent.[2]

Sec. 203. Effective date and applicability. The effective date for Title II is the date of enactment, except that the title does not apply to any infringement action pending on the date of enactment or to any subject matter for which an adjudication of infringement, including a consent judgment, has been made before the date of enactment.

TITLE V—PATENT LITIGATION REDUCTION ACT

Generally. Title V is intended to reduce expensive patent litigation in U.S. district

[1] 149 F.3d 1368 (Fed. Cir. 1998) [hereinafter *State Street*]

[2] *See Dunlop Holdings* v. *Ram Golf Corp.*, 524 F.2d 33 (7th Cir. 1975), *cert. denied*, 424 US 985 (1976).

courts by giving third-party requesters, in addition to the existing *ex parte* reexamination in Chapter 30 of title 35, the option of *inter partes* reexamination proceedings in the PTO. Congress enacted legislation to authorize *ex parte* reexamination of patents in the PTO in 1980, but such reexamination has been used infrequently since a third party who requests reexamination cannot participate at all after initiating the proceedings. Numerous witnesses have suggested that the volume of lawsuits in district courts will be reduced if third parties can be encouraged to use reexamination by giving them an opportunity to argue their case for patent invalidity in the PTO. Title V provides that opportunity as an option to the existing *parte* reexamination procedures.

Title V leaves existing *ex parte* reexamination procedures in Chapter 30 of title 35 intact, but establishes an *inter parte* reexamination procedure which third-party requesters can use at their option. Title V allows third parties who request *inter partes* reexamination to submit one *written* comment each time the patent owner files a response to the PTO. In addition, such third-party requesters can appeal to the PTO Board of Patent Appeals and Interferences from an examiner's determination that the reexamined patent is valid, but may not appeal to the Court of Appeals for the Federal Circuit. To prevent harassment, anyone who requests *inter partes* reexamination must identify the real party in interest and third-party requesters who participate in an *inter partes* reexamination proceeding are estopped from raising in a subsequent court action or *inter partes* reexamination any issue of patent validity that they raised or could have raised during such *inter partes* reexamination.

Title V contains the important threshold safeguard (also applied in *ex parte* reexamination) that an *inter partes* reexamination cannot be commenced unless the PTO makes a determination that a ''substantial new question'' of patentability is raised. Also, as under Chapter 30, this determination cannot be appealed, and grounds for *inter partes* reexamination are limited to earlier patents and printed publications—grounds that PTO examiners are well-suited to consider.

Sec. 501. Short title. Title V may be cited as the ''Optional *Inter Partes* Reexamination Procedure Act.''

Sec. 502. Clarification of Chapter 30. Section 502 distinguishes Chapter 31 from existing Chapter 30 by changing the title of Chapter 30 to ''*Ex Parte* Reexamination of Patents.''

Sec. 503. Definitions. Section 503 amends §100 of the Patent Act by defining ''third-party requester'' as a person who is not a patent owner requesting *ex parte* reexamination under §302 or *inter partes* reexamination under §311.

Sec. 504. Optional Inter Partes Reexamination Procedure. Section 504 amends Part 3 of title 35 by inserting a new Chapter 31 setting forth optional *inter partes* reexamination procedures.

New §311 of §504 differs from §302 of existing law in Chapter 30 of the Patent Act by requiring any person filing a written request for *inter partes* reexamination

Similar to §303 of existing law, new §312 of the Patent Act confers upon the Director the authority and responsibility to determine, within three months after the filing of a request for *inter partes* reexamination, whether a substantial new question affecting patentability of any claim of the patent is raised by the request. Also, the decision in this regard is final and not subject to judicial review.

Proposed §§313–14 of §504 are similarly modeled after §§304–305 of Chapter 30. Under proposed §313, if the Director determines that a substantial new question of patentability affecting a claim is raised, the determination shall include an order for *inter partes* reexamination for resolution of the question. The order may be accompanied by the initial PTO action on the merits of the *inter partes* reexamination conducted in accordance with §314. Generally, under proposed §314, *inter partes* reexamination shall be conducted according to the procedures set forth in §§132–133 of the Patent Act. The patent owner will be permitted to propose any amendment to the patent and a new claim or claims, with the same exception contained in §305: No proposed amended or new claim enlarging the scope of the claims will be allowed.

Proposed §314 elaborates on procedure with regard to third-party requesters who, for the first time, are given the option to participate in *inter partes* reexamination proceedings. With the exception of the *inter partes* reexamination request, any document filed by either the patent owner or the third-party requester shall be served on the other party. In addition, the third party-requester in an *inter partes* reexamination shall receive a copy of any communication sent by the PTO to the patent owner. After each response by the patent owner to an action on the merits by the PTO, the third-party requester shall have one opportunity to file written comments addressing issues raised by the PTO or raised in the patent owner's response. Unless ordered by the Director for good cause, the agency must act in an *inter partes* reexamination matter with special dispatch.

Proposed §315 prescribes the procedures for appeal of an adverse PTO decision by the patent owner and the third-party requester in an *inter partes* reexamination. Both the patent owner and the third-party requester are entitled to appeal to the Patent Board of Appeals and Interferences (§134 of the Patent Act), but only the patentee can appeal to the U.S. Court of Appeals for the Federal Circuit (§§141–144); either may also be a party to any appeal by the other to the Board of Patent Appeals and Interferences. The patentee is not entitled to the alternative of an appeal of an *inter partes* reexamination to the U.S. District Court for the District of Columbia. Such appeals are rarely taken from *inter partes* reexamination proceedings under existing law and its removal should speed up the process.

To deter unnecessary litigation, proposed §315 imposes constraints on the third-party requester. In general, a third-party requester who is granted an *inter partes* reexamination by the PTO may not assert at a later time in any civil action in U.S. district court[3] the invalidity of any claim finally determined to be patentable on any ground that the third-party requester raised or could have raised during the *inter partes* reexamination. However, the third-party requester may assert invalidity based on newly discovered prior art unavailable at the time of the reexamination. Prior art was unavailable at the time of the *inter partes* reexamination if it was not known to the individuals who were involved in the reexamination proceeding on behalf of the third-party requester and the PTO.

Section 316 provides for the Director to issue and publish certificates canceling unpatentable claims, confirming patentable claims, and incorporating any amended or new claim determined to be patentable in an *inter partes* procedure.

Title V creates a new §317 which sets forth certain conditions by which *inter partes* reexamination is prohibited to guard against harassment of a patent holder. In general, once an order for *inter partes* reexamination has been issued, neither a third-party requester nor the patent owner may file a subsequent request for *inter partes* reexamination until an *inter partes* reexamination certificate is issued and published, unless authorized by the Director. Further, if a third-party requester asserts patent invalidity in a civil action and a final decision is entered that the party failed to provide the assertion of invalidity, or if a final decision in an *inter partes* reexamination instituted by the requester is favorable to patentability, after any appeals, that third-party requester cannot thereafter request *inter partes* reexamination on the basis of issues which were or which could have been raised. However, the third-party requester may assert invalidity based on newly discovered prior art unavailable at the time of the civil action or *inter parties* reexamination. Prior art was unavailable at the time if it was not known to the individuals who were involved in the civil action or *inter parties* reexamination proceeding on behalf of the third-party requester and the PTO.

Proposed §318 gives a patent owner the right, once an *inter partes* reexamination has been ordered, to obtain a stay of any pending litigation involving an issue of patentability of any claims of the patent that are the subject of the *inter partes* reexamination, unless the court determines that the stay would not serve the interests of justice.

Section 505. Conforming amendments. Section 505 makes the following conforming amendments to the Patent Act:

A patent owner must pay a fee of $1,210 for each petition in connection with an unintentionally abandoned application, delayed payment, or delayed response by the patent owner during any reexamination.

A patent applicant, any of whose claims have been twice rejected; a patent owner in an reexamination proceeding; and a third-party requester in an *inter partes* reexamination proceeding may all appeal final adverse decisions from a primary examiner to the Board of Patent Appeals and Interferences.

Proposed §141 states that a patent owner in a reexamination proceeding may appeal an adverse decision by the Board of Patent Appeals and Interferences only to the U.S. Court of Appeals for the Federal Circuit as earlier noted. A third-party requester in an *inter partes* reexamination proceeding may not appeal beyond the Board of Patent Appeals and Interferences.

The Director is required pursuant to §143 (proceedings on appeal to the Federal Circuit) to submit to the court the grounds for the PTO decision in any reexamination addressing all the issues involved in the appeal.

Sec. 506. Report to Congress. Five years after the effective date of title V, the Director must submit to Congress a report evaluating whether the *inter partes* reexamination proceedings set forth in the title are inequitable to any of the parties in interest and, if so, the report shall contain recommendations for change to eliminate the inequity.

Sec. 507. Estoppel Effect of Reexamination. Section 507 estops any party who requests *inter partes* reexamination from challenging at a later time, in any civil action, any fact determined during the process of the *inter partes* reexamination, except with respect to a fact determination later proved to be erroneous based on information unavailable at the time of the *inter partes* reexamination. The estoppel arises after a final decision in the *inter partes* reexamination or a final decision in any appeal of such reexamination. If §507 is held to be unenforcable, the enforceability of the rest of title V or the Act is not affected.

Sec. 508. Effective date. Title V shall take effect on the date that is one year after the

[3] *See* 28 U.S.C. §1338.

date of enactment and shall apply to all *inter partes* reexamination requests filed on or after such date.

TITLE VI—PATENT AND TRADEMARK OFFICE

Generally. Title VI establishes the PTO as an agency of the United States within the Department of Commerce. The Secretary of Commerce gives policy direction to the agency, but the agency itself is responsible for the management and administration of operations and has independent control of budget allocations and expenditures, personnel decisions and processes, and procurement. The Committee intends that the office will conduct its patent and trademark operations without micromanagement by Department of Commerce officials, with the exception of policy guidance of the Secretary. The agency is headed by an Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office, a Deputy, and a Commissioner of Patents and a Commissioner of Trademarks. The agency is exempt from government-wide personnel ceilings. A patent public advisory committee and a trademark public advisory committee are established to advise the Director on agency policies, goals, performance, budget and user fees.

Sec. 601. Short title. Title VI may be cited as the ''Patent and Trademark Office Efficiency Act.''

SUBTITLE A—UNITED STATES PATENT AND TRADEMARK OFFICE

Sec. 611. Establishment of Patent and Trademark Office. Section 611 establishes the PTO as an agency of the United States within the Department of Commerce and under the policy direction of the Secretary of Commerce. The PTO is explicitly responsible for decisions regarding the management and administration of its operations and has independent control of budget allocations and expenditures, personnel decisions and processes, procurements, and other administrative and management functions. Patent operations and trademark operations are to be treated as separate operating units within the Office.

The PTO shall maintain its principal office in the metropolitan Washington, D.C., area, for the service of process and papers and for the purpose of discharging its functions. For purposes of venue in civil actions, the agency is deemed to be a resident of the district in which its principal office if located, except where otherwise provided by law. The PTO is also permitted to establish satellite offices in such other places in the United States as it considers necessary and appropriate to conduct business.

Sec. 612. Powers and duties. Subject to the policy direction of the Secretary of Commerce, in general the PTO will be responsible for granting and issuing patents, the registration of trademarks, and the dissemination of patent and trademark information to the public.

The PTO will also possess specific powers, which include:

(1) a requirement to adopt and use an Office seal for judicial notice purposes and for authenticating patents, trademark certificates and papers issued by the Office;

(2) the authority to establish regulations, not inconsistent with law, that

(A) govern the conduct of PTO proceedings within the Office,

(B) are in accordance with §553 of title 5,

(C) facilitate and expedite the processing of patent applications, particularly those which can be processed electronically,

(D) govern the recognition, conduct, and qualifications of agents, attorneys, or other persons representing applicants or others before the PTO,

(E) recognize the public interest in ensuring that the patent system retain a reduced fee structure for small entities, and

(F) provide for the development of a performance-based process for managing that includes quantitative and qualitative measures, standards for evaluating cost-effectiveness, and consistency with principles of impartiality and competitiveness;

(3) the authority to acquire, construct, purchase, lease, hold, manage, operate, improve, alter and renovate any real, personal, or mixed property as it considers necessary to discharge its functions;

(4) the authority to make purchases of property, contracts for construction, maintenance, or management and operation of facilities, as well as to contract for and purchase printing services without regard to those federal laws which govern such proceedings;

(5) the authority to use services, equipment, personnel, facilities and equipment of other federal entities, with their consent and on a reimbursable basis;

(6) the authority to 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 foreign patent or trademark office or international organization to perform functions on its behalf;

(7) the authority to retain and use all of its revenues and receipts;

(8) a requirement to advise the President, through the Secretary of Commerce, on national and certain international intellectual property policy issues;

(9) a requirement to advise Federal departments and agencies of intellectual property policy in the United States and intellectual property protection abroad;

(10) a requirement to provide guidance regarding proposals offered by agencies to assist foreign governments and international intergovernmental organizations on matters of intellectual property protection;

(11) the authority to conduct programs, studies of exchanges regarding domestic or international intellectual property law and the effectiveness of intellectual property protection domestically and abroad;

(12) a requirement to advise the Secretary of Commerce on any programs and studies relating to intellectual property policy that the PTO may conduct or is authorized to conduct, cooperatively with foreign intellectual property offices and international intergovernmental organizations; and

(13) the authority to (A) coordinate with the Department of State in conducting programs and studies cooperatively with foreign intellectual property offices and international intergovernmental organizations, and (B) transfer, with the concurrence of the Secretary of State, up to $100,000 in any year to the Department of State to pay an international intergovernmental organization for studies and programs advancing international cooperation concerning patents, trademarks, and other matters.

The specific powers set forth in new subsection (b) are clarified in new subsection (c). The special payments of paragraph (14)(B) are additional to other payments or contributions and are not subject to any limitation imposed by law. Nothing in subsection (b) derogates from the duties of the Secretary of State or the United States Trade Representative as set forth in §141 of the Trade Act of 1974,[4] nor derogates from the duties and functions of the Register of Copyrights. The Director is required to consult with the Administrator of General Services when exercising authority under paragraphs (3) and (4)(A). Finally, nothing in §612 may 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 PTO.

Sec. 613. Organization and management. Section 613 details the organization and management of the agency. The powers and duties of the PTO shall be vested in the Director, who shall be appointed by the President, by and with the consent of the Senate. The Director performs two main functions. As Under Secretary of Commerce for Intellectual Property, she serves as the policy advisor to the Secretary of Commerce on intellectual property issues. As Director, she is responsible for the management and direction of the PTO. She shall consult with the Public Advisory Committees, infra, on a regular basis regarding operations of the agency and before submitting budgetary proposals and fee or regulation changes. the Director shall take an oath of office. The President may remove the Director from office, but must provide notification to both houses of Congress.

The Secretary of Commerce, upon nomination of the director, shall appoint a Deputy Director to act in the capacity of the Director if the Director is absent or incapacitated. The Secretary of Commerce shall also appoint two Commissioners, one for Patents, the other for Trademarks, without regard to chapters 31, 51, or 53 of the U.S. Code. The Commissioners will have five-year terms and may be reappointed to new terms by the Secretary. Each Commissioner shall possess a demonstrated experience in patent and trademark law, respectively; and they shall be responsible for the management and direction of the patent and trademark operations, respectively. In addition to receiving a basic rate of compensation under the Senior Executive Service[5] and a locality payment,[6] the Commissioners may receive bonuses of up to 50 percent of their annual basic rate of compensation, not to exceed the salary of the Vice President, based on a performance evaluation by the Secretary, acting through the Director. The Secretary may remove Commissioners for misconduct or unsatisfactory performance.

The Director may also appoint other officers, agents, and employees as she sees fit, and define their responsibilities with equal discretion. The PTO is specifically not subject to any administratively or statutorily imposed limits (full-time equivalents, or ''FTEs'') on positions or personnel.

The PTO is charged with developing and submitting to Congress a proposal for an incentive program to retain senior (of the primary examiner grade or higher) patent and trademark examiners eligible for retirement for the sole purpose of training patent and trademark examiners.

The PTO will be subject to all provisions of title 5 of the U.S. Code governing federal employees. All relevant labor agreements which are in effect the day before enactment of title VI shall be adopted by the agency. All PTO employees as of the day before the effective date of Title VI shall remain officers and employees of the agency without a break in service. Other personnel of the Department of Commerce shall be transferred to the PTO only if necessary to carry out purposes of title VI of the bill and if a major function of their work is reimbursed by the PTO they spend at least half of their work time in support of the PTO, or a transfer to the PTO would be in the interest of the agency, as determined by the Secretary of Commerce in consultation with the Director.

[4] 19 U.S.C. §2171.

[5] 28 U.S.C. §5382.

[6] 5 U.S.C. §5304(h)(2)(C).

On or after the effective date of the Act, the President shall appoint an individual to serve as Director until a Director qualifies under subsection (a). The persons serving as the Assistant Commissioner for Patents and the Assistant Commissioner for Trademarks on the day before the effective date of the Act may serve as the Commissioner for Patents and the Commissioner for Trademarks, respectively, until a respective Commissioner is appointed under subsection (b)(2).

Sec. 614. Public Advisory Committees. Section 613 provides a new section 5 of the Patent Act which establishes a Patent Public Advisory Committee and a Trademark Public Advisory Committee. Each Committee has nine voting members with three-year terms appointed by and serving at the pleasure of the Secretary of Commerce. Initial appointments will be made within three months of the effective date of the Act; and three of the initial appointees will receive one-year terms, three will receive two-year terms, and three will receive full terms. Vacancies will be filled within three months. The Secretary will also designate chairpersons for three-year terms.

The members of the Committees will be U.S. citizens and will be chosen to represent the interests of users. The Patent Public Advisory Committee shall have members who represent small and large entity applicants in the United States in proportion to the number of applications filed by the small and large entity applicants. In no case shall the small entity applicants be represented by less than 25 percent of the members of the Patent Public Advisory Committee, at least one of whom shall be an independent inventor. The members of both Committees shall include individuals with substantial background and achievement in finance, management, labor relations, science, technology, and office automation. The patent and trademark examiners' unions are entitled to have one representative on their respective Advisory Committee in a non-voting capacity.

The Committees meet at the call of the chair to consider an agenda established by the chair. Each Committee reviews the policies, goals, performance, budget, and user fees that bear on its area of concern and advises the Director on these matters. Within 60 days of the end of a fiscal year, the Committees prepare annual reports, transmit the reports to the Secretary of Commerce, the President, and the Committees on the Judiciary of the Congress, and publish the reports in the Official Gazette of the PTO.

Members of the Committees are compensated at a defined daily rate for meeting and travel days. Members are provided access to PTO records and information other than personnel or other privileged information including that concerning patent applications. Members are special Government employees within the meaning of §202 of title 18. The Federal Advisory Committee Act shall not apply to the Committees. Finally, §614 provides that Committee meetings shall be open to the public unless by a majority vote the Committee meets in executive session to consider personnel or other confidential information.

Sec. 615. Patent and Trademark Office funding. Pursuant to §42(c) of the Patent Act, fee available to the Commissioner under §31 of the Trademark Act of 1946[7] may be used only for the processing of trademark registrations and for other trademark-related activities, and to cover a proportionate share of the administrative costs of the PTO. In an effort to more tightly ''fence'' trademark funds for trademark purposes, §615 amends this language such that all (trademark) fees available to the Commissioner shall be used for trademark registration and other trademark-related purposes. In other words, the Commissioner may exercise no discretion when spending funds; they must be earmarked for trademark purposes.

Sec. 616. Conforming amendments. Technical conforming amendments to the Patent Act are set forth in §616.

Sec. 617. Trademark Trial and Appeal Board. Section 617 amends §17 of the Trademark Act of 1946 by specifying that the Director shall give notice to all affected parties and shall direct a Trademark Trial and Appeal Board to determine the respective rights of those parties before it in a relevant proceeding. The section also invests the Director with the power of appointing administrative trademark judges to the Board. The Director, the Commissioner for Trademarks, the Commissioner for Patents, and the administrative trademark judges shall serve on the Board.

Sec. 618. Board of Patent Appeals and Interferences. Under existing §7 of the Patent Act, the Commissioner, Deputy Commissioner, Assistant Commissioner, and the examiners-in-chief constitute the Board of Patent Appeals and Interferences. Pursuant to §618 of Title VI, the Board is comprised of the Director, the Commissioner for Patents, the Commissioner for Trademarks, and the administrative patent judges. In addition, the existing statute allows each appellant a hearing before three members of the Board who are designated by the Commissioner. Section 618 empowers the Director with this authority.

Sec. 619. Annual report of Director. No later than 180 days after the end of each fiscal year, the Director must provide a report to Congress detailing funds received and expended by the PTO, the purposes for which the funds were spent, the quality and quantity of PTO work, the nature of training provided to examiners, the evaluations of the Commissioners by the Secretary of Commerce, the Commissioners' compensation, and other information relating to the agency.

Sec. 620. Suspension or exclusion from practice. Under existing §32 of the Patent Act, the Commissioner (the Director pursuant to §632 of this Act) has the authority, after notice and a hearing, to suspend or exclude from further practice before the PTO any person who is incompetent, disreputable, indulges in gross misconduct or fraud, or is noncompliant with PTO regulations. Section 620 permits the Director to designate an attorney who is an officer or employee of the PTO to conduct a hearing under §32.

Sec. 621. Pay of Director and Deputy Director. Section 621 replaces the Assistant Secretary of Commerce and Commissioner of Patents and Trademarks with the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office to receive pay at Level III of the Executive Schedule.[8] Section 621 also establishes the pay of the Deputy Director at Level IV of the Executive Schedule.[9]

Sec. 622. Study on fees. Section 622 call on the Under Secretary of Commerce for Intellectual Property to conduct a study of alternative fee structures to encourage maximum participation by inventors in the PTO.

SUBTITLE B—EFFECTIVE DATE; TECHNICAL AMENDMENTS

Sec. 631. Effective Date. The effective date of Title VI is four months after the date of enactment.

Section 632. Technical and conforming amendments. Section 632 sets forth numerous technical and conforming amendments related to Title VI.

SUBTITLE C—MISCELLANEOUS PROVISIONS

Sec. 641. References. Section 641 clarifies that any reference to the transfer of a function from a department or office to the head of such department or office means the head of such department or office to which the function is transferred. In addition, in other federal materials to the Commissioner of Patents and Trademarks refer, upon enactment, to the Director of the United States Patent and Trademark Office. Similarly, references to the Assistant Commissioner for Patents deemed to refer to the Commissioner for Patents and references to the Assistant Commissioner for Trademarks are deemed to refer to the Commissioner for Trademarks.

Sec. 642. Exercise of authorities. Under §642, except as otherwise provided by law, a federal official to whom a function is transferred pursuant to Title VI may exercise all authorities under any other provision of law that were available regarding the performance of that function to the official empowered to perform that function immediately before the date of the transfer of the function.

Sec. 643. Savings provisions. Relevant legal documents that relate to a function which is transferred by Title VI, and which are in effect on the date of such transfer, shall continue in effect according to their terms unless later modified or repealed in an appropriate manner. Applications or proceedings concerning any benefit, service, or license pending on the effective date of Title VI before an office transferred shall not be affected, and shall continue thereafter, but may later be modified or repealed in the appropriate manner.

Title VI will not affect suits commenced before the effective date of passage. Suits or actions by or against the Department of Commerce, its employees, or the Secretary shall not abate by reason of enactment of Title VI. Suits against a relevant government officer in her official capacity shall continue post enactment, and if a function has transferred to another officer by virtue of enactment, that other officer shall substitute as the defendant. Finally, administrative and judicial review procedures that apply to a function transferred shall apply to the head of the relevant federal agency and other officers to which the function is transferred.

Sec. 644. Transfer of assets. Section 644 states that all available personnel, property, records, and funds related to a function transferred pursuant to Title VI shall be made available to the relevant official or head of the agency to which the function transfers at such time or times as the Director of the Office of Management and Budget (OMB) directs.

Sec. 645. Delegation and assignment. Section 645 allows an official to whom a function is transferred under Title VI to delegate that function to another officer or employee. The official to whom the function was originally transferred nonetheless remains responsible for the administration of the function.

Sec. 646. Authority of Director of the Office of Management and Budget with respect to functions transferred. Pursuant to §646, if necessary the Director of OMB shall make any determination of the functions transferred pursuant to Title VI.

Sec. 647. Certain vesting of functions considered transfers. Section 647 states that the vesting of a function in a department or office pursuant to reestablishment of an office shall be considered to be the transfer of that function.

Sec. 648. Availability of existing funds. Under §648, existing appropriations and funds available for the performance of functions and

[7] 15 U.S.C. §1051, *et. seq.*

[8] 5 U.S.C. §5314.

[9] 5 U.S.C. §5315.

other activities terminated pursuant to title VI shall remain available (for the duration of their period of availability) for necessary expenses in connection with the termination and resolution of such functions and activities subject to the submission of a plan to House and Senate appropriators in accordance with Public Law 105–277 (Departments of Commerce, Justice, and State, the Judiciary and Related Agencies Appropriations Act, Fiscal Year 1999).

Sec. 649. Definitions. Function includes any duty, obligation, power, authority, responsibility, right, privilege, activity, or program.

Office includes any office, administration, agency, bureau, institute, council, unit, organizational entity, or component thereof.

FOOD STAMP OUTREACH AND RESEARCH FOR KIDS ACT OF 1999 (FORK) WILL KEEP CHILDREN FROM GOING HUNGRY

HON. WILLIAM J. COYNE

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, August 5, 1999

Mr. COYNE. Mr. Speaker, today Representative SANDER LEVIN and I are introducing legislation to make sure that children in America do not go hungry. In 1998, over 14 million children lived in households that couldn't always afford to buy food. That was an increase of almost 4 million children over 1997. At the same time, the number of poor children not getting Food Stamps reached its highest level in a decade. Our bill, the Food Stamp Outreach and Research for Kids Act of 1999 (FORK), would help us give children who are currently going hungry the Food Stamps they need.

Some time ago, our local food banks started telling me that the number of people coming to them for help was increasing. They were concerned that they might run out of food if the demand kept going up. When we asked them who the new people coming to the food bank were, they said they were mostly low-income working families. When the food bank screened people using the eligibility guidelines, it looked like most of the new people who came to the Food Bank should have been receiving Food Stamps but were not.

Because of those reports and others like them, SANDER LEVIN and I asked the General Accounting Office to investigate and determine whether Food Stamp-eligible families wee losing benefits, the cause of any declines, and what impact declines were having on children.

GAO recently finished its investigation, which confirmed many of the anecdotal reports. While a number of people have left the Food Stamp program because of the improved economy, economic growth alone does not explain the drop in Food Stamp participation. GAO found that demand for emergency and supplemental food was increasing and that some state agencies were not following federal laws regarding Food Stamp benefits. Perhaps most disturbing of all, GAO found that almost half of the people who have lost Food Stamps since 1996 are children.

Our bill, the Food Stamp Outreach and Research for Kids Act of 1999 (FORK), is designed to address GAO's findings and recommendations.

FORK would provide grant funding to food banks, schools, health clinics, local governments, and other entities that interact with working families. The grants would allow those organizations to develop and expand innovative approaches to Food Stamp outreach, which would help the Food and Nutrition Service enroll many of the eligible families that currently go hungry.

FORK would also require the Food and Nutrition Service (FNS) to conduct on-site inspections of state Food Stamp programs to identify barriers to enrollment and work with states to develop corrective action plans.

FORK would authorize FNS to conduct research which will help it improve access, formulate nutrition policy, and measure program impacts and integrity.

FORK would require the Departments of Agriculture and Health and Human Services to work with state Temporary Aid to Needy Families (TANF) programs to retrain caseworkers and make sure that prospective and former TANF recipients are informed about their Food Stamp eligibility.

Finally, FORK would authorize FNS to form public-private partnerships to expand its nutrition education program.

I hope our colleagues will join us in supporting this important legislation. I do not believe that anyone in Congress ever intended for children to go hungry because their parents left welfare and went to work. Now that we know it is happening, it is our responsibility to act quickly to make the Food Stamp program work for families in need.

HONORING FORMER SECRETARY LLOYD M. BENTSEN ON THE RECEIPT OF THE PRESIDENTIAL MEDAL OF FREEDOM

HON. KEN BENTSEN

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Thursday, August 5, 1999

Mr. BENTSEN. Mr. Speaker, on Tuesday, August 11, 1999, President William Jefferson Clinton will present the Medal of Freedom to Lloyd M. Bentsen—the 69th Secretary of the Treasury, member of the Senate and House of Representatives, and candidate for Vice President of the United States.

Lloyd Bentsen was born in Mission, in Texas' Rio Grande Valley in 1921. The first of four children to Edna Ruth Colbath Bentsen and Lloyd M. Bentsen, Sr. Lloyd Bentsen grew up in the South Texas farming community, seven miles from the Mexican border. He received his B.A. and law degree from the University of Texas in 1942. With World War II underway, he enlisted in the U.S. Army Air Corps. After brief service as a private in intelligence work in Brazil, he became a pilot and in early 1944 began flying combat missions in B–24's from southern Italy with the 449th Bomb Group. At age 23 he was promoted to rank of Major and given command of a squadron of 600 men.

In 18 months of combat, Bentsen flew 35 missions against highly defended targets such as the Ploesti oil fields in Romania, which were critical to the German war machine. The 15th Air Force, to which the 449th was attached, is credited with destroying all the gasoline production within its range, or about half German's fuel on the continent. Bentsen's unit also flew against communications centers, aircraft factories, and industrial targets in Germany, Italy, Austria, Czechoslovakia, Hungary, Romania and Bulgaria. Bentsen participated in bombing raids in support of the Anzio campaign, and flew against targets in preparation for the landing in southern France.

He was awarded the Distinguished Flying Cross, one of the Army Air Corps' and now the Air Force's highest commendations for valor. He also was awarded the Air Medal with three oak leaf clusters, the medal and each subsequent cluster representing specific campaigns for which he was decorated. He was promoted to colonel in the Air Force Reserve before completing his military service.

After the war, Bentsen returned to his native Rio Grande Valley where he was elected as Hidalgo County Judge in 1946 and to the U.S. House of Representatives from the 15th Congressional District in 1948. He served three terms in the House during which he cast crucial votes against the poll tax and in support of programs for returning veterans. He declined to seek reelection in 1954 and decided to begin a career in business.

For 16 years, Bentsen was a businessman in Houston. By 1970, he had become President of Lincoln Consolidated, a financial holding institution, including insurance, banking, and real estate. In this capacity, he built the first integrated hotel in Houston.

Secretary Bentsen was elected a United States Senator from Texas in 1970 and served as Chairman of the Senate Finance Committee from 1987 through early 1993. He also served as Chairman of the Joint Committee on Taxation and the Joint Economic Committee and was a member of the Senate Armed Services, Commerce, Science and Transportation, Intelligence, and Environment and Public Works Committees. In 1988, he was the Democratic Party nominee for Vice President of the United States.

During his 23 years in the U.S. Senate, Lloyd Bentsen drafted and passed progressive and far reaching legislation. He left an indelible mark on tax, trade, health care, and transportation legislation. His greatest achievements include the passage of the landmark Employer Retirement Income Security Act (ERISA), the Trade Act of 1988, Equal Opportunity Education legislation, anti-age discrimination legislation for the elderly, Medicare and Medicaid expansion—particularly benefiting indigent children. He was also a leader in establishing a more equitable funding formula for federal highways. As a result, Texas' highways are in much better shape because of his efforts.

Senator Bentsen was nominated by President Clinton to be the 69th Secretary of the Treasury. He served from January 20, 1993 until December 22, 1994.

As Secretary of the Treasury, Lloyd Bentsen was an important architect of the President's economic recovery package that has helped fuel the longest peacetime economic expansion in more than 60 years, while bringing the federal budget into balance. He also led the President's effort to pass the North American Free Trade Agreement.

On December 27, 1994 he ended his 30-plus years of public service and returned to practice law in Houston, where he now resides with his wife of 55 years, the former Beryl Ann Longino of Lufkin, Texas. While public service has been their calling, their true blessing has been their three children, Lloyd III, Lan, and Tina and their respective spouses, Gail, Adele,