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SENIOR COUNSEL

October 20, 2014

Dr. Jon R. Cavicchi
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University of New Hampshire School of Law
Intellectual Property Library
2 White Street
Concord, NH 03301

Dear Dr. Cavicchi:

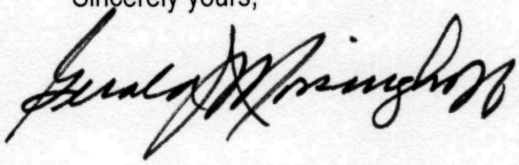
As far as I know, there were no formal reports of the Working Group on Intellectual Property of President Reagan's Cabinet Council on Commerce and Trade. The enclosed copies of my four ABA addresses report in some detail what I and the Working Group achieved. I know personally that Secretary Baldrige, as Chairman of the Working Group on Commerce and Trade, actively supported the creation of the Federal Circuit, which was wholly consistent with the view of the Working Group.

I used my Annual Reports to the ABA Section on Patents, Trademarks and Copyright Law as a way of recording President Reagan's and Secretary Baldrige's efforts and successes in the intellectual property arena, but I did not believe that it was necessary to prepare formal reports, annual or otherwise, of the Working Group itself.

[redacted]

I hope the enclosures are of some use in your worthwhile endeavors.

Sincerely yours,



Enclosures

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*Gerald J. Mossinghoff**

AMERICAN BAR ASSOCIATION ADDRESS**

I welcome this opportunity to report to the Section of Patent, Trademark and Copyright Law on the status of the U.S. Patent and Trademark Office and to preview for you our plans and projections for the next several years.

I am deeply honored by the President's appointment of me to be the Commissioner of Patents and Trademarks. I believe that I am the first career Government official appointed to that position. I began my 22-year Federal career in 1957 with a four-year tour of duty as a patent examiner in what was then Division 44. During the mid-1960's I returned to the Office as Director of Legislative Planning under Assistant Commissioner Gerald D. O'Brien. The remainder of my Government career was at NASA, where I served in a number of positions, including Director of Congressional Liaison and, most recently, Deputy General Counsel.

Based on my experience at NASA, I reject out of hand the notion that for some reason Government programs cannot be made to succeed. At NASA success is due to a mix of three things:

- A Government program generally viewed as being of great importance to the Nation and thus supported politically with adequate resources;
- Civil servants and contractor personnel totally dedicated to success; and
- Effective management, with innovative and dedicated problem solving and attention to detail, that simply does not permit bureaucratic roadblocks to get in the way of performance.

Those three elements soon will be our keys to success in the Patent and Trademark Office.

There was a time not long ago that the very basis for the U.S. patent system was seriously questioned. President Johnson's Commission on the Patent System in the

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* Commissioner of Patents & Trademarks

** Remarks before the Section of Patent, Trademark and Copyright Law of the American Bar Association, New Orleans, Louisiana, August 8, 1981.

mid-1960's was formed in part to examine whether the system itself was attuned to modern needs. That Commission, and all subsequent studies, confirmed that the incentives of the patent system are as important now as they ever have been in our Nation's history. Internationally, patent systems are being instituted where there were none, for example in China and in Thailand, and strengthened in other regions, for example in Brazil and through the European Patent Office. In this country political issues regarding the patent system now center not on whether it is needed, but rather on how well it is working to serve inventors and industry.

Unfortunately, the Patent and Trademark Office is not serving this Nation as well as it should. We now have a backlog of more than 200,000 patent applications and 100,000 trademark applications, and that backlog will continue to grow during the next fiscal year no matter what immediate steps this Administration takes. At the resources level of the FY 1982 budget, the average time it takes to get a patent will continue to increase by about two months each year until it reaches three years in 1988. It now takes longer to register a trademark—about 25 months—than at any previous time since the Lanham Act was passed in 1946. In the documentation area, an average of 7% of the patents are missing from the examiner's files, and in rapidly developing fields that number is as high as one out of four. On the patent side, the examiner's first actions—his or her formal opinions on patentability—are still written in longhand and sent to inventors and executives around the world. As 1980 came to a close, you could not find an article on the Patent and Trademark Office that did not use modifiers such as "hard-pressed," "beleaguered," "underfunded," "understaffed," and even "brokendown." Because of severe shortcomings in the Office, the patent system itself was described last December on *NBC Magazine* as a "cruel hoax."

That's the bad news. The good news is that Secretary Malcolm Baldrige and Deputy Secretary Joseph R. Wright, Jr. are determined to turn things around.

For FY 1982 Secretary Baldrige has already shielded the Office from the deep cuts felt throughout Government as part of President Reagan's economic recovery program.

Later, defying conventional wisdom on what was possible on Capitol Hill, Secretary Baldrige on June 4 persuaded the House and Senate to overturn an agreement reached in an appropriations conference which would have sharply limited the number of personnel cuts at the National Oceanic and Atmospheric Administration (NOAA). Since the overall Department of Commerce ceiling is fixed, that limit on NOAA's cuts, in turn, would have caused deep cuts in the PTO personnel ceiling, requiring a new freeze on employment through FY 1981. A reorganization of the Department of Commerce is now in the latter stages of planning. That reorganization will result in the Patent and Trademark Office reporting directly to the Secretary. Given Secretary Baldrige's strong support, we will accomplish much more, faster, under that arrangement than the Office could hope to as an independent agency.

But none of us should underestimate the extent of the challenge. The U.S. Patent and Trademark Office ranks among the world's large information processing organizations. Each day our mail room opens, sorts and distributes 20,000 pieces of mail—about the same amount as is handled by a large suburban post office. Each day we sell 13,000 patent copies; laid end to end, the pages we sell would reach from New Orleans to San Francisco. Our 1500 daily deposit account transactions are about triple the number of a typical suburban savings and loan institution. If the 108,000 patent applications we receive each year were placed one on top of the other the stack would be taller than the combined heights of the Empire State Building and the Washington Monument. If the 24 million patents and publications in the patent examiners' files were spread out, we could paper the roofs of more than 35 superdomes. And by the turn of the century, the size of those files will double.

Decisions made during the FY 1983 budget cycle will set the pattern for progress in the Office through the first Reagan Administration. Under the fee-setting provisions of P.L. 96-517, fees for patent and trademark operations once set cannot be changed for three years. And under the laws governing Federal user charges, fees must be based on documented budget projections. This means that decisions on the FY 1983 budget and on the FY 1984 and 1985 budget projections will

lock-in the fees we can charge through FY 1985. If those budget projections are ambitious, the resulting higher fees will act as a political spur to enhance programs throughout this Administration. Conversely, if those projections are timid, the fees will be correspondingly low and act as a political drag on what we can accomplish. I must wait until a later time to discuss the specific options we are now recommending for FY 1983. I can say that they address our three major program objectives: (1) to reduce the patent backlog to manageable proportions and thus decrease projected pendency time, (2) to do the same in trademarks, aimed toward a goal of three months to first action and 13 months to disposal, and (3) to take realistic steps toward a fully automated Patent and Trademark Office in the 1990's.

In the remainder of this report to you, let me highlight developments and plans in our four major areas: patents, trademarks, international and legislative affairs, and automation.

Patents

● On July 1, 1981, we instituted reexamination under P.L. 96-517, and we did so through the established examining groups and art units. During the first month of reexamination we received 42 requests for reexamination; 12 of these were from the patent owner, 4 were involved in interferences, 18 were involved in court litigation and of these 18, 3 were ordered by the trial court.

● We are now back on schedule in our hiring of 80 new patent examiners in FY 1981, and we are accelerating our recruitment program to bring on 127 new examiners in FY 1982. Given attrition of about 100 examiners during these two fiscal years, this hiring program alone will result in a net increase of 107 examiners in the Corps. And we are currently discussing with the Department the possibility of significantly augmenting this net increase by reallocating positions from non-examining areas in the Office as a result of greater reliance on contractors to do things more efficiently.

● We have decided to publish a notice of proposed rulemaking to repeal the Interparties Reissue procedures, the so-called Dann Amendments. This proposal reflects two conclusions on our part: (1) that however useful in individual cases,

the interparties practice simply requires a disproportionate amount of resources, and (2) the new reexamination practice was designed by Congress to serve many of the needs served previously by the Interparties Reissue procedures. Our steps toward repealing the Dann Amendments are consistent with the weight of the comments we received during the Office's April 16 hearing on the proposed Reexamination and Reissue regulations.

- The critical need to reprogram resources into line examination functions is also causing us to transfer eleven examiners now working on Rule 56 - "Duty of Disclosure Matters" back to the examining art units.
- Workload on the patent side continues to increase. Based on receipts through July, we are now projecting that the number of patent applications we will receive in this fiscal year, not including design applications, will reach a record 108,000, 5500 more than is projected in the FY 1982 Budget. Without additional examiners beyond those now planned, we estimate that we will achieve 86,000 disposals this fiscal year, and 90,000 in FY 1982.
- We have taken delivery of two IBM display-writer word processors in the examining groups, one in group 120 and the other in group 140, and we are storing in those machines form paragraphs we have developed for examiner actions. Unless an override button is used, these machines are incapable of misspelling any of their 50,000 word fixed vocabulary and their 500-word tailor-made vocabulary. The installation of these two machines represents our first steps toward my commitment to eliminate handwritten examiner actions by March of next year.

Trademarks

- Thanks in large part to the personal efforts of Margaret Laurence, Assistant Commissioner for Trademarks, the trademark operation is beginning to show improvement from the conditions described in the 1979 report of the U.S. Trademark Association as "a disgrace to the Nation, a National scandal."
- The printing problems have been solved. We have a contractor who is publishing marks for opposition at the rate of 1,000 per week, and printing will be current by next month.

● We now have a record 84 trademark examiners, up from 47 in 1979. In spite of the increased professional staff, application pendency time is still totally unacceptable. It takes nearly one year for examiners to reach an average application for first action and more than two years to dispose of the application through registration or abandonment. Our goal is three months to first action and 13 months to disposal. Given Congressional approval for 14 more examiners and 16 more clerks for FY 1982, we expect trademark pendency time to begin a steady decline. This will be coupled with steady improvements in the Trademark Services Division.

● To increase efficiency, we are adding an additional floor of space for the trademark examining operation, and we are consolidating the operation on three adjacent floors in Crystal Plaza Building 2. At the same time we are improving training opportunities for examiners, and we are working to raise the grade of a journeyman trademark examiner from GS-13 to GS-14. That effort is designed to slow the disasterously high turnover rate among trademark examiners, 75% of whom now leave within their first six years in the Office.

International

● We are heavily involved in preparations for the Second Session of the Diplomatic Conference for the Revision of the Paris Convention. That session will be held in Nairobi, Kenya, from September 28 to October 24. Given the importance of those negotiations to continued international protection of intellectual property of U.S. industry, and because of my personal involvement in the day-to-day operations of the Office, I am strongly supporting the appointment of a special representative from the private sector to head the U.S. delegation. Prospects for complete agreement upon a revised text of the Paris Convention in Nairobi are not great; it is likely that we will be discussing a third session of the Diplomatic Conference with you next year.

● In the trademark area, we have decided to delay any further action toward ratification of the Trademark Registration Treaty. We had considered the possibility of having the Bureau of the Census conduct a survey for us to attempt to gauge the impact of the U.S. permitting registration based on

an "intent to use" instead of actual use. Based on the strong advice of the U.S. Trademark Association, however, we are deferring such a survey until we can confidently predict that we will reach our goals of three months to first action/13 months to disposal.

● Our Office of Legislation and International Affairs will continue to work with the Department of State and interested private groups in monitoring the progress of other treaty negotiations involving the transfer of technology, including the Law of the Sea negotiations scheduled to resume this fall, and the United Nations Conference on Trade and Development (UNCTAD) "Code of Conduct" on technology transfer to developing countries.

● On June 1 the Patent Cooperation Treaty (PCT) began its fourth year of operation. By the end of July, 4,213 international applications had been filed in the U.S. Receiving Office. The World Intellectual Property Organization will begin an overall review of the international PCT rules this fall, with the aim of making international filings as simple as possible. Now that the PCT has successfully weathered the difficult start-up years, we have begun a study in the U.S. to determine whether it would be desirable for the U.S. to adhere to Chapter II of the treaty—the chapter establishing a central examination procedure. At present 24 of the other 29 countries which have joined the PCT now accept Chapter II. In our study we will, of course, look to the ABA and other bar/industry groups for advice. And we will examine critically the potential impact of such a decision on our examining operations.

Legislation

● The Patent and Trademark Office strongly supports enactment of S. 255, the "Patent Term Restoration Act of 1981," which was introduced by Senator Mathias and passed the Senate on July 9. We believe that this bill is a long overdue reform. It will restore an appropriate balance of incentives to patent owners whose products have been held back from the marketplace by Federal regulatory procedures. We agree totally with the views expressed in the Senate judiciary report on S. 255 that, "There is no valid reason for a better mousetrap to receive 17 years of patent protection and a life-

saving drug less than 10 years."

- We also support enactment of S. 21, the "Federal Courts Improvement Act of 1981." This bill will create a new U.S. court of appeals for the Federal circuit by combining the current U.S. Court of Claims with the U.S. Court of Customs and Patent Appeals. The new court would have jurisdiction over all patent appeals from the various district courts as well as appeals from the various boards of the Patent and Trademark Office. Bills substantially similar to S. 21, and its House counterpart H.R. 2405, were passed by the House and Senate during the 96th Congress. By providing a single authoritative tribunal to handle patent cases nationwide, these bills will contribute greatly to a single standard of patentability which will be understandable to inventors and businessmen alike. Sometimes overlooked in the discussions of the high percentage of patents held invalid by the courts, is the fact that district courts and courts of appeal disagree with each other on patentability more often than either disagrees with the standard applied in the Office.
- In other areas, we are again urging enactment of an inexpensive and effective form of registration protection for designs and, specifically, we are supporting H.R. 20, introduced by Congressman Railsback last January. One reason we are pursuing an alternative to design patent protection is the high percentage—over 70%—of the design patents that are held invalid, largely because the concept of unobviousness is not well suited to ornamental designs. We believe a registration system, such as that contemplated in H.R. 20, would serve industry better at lower cost.
- Finally, at the suggestion of the Association of Data Processing Service Organizations (ADAPSO), we intend to investigate with interested industry and bar groups the feasibility of some form of protection for computer software. In line with the effort, we will co-sponsor with the Copyright Office a two-day seminar in October on computer software protection. And we will work closely with the World Intellectual Property Organization (WIPO) in its consideration of the feasibility of some form of an international system for protecting computer software.

Automation

● Congress has given us a rare opportunity in the section of P.L. 96-517 which mandates a two-year study of ways that automation can serve all aspects of the Office's operations. We will not let that opportunity pass. To help us in the study effort we formed an Automation Steering Committee composed of experts from NASA, the Air Force, the National Technical Information Service and the National Bureau of Standards, and we held a major hearing on July 23. At that hearing, which was attended by about 150 persons, we received testimony from 20 witnesses representing a good cross section of opinion. Many of those who attended the hearing plan to submit written statements. The first draft of the report will be available this fall to those who have expressed interest, and we may schedule a second hearing to receive comments on the draft.

Our study efforts are focused on five areas in which automation will aid the Office: patent search and retrieval, trademark search and retrieval, internal operations, printing and communications between the Office and those whom we serve. In that latter area, as we begin to automate our files, the network of 37 Patent Depository Libraries nationwide will begin to take on the character of true satellite search centers. For example, we are now in the process of making available to the PDL's on-line access to the classification data base now available only in the Public Search Room.

● We have entered into an experimental cooperative endeavor with Mead Data Central for placement of the full texts of special compilations of patents going back to 1971 in their LEXIS system. Thanks to the generous offer of the Intellectual Property Owners Association, we are placing a Pergamon video Patsearch terminal in the Search Room, and we are releasing a request for proposals for making other commercial data bases available there. The full-text experiment we are undertaking with Mead Data will complement a contracted effort to make commercial data bases available to the examiners in various groups.

● We are augmenting our present main-frame computer, which principally supports the Patent Application Location and Monitoring (PALM) system and the Trademark Regis-

tration Application Monitoring (TRAM) system. And we are making plans for the complete replacement of that mainframe computer, which is now both obsolete and overloaded. For FY 1983 we plan to accelerate our automation efforts in a number of fronts, for example, by experiments to replace the present manual key entry systems with optical character readers. All of our ongoing and planned efforts will be detailed in the comprehensive automation study I discussed.

Before I close, let me say a few words about our patent and trademark examiners. The day after I was sworn in as Commissioner, I met with all examiners of the Patent and Trademark Office in four sessions. I told them then, and I wish to repeat now, that they are the heart of the patent and trademark systems. Their professional skills, knowledge, and judgment—and their diligence in moving cases through the office—are critically important. Everyone in the Office, from the Commissioner to our summer aides, are there to support the examination process. Our collective success is measured by our examiners' individual performance. Sometimes overlooked—perhaps because of the shortcomings in the Office—are the dedication and effectiveness of these career officials. There is a need to provide them with greater tools and to give them greater opportunities to experience first-hand the results of their day-to-day decisions—for example, by greater participation in industry field trips and seminars—but I do wish to acknowledge today their collective contribution to the patent and trademark systems. The importance of those systems, of course, totally transcends any of our individual parochial interests.

As anyone who has experienced first-hand the excitement of the Apollo, Skylab and Space Shuttle programs, I foresee exciting times ahead for the Patent and Trademark Office. In Washington timing is often all important. I believe that I am uniquely privileged to be able to serve as Commissioner at this time and during this Administration.

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*Gerald J. Mossingoff**

ABA Address**

I am delighted once again to report to the Section on Patent, Trademark and Copyright Law on the status of the U.S. Patent and Trademark Office, to outline our progress over the past year and to highlight our plans for the future.

In my report to your Section last year, I rejected out of hand the notion that for some reason Government programs cannot be made to succeed. I also stated that I felt uniquely privileged to serve as Commissioner at this time and during this Administration. Everything that has happened in the world of patents and trademarks this past year has reinforced my optimism.

Key to all of our plans to upgrade the U.S. Patent and Trademark Office has been to assure adequate and stable funding for the Office, not only during this Administration but for the foreseeable future. The importance of that cannot be overstated. The Office was plagued by very real and pervasive problems at the end of the previous Administration. The most serious of those resulted directly from a lack of adequate resources. With the new fee structure in H.R.6260, the Office is assured of adequate resources over the next decade without the need for increases in appropriations.

H.R.6260 represents a compromise on all sides. Patent filing fees for large and medium size companies will be $100 higher than those recommended by your section at its March 23 meeting. The same holds true for patent issue fees. For individual inventors and small businesses, patent filing fees will be $50 less, and patent issue fees $150 less, than those recommended at your March 23 meeting.

From the administration's viewpoint, in order to accommodate the concern expressed by the patent bar and others on behalf of individual inventors and small businesses, additional appropriations of $7 million will be required next fiscal year to accommodate the two-tier system of fees

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*Commissioner of Patents & Trademarks.

**Section on Patent, Trademark and Copyright Law of the American Bar Association, San Francisco, California, August 7, 1982.

which Congress adopted. Also, responding to inventor and bar groups, Congress chose not to give the Patent and Trademark Office the authority to set patent fees administratively; rather major patent fees were written into H.R.6260. Significantly, those fees can be adjusted administratively every three years, but only to keep pace with inflation.

Management Achievements

Perhaps the most important feature of H.R.6260 is that it represents a bargain between the Administration and those whom we serve to bring about significant and lasting improvements in the Office. We have made real progress during the past year to carry out our end of that bargain.

To begin to manage our still-increasing 218,000-case backlog of pending patent applications, we have hired 235 new examiners since last October 1. Our recruiting program is already in high gear to hire an additional 245 examiners during FY 1983. To achieve our goal this year we pulled out all stops. We visited almost 200 engineering schools, conducted 1500 interviews, established and publicized a toll-free 800 number, advertised extensively in national journals and college newspapers, displayed posters with tear-off mail-in cards in virtually every engineering school in the nation, and relied extensively on the generous help of local patent law associations in contacting graduates in their areas. The results are impressive. A majority of the engineers we hired are honors graduates. The mean grade point average of all those we hired is 2.93.

We are on schedule to achieve the goal of Plan 18/87 in patents, i.e., to reduce the average time of pendency to 18 months by FY 1987. During FY 1983 we will dispose of nearly 100,000 patent applications, compared with 83,000 this fiscal year. In FY 1984 we will process almost 109,000 patent applications. In that year, for the first time in six years, we will dispose of more patent applications than we will receive.

In trademarks it now takes us 9 months on the average to render a first opinion on registrability and 22 months to dispose of an application. That is down from the record high 24 months which it took last year. We will achieve the goal of 3/13—three months to first action and 13 months to dis-

posal—at least by FY 1985. This coming fiscal year we will turn the corner in trademarks and dispose of more cases than we will receive.

We have taken several important steps to move realistically toward a fully automated Patent and Trademark Office in the 1990's. Through a reorganization of the Office we established the senior position of Administrator for Automation, and we appointed Dr. J. Howard Bryant, who has impressive experience both in industry and Government, to that position. Dr. Bryant has overall responsibility for the management of all automation initiatives in the Office—in patents, trademarks and administration. He has spearheaded our efforts to refine our automation blueprint under §9 of P.L. 96-517. Copies of the final Executive Summary of that study will be available by mid-September. The §9 plan is based on our conviction that we do not have to sit back passively and wait for the estimated 24 million paper documents we now have to become 50 million paper documents by the turn of the century. One of the most serious problems we now face is that 7% of our 24 million paper documents are either missing or misfiled. Only by moving aggressively toward automated systems in which paper is replaced by advanced technology can we ever hope to achieve anything even approaching 100% file integrity in our vast collection of technical documents.

We have already installed computer terminals in each of our 15 patent examining groups to give patent examiners access to all available commercial patent data bases. Given increased resources in FY 1983 we will be able to increase significantly the amount of "on-line" time the examiners can use.

To eliminate the 80,000 handwritten examiner opinions that were sent each year to industry and inventors worldwide, we have completed the world's largest installation of IBM Displaywriter word processors. Using the 50,000-word built-in vocabulary, the detailed form paragraphs we developed and the hand-tailored dictionaries of technical terms, these machines are now producing over 200,000 first-class documents each year.

We are in the final stages of the full-text search experiment we are conducting in a joint venture with Mead Data

Central using their LEXIS system. The full texts of 50,000 patents have been stored in LEXIS and are being accessed through seven LEXIS terminals located in six art units.

We have completed augmentation of our in-house Burroughs computer, increasing its capability by a factor of four, to support our expanded case-tracking system. And we have acquired additional space in Crystal City to receive a replacement of our existing in-house computer in FY 1984. That space had already been configured to house a large main-frame computer complex.

Secretary Baldrige's reorganization of the Department of Commerce is now complete. That reorganization formalizes the arrangement under which I report directly to the Secretary and the Deputy Secretary, Mr. Guy W. Fiske. The reorganization of the PTO has also been approved. In addition to establishing the position of Administrator for Automation, which I have already mentioned, we have promoted Mike Kirk into the new position of Assistant Commissioner for External Affairs, and we have elevated the Office of Quality Review to report directly to Deputy Commission Don Quigg.

In his day-to-day attention to the Quality Review program, Don has changed the standard used in reviewing the quality of examination in the 4% sample of cases selected for quality review, and he is insisting that the line managers be totally involved in the quality review process. Instead of reviewing a case for "clearly unpatentable" claims, the test now will be whether there are "questions of patentability" of any of the claims in a case.

Don Quigg has also assumed day-to-day responsibility for the Examiner Education Program, which was jointly established by the Intellectual Property Owners association and the Patent and Trademark Office. Examiners have already traveled to industrial installations to gain a better appreciation of trends in industrial development. Industry has been generous in its support of the program. We have received over $75,000 in contributions since the program was established this spring. Thanks to Don's efforts, the Internal Revenue Service ruled on July 20 that contributions to the program are tax deductible.

We are beginning negotiations this month with the Patent Office Professional Association—the union which represents professionals on the patent side of the Office—with a view toward revising totally the outdated agreement under which we currently operate. Bargaining units in the Government play a critically important role in the management of any agency. I am convinced that the Patent Office Professional Association, or POPA as it is called, is totally dedicated to our goal of significant and lasting improvements in the U.S. patent system. Our objective in renegotiating the basic agreement with POPA is to produce an agreement which will be clear and understandable to all parties, without the need for protracted litigation and grievances. That task will not be easy, but it will be accomplished given a renewed spirit of cooperation between management and the union.

Legislation

In the legislative area there have been several significant developments.

H.R.6260, of course, represents a major accomplishment. In addition to authorizing a greatly expanded PTO program for FY 1983 through FY 1985, and increasing the user fees we will charge, that bill incorporates a number of cost-saving proposals.

—Under the law, we will accord filing dates for patent and trademark applications based on a showing of when it was deposited in the U.S. mail.

—We will revive unintentionally abandoned patent applications upon payment of a $500 statutory fee.

—We will be able to substitute one sole inventor for another, provided the mistake was not due to deceit.

—We will do away with the current bureaucratic hassles in granting time extensions; they will be granted automatically upon payment of the statutory fees.

—We will eliminate the need for verification of trademark oppositions and cancellations.

—Finally, and most significantly, we are gratified that H.R. 6260 specifically authorizes voluntary binding arbitration of patent validity and infringement issues.

That authority will provide business executives with an attractive and cost-effective alternative to protracted and complex Federal litigation in patent cases.

The Office is proud of the role the Department of Commerce played in supporting the enactment of P.L. 97-164, which established the Court of Appeals for the Federal Circuit. As I reported to you last year, we are convinced that, by providing a single authoritative tribunal to handle patent cases nationwide, the new court will contribute greatly to a single standard of patentability which will be understandable to inventors and business executives alike.

It appears that the "Patent Term Restoration Act," S.255 and H.R.6444, will be enacted by the 97th Congress. That reform is long overdue. It will restore an appropriate balance of incentives to patent owners whose products have been held back from the marketplace by Federal regulatory procedures. We agree totally with the views expressed in the Senate Judiciary Committee report on S.255 that, "There is no valid reason for a better mousetrap to receive 17 years of patent protection and a life-saving drug less than 10 years."

Although time is become a critical factor, we are still hopeful that this Congress will enact a comprehensive Federal patent policy along the lines of Senator Schmitt's S.1657 and Congressman Ertel's H.R.4564. The debate on who should receive commercial rights to inventions resulting from Federal sponsorship is now well into its fourth decade. During that time the Department of Defense has for the most part given its contractors the first option of acquiring such commercial rights. Literally tens of thousands of DOD-sponsored inventions were handled under that policy, and not a single case has been identified in which that policy has had any adverse impact. On the other side of the coin, NASA's experience clearly shows that contractor-owned patents on NASA-sponsored inventions are about 20 times more likely to be commercialized than NASA-owned patents on contractor-generated inventions.

The Patent and Trademark Office intends to propose three new initiatives in our 1983 legislative program.

The U.S. Government owns twice as many active patents—more than 28,000—than any other single entity. Most of these belong to the Department of Defense and most

were acquired solely for defensive purposes. In a speech made before the Government Patent Lawyers Association on April 14, I proposed that legislation be enacted to permit the issuance of a patent on a Government-owned invention without the examination required by 35 USC §§131 and 132 *if* the head of the appropriate department or agency or his or her designee waives all remedies of 35 USC §§271 through 289 with respect to the patent or any reissue of the patent. A patent so issued would be a U.S. patent for all defensive purposes: the application or the patent could become involved in an interference; it would be a "constructive reduction to practice" under our first-to-invent system; it would be "prior art" under all subsections of 35 USC §102; and it would be classified and cross-referenced like any other patent, disseminated to foreign patent offices, stored in the PTO computer tapes made available in commercial data bases, and announced in the *Official Gazette*. In addition, it would serve as the basis for a priority claim in a foreign application. In response to our proposal, we have received many recommendations from industry and the bar. There seems to be general agreement that something needs to be done in this area. We have received recommendations that the defensive patent be made available to industry as well as to Government agencies. Some support the concept, but question whether the term "patent" should be used to describe the document we would issue. Still others would support legislation under which the Government agencies could defend a 28 USC §1498 action on the basis of prior inventorship. That would obviate the need for the Government to acquire any defensive patents. We are currently weighing these alternatives prior to presenting a formal recommendation to the Congress next January.

We are formulating a new proposal to change interference procedures. Under our proposal we would retain the present first-to-invent system of priority. But we would change the procedure so that a patent will be issued to the first person to file an application, and it would be up to the second person filing an application on the same invention to trigger an interference with the patentee. If the "junior party" is successful in the interference, his or her patent would run from the date of the original senior party's patent. We are

still working on the details of this proposal, and we would very much welcome your views and counsel.

We are recommending an amendment to 35 USC §271 to provide that importation into the United States of a product made in another country by a process covered by a U.S. patent will constitute infringement of the U.S. patent. The United States is one of the few major countries whose domestic patent law does not extend process patent protection to products manufactured by the patented process. Considering the great strides being made—for example, in genetic research where revolutionary new processes are used to make existing and therefore unpatentable products such as insulin—it is time to close the gap in patent protection which now exists.

International Activities

In the international arena, we are deeply involved in preparations for the Third Session of the Diplomatic Conference on the Revision of the Paris Convention. That conference will begin October 4 in Geneva. While the prospects in Geneva are uncertain at best, we are hopeful that there will be efforts made there to seek a broader consensus on Article 5A of the Paris Convention, the article which deals with compulsory licensing and forfeiture of patent rights.

Over the past year we have been active in joint Government-industry efforts to encourage several nations to strengthen their protection of patents and trademarks.

—For example, working closely with the Department of Commerce International Trade Administration, we have had productive meetings with officials of Mexico, Korea, and Romania in this regard.

—The Office is participating in the negotiations to establish an International Code of Conduct for the Transfer of Technology under the auspices of UNCTAD, the United Nations Conference on Trade and Development. These deliberations are currently aimed at deciding whether to hold a fifth session of the UN Conference on the Code next year.

—In meetings with Chinese officials in Beijing this past May, I discussed with them the transfer of the Chinese Patent Bureau from the State Scientific and Technolog-

ical Commission to the State Economic Commission. It remains to be seen whether that move will expedite their consideration and enactment of a patent law.

We have reached agreement with the European Patent Office (EPO) that, beginning this October 1, they will serve as an International Searching Authority for U.S. industry using the Patent Cooperation Treaty international filing procedures. This will give U.S. industry a potentially attractive alternative to using the U.S. Patent and Trademark Office as an International Searching Authority. Details of the arrangement with the EPO, including the fees they will charge, are now being worked out and will be announced prior to the October 1 date.

To help us carry out our automation programs here at home, we have entered into a cooperative venture with the European Patent Office to exchange advanced forms of documentation, both on film and magnetic tape, and to coordinate closely the advanced automation programs conducted by each. The leadership of the European Patent Office recognizes, as we do, that we must eventually move away from all paper hand-file-and-retrieve systems if we are to keep pace with the explosion in technological data. We are exploring the possibility of similar joint ventures with other major patent offices.

Five-Point Plan Toward a First-Class PTO

Our efforts to upgrade the patent and trademark systems generally center on the PTO itself. We have made real progress, but much more needs to be done. None of us can be satisfied until the Office itself is a true service organization, one that is first class in every respect and every sense of that term. Attention to detail will be the keynote. We simply must improve the operations at every level and in every function. Working with our employees and officials of their bargaining units, we are undertaking a five-point action plan. The major elements of this plan are:

(1) To upgrade the physical environment—to rehabilitate furnishings, to pay particular attention to interior design and office layout, to improve cleaning services, to clean out old files and papers, to control signs and bulletin boards to ensure a professional appearance, and to upgrade the training facilities.

(2) To improve internal communications—to conduct cross-training programs to ensure all employees understand their role in the overall programs of the Office, to insist on the sharing of information downward and upward, to investigate promptly causes of employee morale problems, to encourage managers to involve employees in solving problems and improving services, and to ensure that all employees are aware of important developments in the Office.

(3) To ensure that all employees in demeanor and dress reflect favorably on the Office and its important mission of public service.

(4) To improve communications with the public—to provide training in courteous and effective communications techniques, on the telephone and in person, to elicit specific public feedback, good and bad, and to recognize good performers.

(5) To establish a focal point within the PTO staffed with knowledgeable, articulate employees to respond to public inquiries, complaints and, hopefully, commendations so that we can recognize highly motivated, service-oriented employees and correct deficiencies if they should occur.

Our first actions in these efforts will be to respond aggressively to the recent user survey of Patent and Trademark Office services. That survey will be very useful to us in pinpointing where to focus our initial attention.

Conclusion

The Patent and Trademark Office has all the ingredients for success. We have the strong support of Secretary Baldrige and Deputy Secretary Fiske. We have a very able and effective executive staff and core of Senior Executives. We have employees totally dedicated to serving industry and inventors. We are assured of adequate financial resources. And we have the momentum and spirit to bring about a truly first class organization. That is our commitment. And we are well on our way!

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*Gerald J. Mossinghoff**

ABA ADDRESS

I am pleased once again to report to the Section on Patent, Trademark and Copyright Law on the status of the U.S. Patent and Trademark Office. In my remarks today I will outline our progress this past year in meeting our commitments to you and identify those areas where more needs to be done.

Underlying all the efforts of the Patent and Trademark Office during this Administration is the conviction that strong and effective protection of intellectual property is indispensable to economic progress—in this country and worldwide. In the past few decades we have seen intellectual property increase in significance to a point where it ranks equally in importance with real property and other forms of personal property.

Just after I addressed this Section last year, President Reagan signed P.L. 97-247 establishing new patent and trademark fees. He noted then that:

> Throughout our Nation's history, the patent system has played a critically important role in stimulating technological advances. This legislation will make it possible for the Patent and Trademark Office to improve its operations and thus revitalize its traditional role of encouraging technical innovation.

We have now fully implemented P.L. 97-247. I am pleased to report to you that (1) we are on schedule in bringing about the lasting improvements we promised in support of the new fees and (2) just as significant, none of the awful things that opponents of the new fees predicted would happen is happening. Let me amplify these two points with respect to each of our major operations.

Patents

We are on schedule to achieve the Administration's goal of reducing the average time it takes to get a patent to 18 months by 1987.

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*Assistant Secretary of Commerce and Commissioner of Patents and Trademarks.

**Remarks to the Section on Patent, Trademark and Copyright Law of the American Bar Association, Atlanta, Georgia, July 30, 1983.

Over the past two years we have hired more than 500 new patent examiners. We will hire another 50 over the next two months, and our recruiters are already working on hiring 180 patent examiners during fiscal year 1984. By the end of that fiscal year, our patent examining corps will consist of well over 1400 examiners. Again, we are exceedingly proud of our new patent professionals; the engineers we hired this year have a mean grade-point average of 3.1.

This year we will meet our goal of 104,000 production units. These units, which represent an average of first actions and disposals, provide an accurate measure of how well we are doing in attacking our 232,000-case backlog. They also will be used along with other criteria in evaluating the performance of individual examiners and in determining increased cash performance awards for examiners under a new incentive award agreement with the examiners' union, the Patent Office Professional Association.

In 1984, for the first time in several years, we will "turn the corner" on our backlog by disposing of more cases than we will receive. We now predict that average pendency time will be held to slightly more than 25 months in 1984 and then decrease sharply to the 18-month goal by 1987. We have already reduced the time to process applications in the preexamination phase of our operations from more than four months to our steady-state goal of 30 days, with filing receipts now being mailed to applicants in 22 days.

This past year we have added two new Patent Depository Libraries to our network of 38 PDLs—one at the University of Nevada at Reno and the second at the University of Texas at Austin. We have set a goal of adding three new PDLs to our network each year for the foreseeable future. To aid users of our PDLs, each now has on-line access to our classification data base or "CASSIS" system. The usefulness of that system is reflected in the more than 15,000 inquiries we receive each month from users of our PDLs.

Under the authority of P.L. 97-247, we have expanded our Board of Appeals from 15 permanent members to 30 to handle the increased workload coming from the examining corps. Don Quigg deserves great credit for successfully recruiting and selecting top-notch patent professionals for the new slots. We are now proposing legislation to merge

the Board of Appeals with our Board of Patent Interferences, in line with Don's efforts to streamline and simplify interference practices.

On July 20, Rene Tegtmeyer chaired a hearing on his proposal to simplify the review procedures necessary before U.S. industry can file patent applications abroad. Essentially, under these new procedures, the filing-receipt licenses we initiated this past February will be expanded to cover the filing of amendments, modifications and supplements in foreign applications, even those adding new matter to the applications. For about 93% of the cases, this effectively will reverse the result of the 1979 *In re Gaertner* decision. We expect to issue final regulations in September, based on our proposal and the public comments we received.

Actual fee recovery under P.L. 97-247 is tracking our projections to a remarkable degree. Through the first three quarters of this fiscal year, we received $41.2 million in patent fees, 105% of what we had projected.

As we predicted, the new patent fees have not had any significant impact on the number of patent applications filed, with one notable exception: Every patent lawyer in this country must have cleaned off his or her desk in September in order to file patent applications under the old fees. Ten thousand more cases were received in September of last year than we had predicted. As an aside, by raising the fees we may have done more to stimulate the early identification and disclosure of new technology than any previous administration!

Before the new fees were formulated, the Office projected that we would receive 107,000 patent applications in each of the fiscal years 1982 and 1983, for a total of 214,000 applications in that two-year period. After what we unceremoniously refer to as the "September dump," there was, quite understandably, a sharp drop in new applications. But we are now back to the previous rate, and if this trend continues, 2,000 more applications will be filed in fiscal years 1982 and 1983 than the 214,000 projected before the new fees were formulated.

Moreover, the two-tier fee scheduled required in P.L. 97-247 is working. Since the beginning of this year a somewhat higher percentage of U.S. independent inventors and

small businesses are entering the patent system than did so before the new fees were enacted.

Trademarks

As was the case in patents, the increase in trademark fees has had no significant impact on the number of applications filed except to accelerate the filing of applications to beat the October 1 deadline. In fact, the results were even more dramatic in trademarks: 12,000 more trademark applications were filed in September than we had predicted. This caused us to revise our fiscal year 1983 projections downward from 60,800 to 53,000. But again, if present trends continue, the total filings for the two-year period, fiscal years 1982 and 1983, will exceed by 8,000 projections made before the new fees were formulated.

Given the size of the "September dump" in trademarks, fee income is somewhat less than expected. But this will not prevent us from achieving the Administration's commitment to Plan 3/13 in trademarks, i.e., to reduce by 1985 the time it takes to register a trademark to 13 months, with a first opinion on registrability within three months after filing. Nor will the reduced fee income adversely affect our ability to automate our trademark operations, as I will discuss in a moment.

Margaret Laurence has now completed her consolidation of the trademark operations in three contiguous floors of Crystal Plaza Building 2. On May 19 of this year, she held an open house to show off the new quarters and to introduce trademark practitioners to the management of the eight newly established "law firms."

Automation

Last December I forwarded to the Congress the long-range automation master plan mandated by P.L. 96-517. The first stage of that plan calls for automating the entire Trademark Examining Operation and one of the fifteen patent examining groups—Group 220—by the end of 1984. With the assistance of the Mitre Corporation, our primary systems engineering contractor, all Stage 1 project milestones are either on or ahead of schedule and within budget. Let me highlight briefly our progress within the last six months.

We procured a Burroughs 7700 computer system, which more than doubles the storage capacity and processing speed of our current Burroughs 6700 system. This mainframe will support our management information and paper-tracking operations for the next several years. The site for the new computer is currently being equipped with state-of-the-art security, fire suppression and uninterruptible power systems. The new Burroughs system will be operational by mid-September.

In April we brought on-line the long-awaited TRAM 2 system. That system provides our trademark examiners and the public with up-to-the-minute status and location data on more than 500,000 active trademarks and 110,000 pending applications. Approximately 15,000 transactions are recorded or read-out of the new TRAM 2 system each week.

The rest of the Trademark automation project is well under way, largely as a result of three separate, but fully complementary cooperative agreements which I signed with N.V. Compu-Mark S.A. of Belgium, TCR Service, Inc. in New York and Thomson and Thomson, Inc. in Boston. In exchange for access to PTO records and future updates of machine-readable trademark data, these long-term agreements will result in the creation of a computer processible data base of all active marks; future coding, keying and validation of trademark applications processed under the automated system; and the retrospective and future digitization and coding of all design images. With the expected procurement of the search and image retrieval software component later this fall, we are confident the automated Trademark system will be fully operational well ahead of the target date of December 1984.

The Patent automation project is nearing the critically important procurement phase. Our initial strategy was to award a sole-source contract to the Chemical Abstracts Service to serve as our system developer. That decision was based on our conclusion that the comprehensive nature of the CAS system architecture and software was uniquely suited for our requirements. Various joint venture proposals were subsequently submitted by companies who specialize in different sectors of the computer industry. Given the interests of these concerns, we now plan to release this fall

a competitive request for proposals from industry to provide all of the system architecture, design and procurement services we will need to implement the automated patent system. That contract should be awarded later this year.

Industry has shown a strong interest in other phases of our automation program as well. For example, the Mead Data Central Corporation has agreed to provide us access to its LEXIS, NEXIS and the new LEXPAT data bases at reduced cost in exchange for future tapes of our full-text, machine-readable patent information. This agreement and similar ones that we are currently negotiating will help enable our patent examiners to gain experience in computer-based searching of patent and related technical information well in advance of their eventual transition from the paper file to the video display terminals.

Internationally, the Director General of the Japanese Patent Office and I executed a cooperative automation agreement this past January. That agreement is similar to the Memorandum of Understanding that the President of the European Patent Office and I signed in June 1982. These agreements are integral parts of our plan to make possible the international exchange of computerized data by 1990 through the establishment of common standards, data exchange arrangements and joint or cooperative projects. In addition to the long-range significance of these agreements, short-term benefits have already been realized. For example, the European Patent Office recently furnished us a report of its in-depth feasibility study on accepting and processing patent applications in machine-readable form. This EPO study permitted us to avoid duplicative work in that area. In return, we were able to save the EPO time and money in the design of their application tracking system by sending our bar-code technology expert to The Hague to train their staff on the PALM/TRAM systems, which we developed over several years.

As a final note on automation, I am pleased to announce today that we will be hosting the first trilateral meeting of the European Patent Office, the Japanese Patent Office and the U.S. Office this October at the State Department in Washington. The main objectives of this conference are to (1) exchange detailed information regarding the status of

automation programs, search studies, documentation projects and existing exchange agreements; (2) agree on joint or cooperative projects to be undertaken during the next two years; and (3) discuss means of promoting worldwide dissemination of intellectual property information.

International

This past year was an active one in the international area.

In addition to the cooperative automation endeavors with the European and Japanese Patent Offices, the major focus of our international efforts was the Third Session of the Diplomatic Conference for the Revision of the Paris Convention, held in October and November of last year.

We are greatly encouraged by the results of that session. As was widely reported, we came very close to an agreement that would have eliminated altogether the possibility of a country being able to issue compulsory exclusive licenses for failure to work patents. Such licenses, in our view, would be a totally unacceptable expropriation of private property and be wholly counterproductive to the legitimate desires of developing countries to upgrade their technological capability.

We were prepared then, and we are still prepared, to make two major concessions to eliminate the possibility of compulsory exclusive licenses: (1) to permit developing countries not to apply the provisions of Article 5quater of the Paris Convention having to do with process patents and (2) to authorize developing countries to forfeit foreign-owned patents after a very short time period of five years where either a compulsory nonexclusive license was granted but did not result in the invention being worked or no applicant for such a license could be found. Even though there is significant opposition to those concessions, the compromise text of Article 5A suggested by Ambassador Jimenez Davila of Argentina does represent, in my view, a fair and balanced basis for agreement. Such an agreement, in turn, could provide the key for successful completion of the revision effort. The Fourth Session of the Diplomatic Conference will resume in Geneva on February 27, 1984.

Based on our continuing discussions with officials of the Peoples Republic of China, we are optimistic that China will promulgate its patent law by the end of this year. We are working very closely with the Chinese to support that effort. For example, Bill Lawson, our Administrator for Documentation, spent three weeks in China earlier this year helping the Chinese to establish patent documentation centers in Beijing and six other cities.

The President's Cabinet Council on Commerce and Trade has taken a strong position supporting measures to attack the counterfeiting of goods domestically and worldwide. The Chairman pro tempore of that Cabinet Council is Secretary Baldrige. In line with the decision of the Cabinet Council, we are working closely with the Office of U.S. Trade Representative to secure adoption of an effective anti-counterfeiting code in GATT, the General Agreement on Tariffs and Trade. Mike Kirk is also working with representatives of this Section, the U.S. Trademark Association, the American Patent Law Association, the Anti-Counterfeiting Coalition and the Department of Justice to reach agreement on S. 875, introduced by Chairman Mathias, and H.R. 2447, introduced by Chairman Rodino, to enact heavy criminal sanctions against counterfeiting. Although the Administration has not taken a position on the specific provisions of S. 875 and H.R. 2447, the Cabinet Council strongly supports the imposition of criminal sanctions for counterfeiting. Mike Kirk has also headed delegations to Taiwan and South Korea to discuss our concerns about the counterfeiting of goods as well as other issues involving effective protection of intellectual property.

In the first phase of a program to strengthen ties with developing countries in intellectual property matters, this past May we entered into a cooperative agreement with the African Intellectual Property Organization ("OAPI"), the twelve-nation, French-speaking African Patent Office. Under a principal aspect of that agreement, examiners from OAPI will attend our Patent Academy and become familiar with our processing and automated systems. The agreement with OAPI is part of a major effort we plan to facilitate the training of patent and trademark professionals from other countries. During this past year, we have provided formal training or

less-formal briefings to 16 professionals representing seven developing countries.

Legislation

The bills to carry out the President's proposal to create a new Department of International Trade and Industry are of paramount importance to the U.S. Patent and Trademark Office. By combining the Office of the U.S. Trade Representative with the major elements of the Department of Commerce involved in international trade and industrial matters, this new department will provide a central focus for U.S. policy making and implementation in the critically important area of international trade. Given the overriding importance of strong intellectual property protection internationally to this country's position in world markets, there was never any question that the Patent and Trademark Office belonged in the new department. Other major elements to be included in the new department are the International Trade Administration, major portions of the Office of Economic Affairs, the National Telecommunications and Information Administration and the Travel and Tourism Administration. Other parts of the present Department of Commerce—including NOAA, the Bureau of Census, the National Bureau of Standards, the Minority Business Development Agency and the Economic Development Administration—will either be placed in other agencies or become independent. I strongly support the creation of the new department and urge this Section to take a position in favor of its establishment.

The Patent and Trademark Office and other offices in the Department of Commerce worked closely with the Department of Justice on comprehensive legislation to modernize the antitrust laws as they relate to research and development. The resulting bill, which will be forwarded to the Congress shortly, contains five major provisions:

1) Joint research and development programs would not be subject to either injunctive relief or damage suits by private parties; only the Attorney General or the Federal Trade Commission could challenge such endeavors, and then only looking toward an injunction.

2) With respect to all antitrust actions, damages would be limited to actual damages and not treble damages.
3) All agreements to convey rights in inventions, copyrights, trade secrets, trademarks, "know-how" or other intellectual property would be governed by the rule of reason and not per se rules.
4) 35 U.S.C. §271 and 17 U.S.C. §501 would be amended to preclude holdings of patent and copyright misuse unless the activity violates the antitrust laws.
5) 35 U.S.C. §§154 and 271 would be amended to provide that the use or sale in the U.S. of a product produced by a process patented in the U.S. would infringe the patent.

Some of these provisions are controversial. But there is increasing recognition that many antitrust doctrines written almost a century ago and construed during the New Deal era are out of tune with our current needs as our industry increasingly competes in high-technology global markets. And to the extent that such doctrines discourage the licensing of new technology, they are actually anticompetitive in their effects.

We continue to support the enactment of effective patent term restoration legislation along the lines of S. 1306. Such legislation—which is supported by the bipartisan National Productivity Advisory Committee and by the President's Cabinet Council on Economic Affairs—will redress a real inequity in two of our most innovative and productive industries: the pharmaceutical industry and the agricultural chemical industry.

The Administration's proposal to establish a defensive patent is now incorporated in S. 1538 and H.R. 2610. We hope that Congress will act on that proposal this year, together with the legislation I have already mentioned to merge our Board of Appeals with our Board of Patent Interferences. We also expect that the Administration will support major portions of S. 1535, which includes several improvements to the patent system recommended by members of this Section.

Legislation has not been introduced in the 98th Congress to enact a simplified, Government-wide Federal patent policy to govern the allocations of rights to inventions result-

ing from Federally sponsored research and development. The Administration continues to support the approach embodied in S. 1657 and H.R. 4564, which were considered by the 97th Congress. Indeed, on February 18, President Reagan took a major step in that direction by ordering all Federal agencies, consistent with their statutory requirements, to adopt a "first-option-in-the-contractor" Federal patent policy.

To provide a high level focus for policy considerations and decision making, the Administration has established a Working Group on Intellectual Property under the Cabinet Council for Commerce and Trade. That working group, which I chair, includes George Keyworth, the President's Science Advisor; William Baxter, Assistant Attorney General for Antitrust; Connie Horner, Associate Director of the Office of Management and Budget; Richard McCormack, Assistant Secretary of State; Bruce Merrifield, Assistant Secretary of Commerce; William Niskanen, a member of the Council of Economic Advisors; Michael Smith, Deputy U.S. Trade Representative and Mike Kirk. Substantive matters that the working group is now considering are possible modifications of the "first-sale doctrine" of the copyright laws to permit the owners of sound recordings and audiovisual works to participate in rental income; the protection of semiconductor chip designs; greater protection for computer software; the issue of whether drug companies can market off-patent pharmaceuticals in pills which "look like" those of the originating company; whether the rationale used by the 9th Circuit to hold that the mark "Monopoly" had become generic should be modified by legislation; a review of provisions in our trade laws specifically dealing with intellectual property; the Betamax issue; and programs to strengthen worldwide protection of intellectual property.

Conclusion

I recently had the unique opportunity to serve for two months as Acting Deputy Secretary of Commerce and, while Secretary Baldrige was out of the country, as Acting Secretary. From that vantage point, I was able to view the Patent and Trademark Office in its relations with other agencies in the Department of Commerce and in the rest of

Government. Without question it is viewed as one of the most valuable agencies in Government and one that is on the move in the right direction.

In presenting an unprecedented award to all employees of the Patent and Trademark Office on January 6, Presidential Counselor Edwin Meese III, expressed the President's strong belief:

> . . . That the steps that have been taken to improve the effectiveness and efficiency of the Patent and Trademark Office are an outstanding example of how Government can fulfill its legitimate role in serving the interests of the American people. And these accomplishments also, of course, support the very real effort that we're making to revitalize the economy. One of the principal objectives of our economic recovery program is to encourage more research and development by the private sector to maintain our technological lead in world markets.

Given that strong support from the White House, and the continuing support of Secretary Baldrige, I can only repeat what I have said previously to this Section—that I believe that I am uniquely privileged to be able to serve as Commissioner of Patents and Trademarks at this time and during this Administration.

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*Gerald J. Mossinghoff**

AMERICAN BAR ASSOCIATION ADDRESS**

I am delighted once again to report to the Section on Patent, Trademark and Copyright Law on the state of the U.S. Patent and Trademark Office.

It is difficult for me to realize that this is my fourth report to this Section on our plans and progress. The old adage is true: Time really does fly when you're having fun!

As we come to the end of the first Reagan Administration, it is appropriate to look back and measure our actual achievements against plans and objectives made at the beginning of the Administration. In the area of intellectual property, I believe that historians will mark this Administration for its enthusiastic and effective support of those who contribute to our well-being by their creation of new wealth in the form of new technology and new creative works. The level of support is unprecedented. At every turn if choices or tradeoffs had to be made between those who create new technology or new creative works versus those who copy or profit from the efforts of others, this Administration has decided issues and adopted policies in favor of the creators.

I believe that those looking back on this Administration from the vantage point of the 21st century will record three major accomplishments:

- First, building upon the foundation laid during the previous Administration, the Reagan Administration strongly supported the creation of the Court of Appeals for the Federal Circuit, with jurisdiction over all patent appeals nationwide. Although many in the American Bar Association vigorously opposed that idea, I believe everyone now agrees that in a remarkably short time that Court, under the able leadership of Chief Judge Markey, has cleared away much of the confusing underbrush that had grown up around the interpretation of statutory patent law in the several Federal circuit courts of appeals. That, in turn, has made the

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**Presented to the Section of Patent, Trademark and Copyright Law of the American Bar Association, Chicago, Illinois, August 4, 1984.

patent system far more useful to inventors and business executives.

- The second major accomplishment of this Administration in administering the patent and trademark laws was enacting realistic patent and trademark user fees which, for the first time in the past several decades, has assured adequate financial resources for the office—now and for the foreseeable future. As you will see, the new fees have had no adverse effect on the number of patent and trademark applications.
- Our third major achievement is the initiation of a bold but well-thought-out program, based upon detailed and thorough analyses of our systems and engineering contractors, to fully automate the Patent and Trademark Office by 1990. A major milestone in that program was passed on April 12 when we awarded a $300 million contract to the Planning Research Corporation, teamed with the Chemical Abstracts Service, to engineer and install our Automated Patent System or "APS."

These accomplishments would not have been possible without the strong and continuing support of Secretary Malcolm Baldrige. From the very start of this Administration, he has been determined to bring about significant and lasting improvements in the Patent and Trademark Office and in the protection of intellectual property worldwide. On many occasions his personal involvement has been indispensable in overcoming bureaucratic obstacles and in resolving political issues.

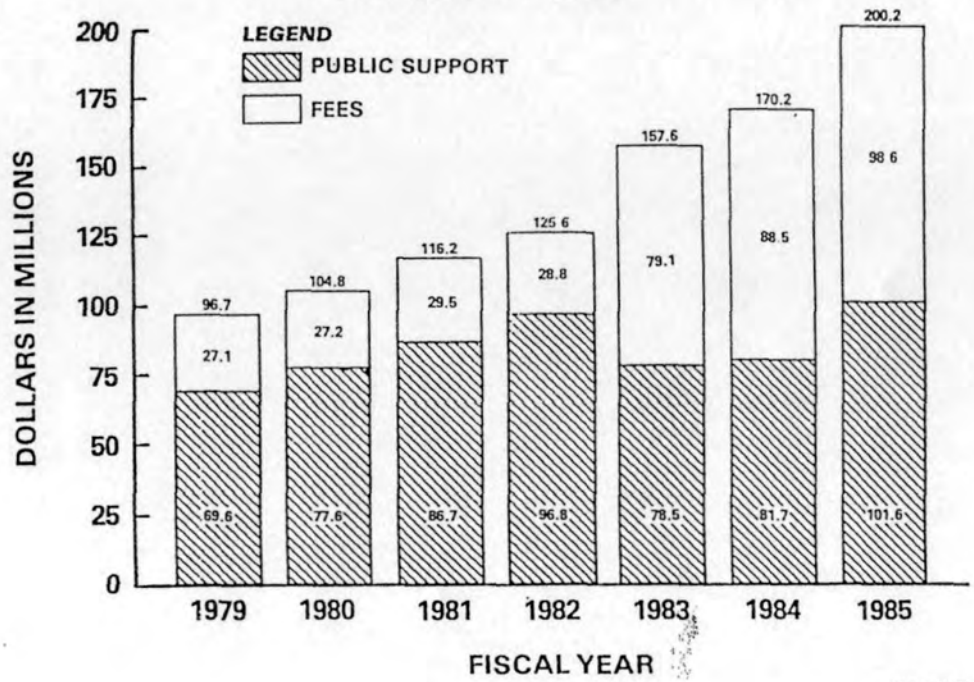
Now with the help of graphics, let me present a detailed report on our programs and plans.

Program Levels and Patent & Trademark Applications

Figure 1 shows the overall program levels for the Patent and Trademark Office for fiscal years 1979 through 1985. While the data speak for themselves, I should point out two things: First, you can see that the program level has virtually doubled—from a $100 million program to a $200 million program—during the past four years. Secondly, the amount of public support for the Office in fiscal year 1985 will be at

Fig. 1.

PTO PROGRAM LEVEL AND FEES
FY 1979 — 1985



an all-time high, 31% higher than the public support for the Office in fiscal year 1980.

Figure 2 shows the overall fee collections for the Office during fiscal years 1983 through the third quarter of 1984. After initially lagging our projections during the first part of 1983, the actual fees received are now tracking our projections to a remarkable degree. Overall, we are now at about 104% of our projections.

Figure 3 shows patent applications received during fiscal years 1982, 1983 and 1984. As I reported to the Section last year, the only effect of the new fees was to cause an enormous increase in filings in September 1982, to beat the fee increase, with a corresponding drop in filings in fiscal year 1983. That is shown in the upper half of Figure 3. Cumulative filings are plotted in the lower half of the figure and show that the new fees have had no adverse effect on patent filings. At the end of June 1984 we were at 101% of projections made before the new fees were formulated. Similarly during fiscal year 1984, U.S. small entities—independent inventors, small businesses and nonprofit organizations—were entering the U.S. patent system at a slightly higher rate than during fiscal year 1982. Within that group the number of U.S. independent inventors filing patent applications has remained constant at about 17% of total filings.

During fiscal years 1982, 1983 and 1984 the percentage of U.S. applications being filed from abroad has remained relatively constant at slightly less than 42%. If this trend continues—and it is too early to draw conclusions—it will be in contrast to the steady increase in the rate of U.S. applications from abroad over the past 20 years. For example, from 1976 through 1981, the rate of applications from abroad increased from 34.9% to 40.3%.

Figure 4 shows the number of trademark applications filed during fiscal years 1982, 1983 and 1984. Here again, the new fees had no effect on filings, except to accelerate drastically the number of cases filed prior to October 1, 1982, the effective date of the new fees. Cumulatively, we are at 104% of projections made before the new trademark fees were formulated. This year we predict we will receive 61,000 trademark applications, 9,000 more than we received in 1980.

Fig. 2.

PATENT AND TRADEMARK OFFICE
FEE COLLECTIONS

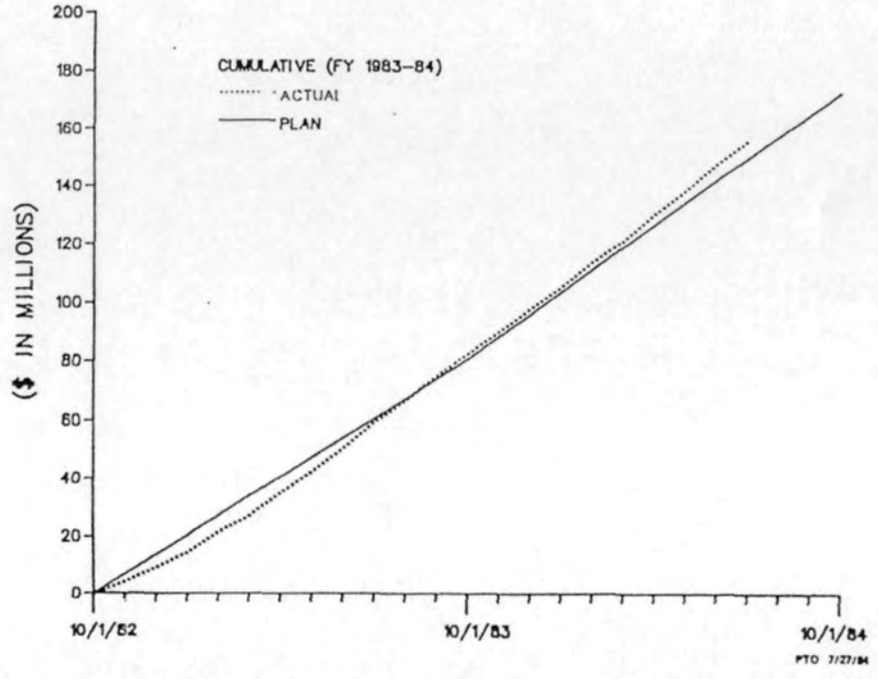
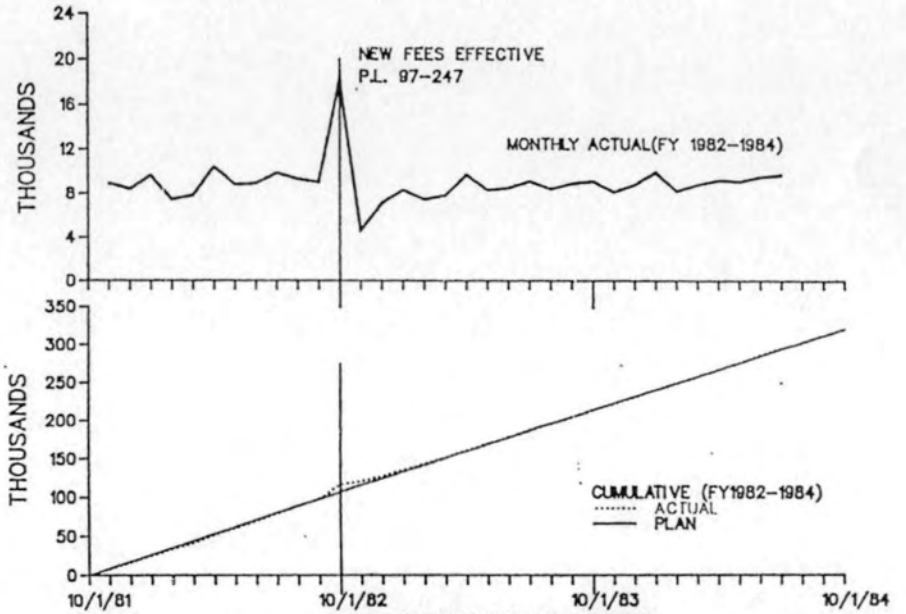


Fig. 3.

PATENT APPLICATIONS FILED

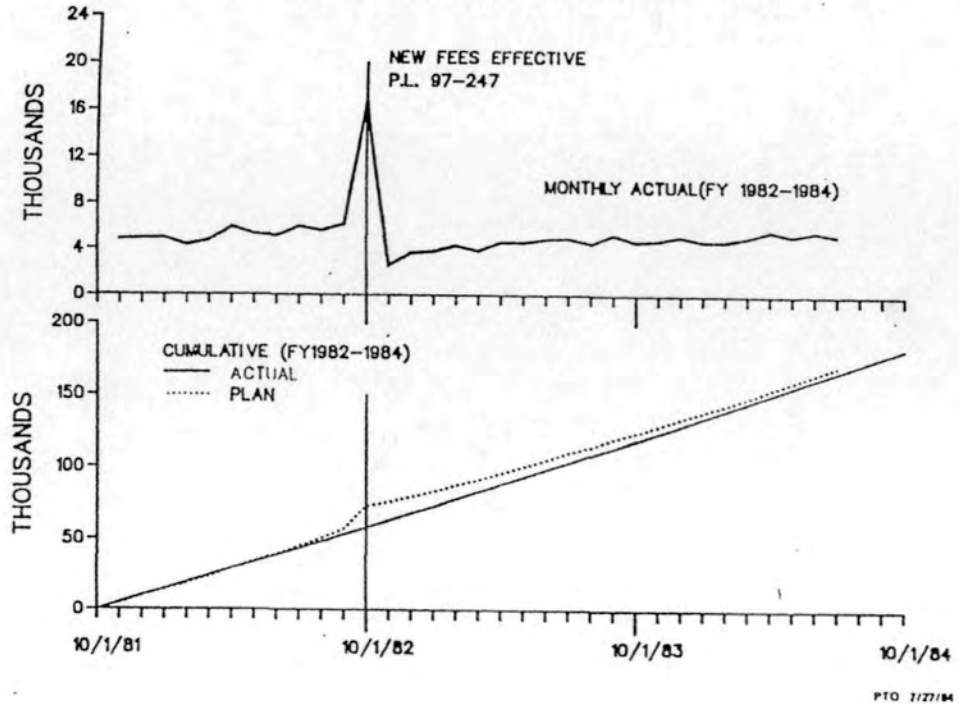


PERCENTAGE OF APPLICATIONS FILED

	FY1982	FY1983	FY1984
FOREIGN	41.3	41.8	41.5
U.S. LARGE ENTITIES	34.7	35.1	34.0
U.S. SMALL ENTITIES	24.0 (EST)	23.1	24.5

Fig. 4.

TRADEMARK APPLICATIONS FILED



We are preparing a notice of proposed rulemaking to set fees for fiscal years 1986 through 1988, and within the next several weeks, we will publish the final rules to establish procedures to collect patent maintenance fees beginning in fiscal year 1986.

Patent Program

I am very pleased to report that our patent examiners are exceeding all of their production goals necessary to achieve Plan 18/87, i.e., to reduce the time it takes to get a patent to 18 months by fiscal year 1987. Figure 5 illustrates Plan 18/87. For the first time in more than seven years, we have "turned the corner," that is, we are now disposing of more patent applications than we are receiving. We estimate that we will receive 109,000 patent applications this year and dispose of more than 115,000 cases. It now takes slightly more than two years, on an average, to get a patent, and that time will decrease by two months in each of the next three years. A new examiner incentive award program, formulated in cooperation with the Patent Office Professional Association, the examiners' union, has increased the productivity of our examiners. This program provides a bonus of 3% of salary for any examiner who achieves 110% of his or her production goal while maintaining high quality.

To achieve Plan 18/87, as I have reported previously and as shown in Figure 6, we have significantly expanded our examining corps. Since 1981 we have hired more than 700 patent examiners, and next year we are authorized to hire an additional 215. We continue to be exceedingly proud of our new professionals, three out of four of whom are honors graduates.

Under Don Quigg's leadership we have received donations from industry of over $425,000 to support the Examiner Education Program. This program permits patent examiners to travel to industrial sites to become familiar with the latest developments in their specialized areas of technology. Using only a portion of that fund, 400 examiners have participated in this program. More than 200 companies have been visited

PLAN 18/87
18 MONTHS BY FY 1987

Fig. 5.

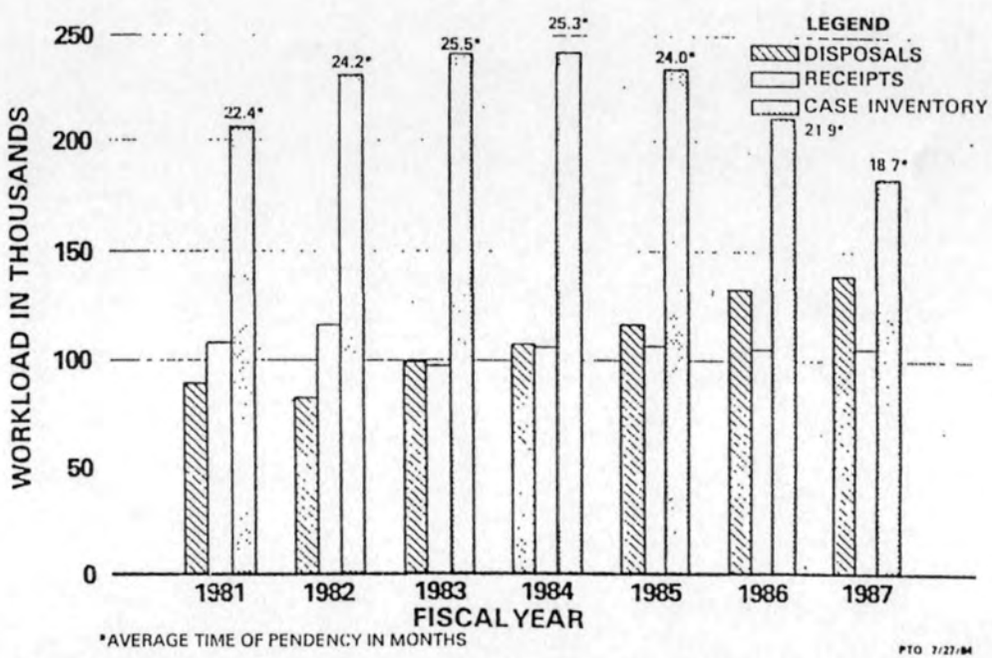
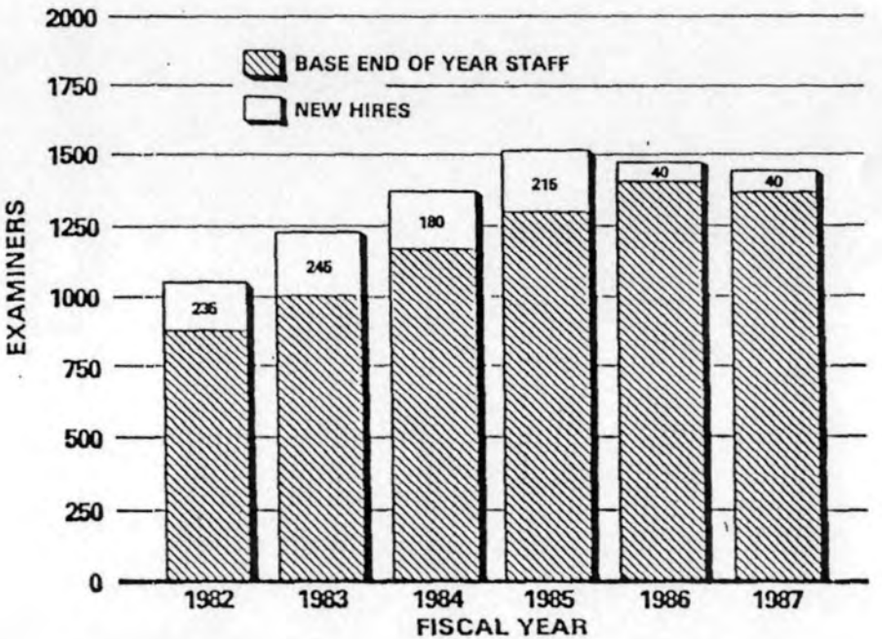


Fig. 6.

PLAN 18/87
PATENT EXAMINER STAFFING



and 123 organizations and individuals have contributed to the program.

In other actions in the patent side of the Office—

- We have implemented the new rules to simplify the foreign filing of patent applications and amendments and modifications which include additional subject matter.
- In the past two years, we have reorganized the patent corps, creating 40 new art units for a total of 104, and on May 1 we completed one of the most comprehensive moves and consolidations of patent examiners in the history of the Office.
- We have substantially upgraded and expanded our patent academy, based on advice we received from a number of distinguished practitioners before the Office.
- We have produced a completely new edition of the Manual of Patent Examining Procedures, which will be available in machine-readable and searchable form.
- We have expanded the use of commercial data bases by patent examiners, with the current use running about $1 million a year.
- Since 1981 we have added 18 new Patent Depository Libraries around the nation, for a total of 53. Figure 7 shows the location of these PDLs.
- We have installed an automated library system in our Scientific Library to permit patent examiners to conduct on-line searches of the library's catalog of holdings from terminals located throughout the Office, and to automate charge-out procedures and bibliographic control.
- We are now completing preexamination processing of patent applications in 30 days, compared with 122 days two and one half years ago, and are mailing official filing receipts in 22 days. Each quarter, Terri Brelsford, Assistant Commissioner for Administration, now publishes a complete status report on our delivery of patent services in the *Official Gazette* so that the public can measure how well we are doing in this critical area.

Fig. 7.


PATENT DEPOSITORY LIBRARIES
Maine
Massachusetts
Rhode Island
Connecticut
New Jersey
Delaware
Maryland
Washington, D C
New Hampshire
Vermont
New York
Pennsylvania
West Virginia
Virginia
North Carolina
South Carolina
Georgia
Florida
Michigan
Ohio
Indiana
Kentucky
Tennessee
Mississippi
Alabama
Wisconsin
Illinois
Minnesota
Iowa
Missouri
Arkansas
Louisiana
North Dakota
South Dakota
Nebraska
Kansas
Oklahoma
Texas
Montana
Wyoming
Colorado
New Mexico
Idaho
Utah
Arizona
Nevada
Washington
Oregon
California
Alaska
Hawaii

(1) Albany, NY New York State Library
(2) Albuquerque, NM University of New Mexico Library
(3) Ann Arbor, MI Engineering Transportation Library, University of Michigan
(4) Atlanta, GA - Price Gilbert Memorial Library, Georgia Institute of Technology
(5) Auburn University, AL Auburn University Libraries
(6) Austin, TX McKinney Engineering Library, University of Texas at Austin
(7) Baton Rouge, LA Troy H. Middleton Library, Louisiana State University
(8) Birmingham, AL Birmingham Public Library
(9) Boston, MA Boston Public Library
(10) Buffalo, NY Buffalo and Erie County Public Library
(11) Butte, MT Montana College of Mineral Science and Technology, Library
(12) Cambridge Springs, PA Alliance College Library
(13) Charleston, SC Medical University of South Carolina Library
(14) Chicago, IL Chicago Public Library
(15) Cincinnati, OH Public Library of Cincinnati and Hamilton County
(16) Cleveland, OH Cleveland Public Library
(17) College Park, MD Engineering and Physical Sciences Library, University of Maryland
(18) College Station, TX Sterling C. Evans Library, Texas A & M University
(19) Columbus, OH Ohio State University Libraries
(20) Dallas, TX Dallas Public Library
(21) Denver, CO Denver Public Library
(22) Detroit, MI Detroit Public Library
(23) Durham, NH University of New Hampshire Library
(24) Houston, TX Fondren Library, Rice University
(25) Indianapolis, IN Indianapolis-Marion County Public Library
(26) Kansas City, MO Linda Hall Library
(27) Lincoln, NE Engineering Library, University of Nebraska-Lincoln
(28) Los Angeles, CA Los Angeles Public Library
(29) Madison, WI Kurt F. Wendt Engineering Library, University of Wisconsin
(30) Memphis, TN Memphis & Shelby County Public Library and Information Center
(31) Milwaukee, WI Milwaukee Public Library
(32) Minneapolis, MN Minneapolis Public Library and Information Center
(33) Moscow, ID University of Idaho Library
(34) Newark, DE University of Delaware Library
(35) Newark, NJ Newark Public Library
(36) New York, NY New York Public Library
(37) Philadelphia, PA Franklin Institute Library
(38) Pittsburgh, PA Carnegie Library of Pittsburgh
(39) Providence, RI Providence Public Library
(40) Raleigh, NC D.H. Hill Library, North Carolina State University
(41) Reno, NV University of Nevada Reno Library
(42) Sacramento, CA California State Library
(43) St. Louis, MO St. Louis Public Library
(44) Salt Lake City, UT Marriott Library, University of Utah
(45) San Diego, CA San Diego Public Library
(46) Seattle, WA University of Washington Libraries
(47) Spokane, WA Neyas State Library
(48) Stillwater, OK Oklahoma State University Library
(49) Sunnyvale, CA Patent Information Clearinghouse*
(50) Tempe, AZ Arizona State University Libraries
(51) Toledo, OH Toledo-Lucas County Public Library
(52) Universal Park, PA Pattee Library, Pennsylvania State University Libraries
(53) Miami, FL Miami-Dade Public Library

☐ City or City/County Public Library
◯ College or University Library
⬡ State Library
⬠ Research-Oriented Library

*Contractor-assisted only

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Trademarks

As shown in Figure 8, we are on schedule in achieving our goal of Plan 3/13, that is, to reduce the average time of pendency of trademark applications from an all-time high in 1980 of more than two years to 13 months by 1985, and to render first opinions on registrability within three months of receipt. Currently, time to first action is 5.3 months and time to registration or abandonment 18.9 months. To carry out this goal we have increased our trademark attorney staff to 111 attorneys, compared with 66 in 1980.

The Trademark Trial and Appeal Board is now scheduling hearings within six weeks of receipt of the final briefs in a case and is rendering final decisions within an average of five weeks after the hearing. Much credit is due Dan Skoler, Chairman of the TTAB, in streamlining procedures and insisting on prompt decisions following hearings. In 1981 it took from eight to twelve months following a hearing for the Board to render a decision.

Margaret Laurence and her staff are to be congratulated for having established in Washington the Annual National Trademark Expo. The first was held in 1983, and the second was held this past July 7 and 8. This year over 12,000 visitors viewed 24 dynamic exhibits in the Main Commerce Building Great Hall. Visitors were lured into the Great Hall by the 30-foot American Tourister gorilla, who positioned himself conspicuously on Pennsylvania Avenue in downtown Washington.

Automation

During the past year we have made impressive progress in our plans to bring about a fully automated Patent and Trademark Office by 1990.

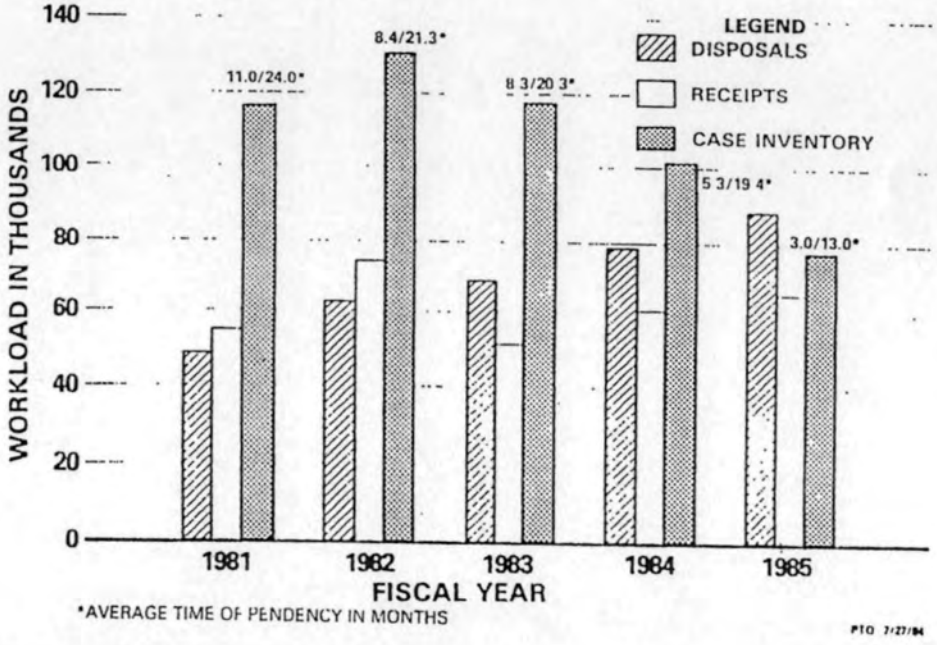
In the trademark area the TRAM (Trademark Registration Application Monitoring) system is now fully operational. More than 15,000 transactions per day are now being handled by the TRAM system.

The T-CAR (Trademark Computer-Assisted Retrieval) system became operational in February. That system is a microfilm-based, computer-driven system which eventually

PLAN 3/13

3 MONTHS TO FIRST ACTION/13 MONTHS TO DISPOSAL — BY FY 1985

Fig. 8.



will include images of all incoming trademark application papers.

On June 22, 1984, we accepted from the Systems Development Corporation the T-SEARCH system, which will provide automated searching of the images and text of all U.S. registered trademarks and pending applications. We have also accepted delivery of the electronic data base of the backfile of all registered trademarks from Compu-Mark US, and are in the process of taking delivery of the images of trademark designs which were prepared by Thomson & Thomson. TCR Services, which is now owned by Thomson & Thomson, is now routinely providing machine-readable applications data on newly registered trademarks.

In line with recommendations we received from the trademark bar, we have renegotiated the cooperative ventures that we had entered into with Compu-Mark, Thomson & Thomson and TCR Services to give the public more flexibility in using the new T-SEARCH system. Last year, as you know, we had entered into exchange agreements with those companies under which they were to provide computerized data bases of trademark information without charge to the Government in exchange for PTO products and services. To protect the commercial interests of the companies, however, the agreements provided for the public to conduct searches using the automated system in a less sophisticated way than the search techniques to be provided to the examining staff. Under the new agreements the public will now have the option of using more sophisticated techniques to conduct searches of the computerized data bases. Those techniques will be identical to those which will be available to our trademark examiners.

We are publishing a notice of proposed rulemaking formally announcing the estimated charges for the use of the new T-SEARCH system. We currently estimate that there will be a base hourly user fee of $40 for use of the automated system in a way that is comparable and equivalent to that now available through manual searching of the existing paper files. That estimated hourly rate is based on the projected marginal cost of providing public access to the automated system. Under the new agreements, the public will have the option of paying an additional hourly charge or royalty of

$30 to use search capabilities identical to those currently being installed for use by our trademark examiners. We are scheduling a hearing in the next several weeks to receive public comments on the proposed fees.

Under our present schedule, T-SEARCH will be available both to the examiners and the public by the end of 1984. I am committed to maintaining and updating the paper files until the T-SEARCH system is debugged and fully operational. I am also committed to holding a public hearing after T-SEARCH is operational before any decision is made on the retention of the paper files.

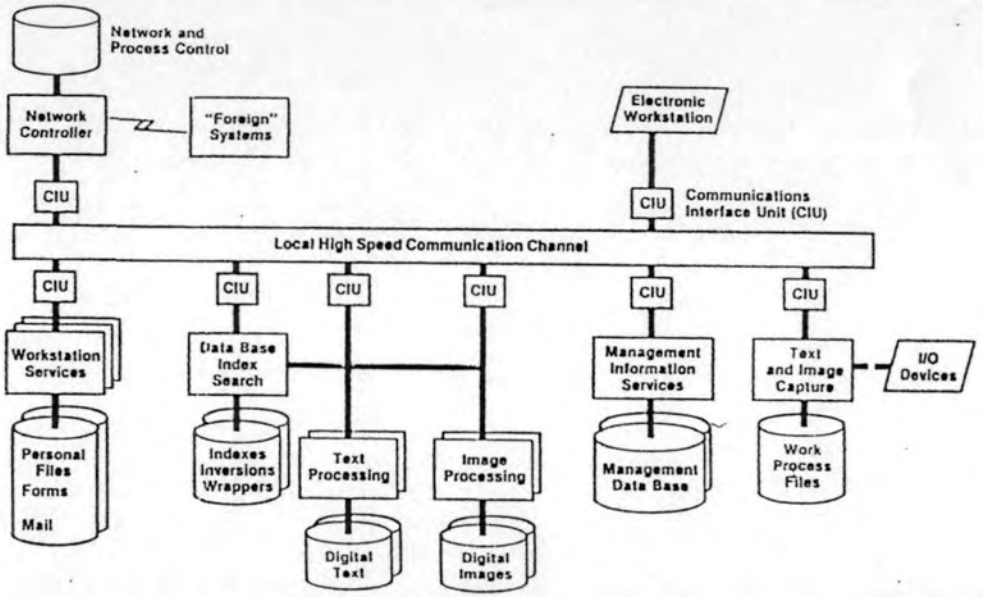
The big news in the patent side of automation is that we have awarded a $300 million contract to the Planning Research Corporation of McLean, Virginia, teamed with the Chemical Abstracts Service of Columbus, Ohio, to engineer and install the Automated Patent System (APS). Figure 9 shows the conceptual architecture of the APS. A significant feature of that system, since we have the luxury of being located in one small area in Crystal City, Virginia, is that we can use a "hard-wire" communications channel—sometimes referred to as a "local area network"—for the entire system. This will significantly reduce the cost of the fast-response system we are procuring and, perhaps just as significantly, assure complete security for the data bases used in the system. Those data bases will contain valuable proprietary information and trade secrets. Another significant aspect of the architecture is that communications interface units or "CIUs" will be installed between each subsystem and the local area network. This will permit upgrading of the various subsystems throughout the life cycle of the overall system, without affecting either the local area network or other subsystems.

Two competitive procurements, one for an image capture system (ICAPS) and the other for a text capture system (TCAPS) will be initiated within a month.

Under the schedule set forth in our Automation Master Plan, which we submitted to Congress December 13, 1982, Group 220 will serve as a "proof-of concept" demonstration of the system. The mainframe computer for the initial phases of the APS will be installed in our new Computer Center by the end of this year.

Automated Patent System Conceptual Architecture

Fig. 9.



Text and Image Data Base Processing

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For those of you who have not seen it, we would be delighted to have you visit our new center in building No. 1 of Crystal Mall. That center now houses our new Burroughs 7700 mainframe, two Burroughs 6900 front-end computers and a Xerox 8700 high-speed laser printer. That new center was officially opened on December 12, 1983.

On June 14 we published the "Electronic Patent Data Dissemination Guidelines" for the APS in the *Federal Register*. Those guidelines are reproduced in the July 10 *Official Gazette*, and copies are available from the Office on request. Moving toward an automated system will change the way we do business and will in many ways change the way you do business. We therefore urge you to review these proposed guidelines and give us your comments and advice. We are already working closely with leaders of the patent bar in bringing about this long overdue modernization of our patent documentation system.

An important element of our plans in the patent automation effort is the trilateral agreement among the Japanese Patent Office, the European Patent Office and the U.S. Patent and Trademark Office, which was signed October 19, 1983. Every step we take is tightly coordinated with the other two offices to assure that our systems will be fully compatible. A major objective of the trilateral agreement, from our point of view, is to be able to provide to our examiners and the public documentation from the other two major offices of the world in machine-searchable form in English. Under the trilateral agreement there already have been four formal meetings of experts, and detailed preparations are now under way for the second annual trilateral meeting, which will be held in Munich this fall.

Figures 10 through 13 show the major milestones in our automation efforts.

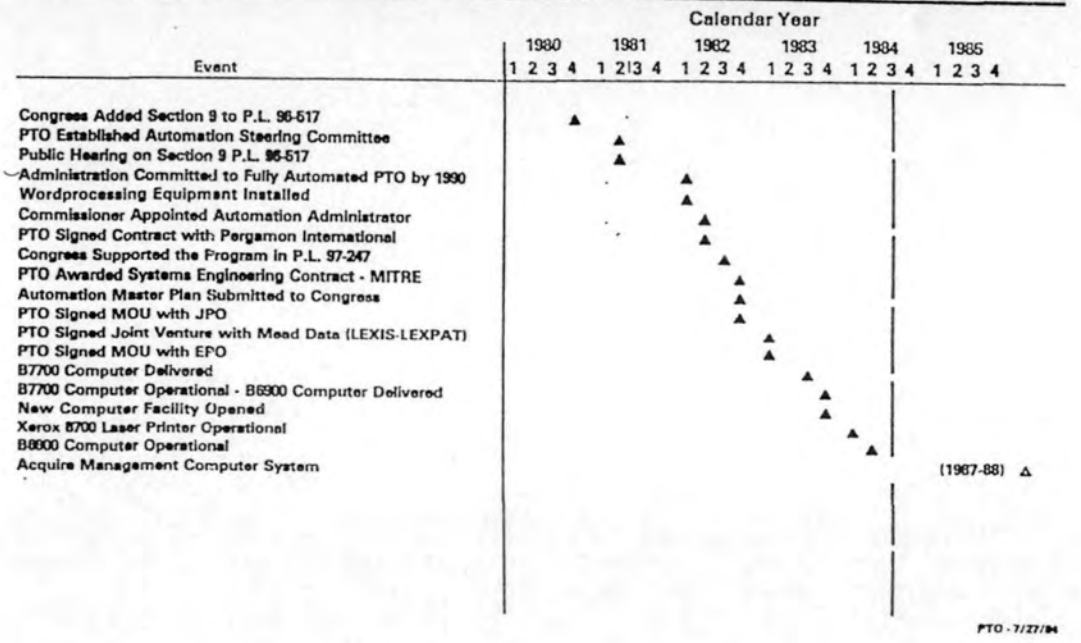
Legislation

This past year we have been quite active in working with the leadership of the House and Senate Judiciary Committees to secure the enactment of a broad range of legislative proposals supported by the Administration. Although there are not many legislative days left in the Second Session

AUTOMATION TIME LINE

Fig. 10.

GENERAL AUTOMATION



AUTOMATION TIME LINE

Fig. 11.

TRADEMARK AUTOMATION

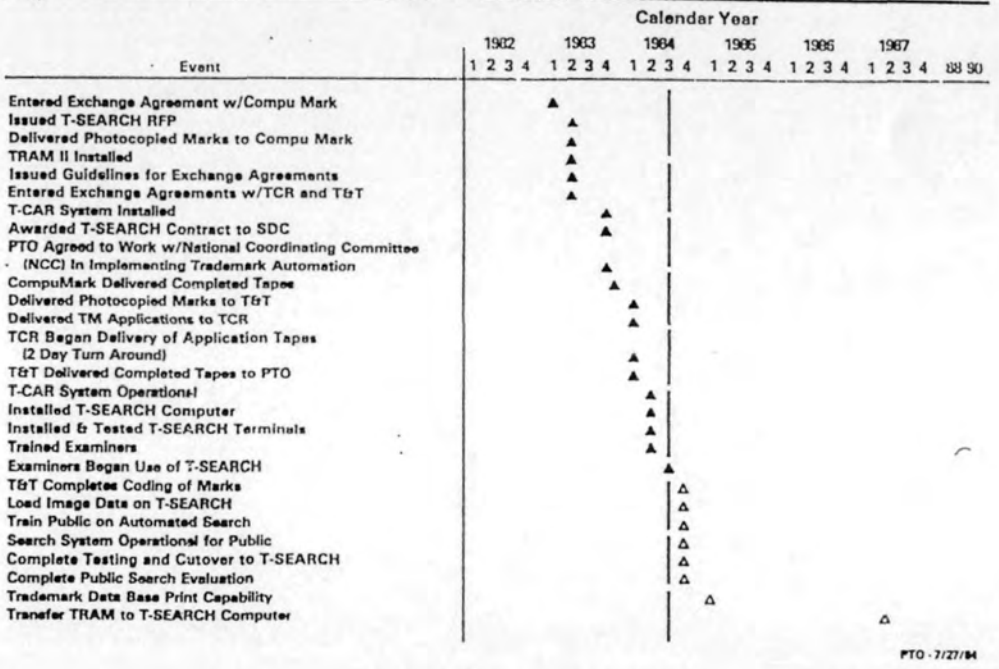
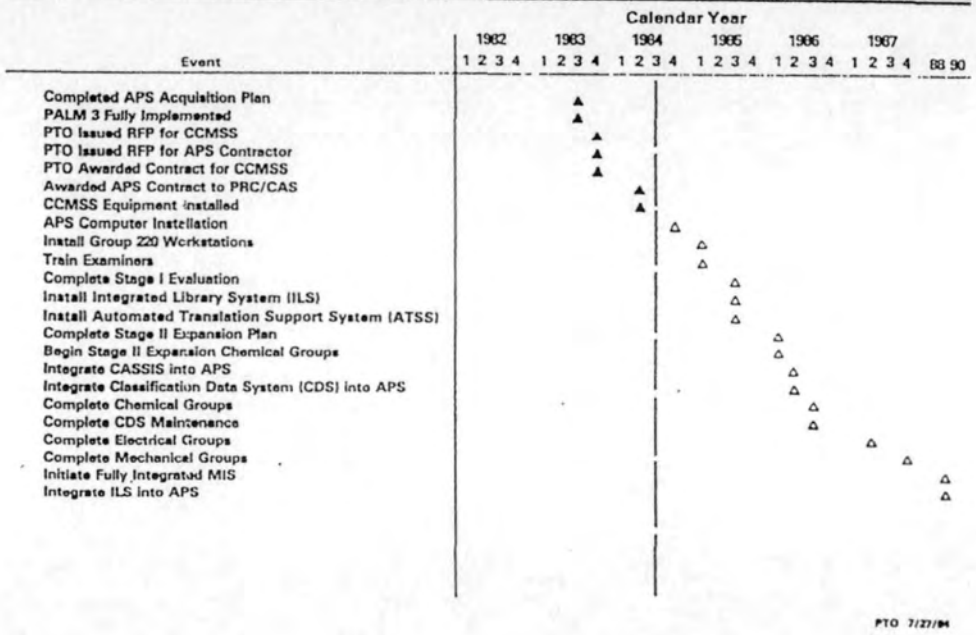


Fig. 12.

AUTOMATION TIME LINE

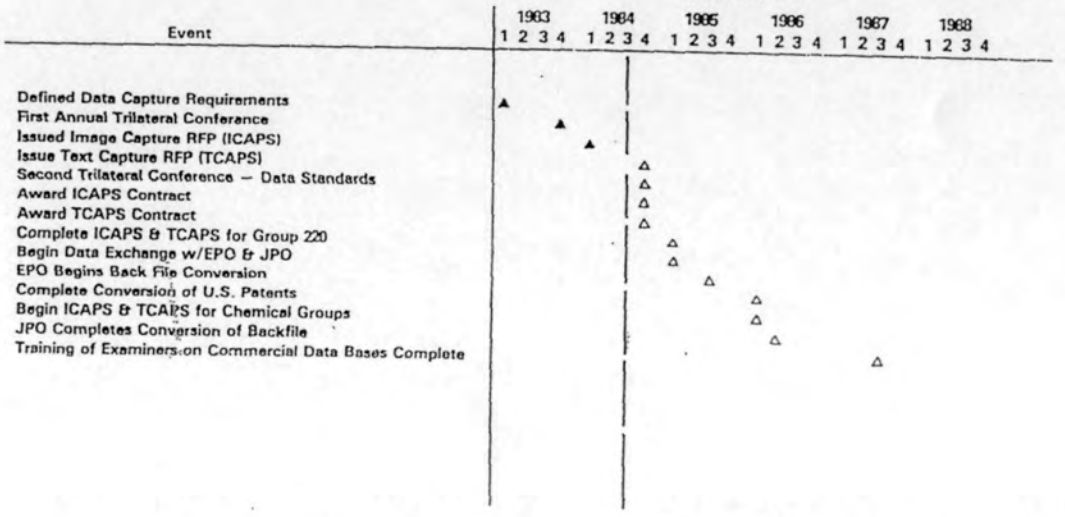
PATENT AUTOMATION



AUTOMATION TIME LINE

Fig. 13.

PATENT DATA BASE AUTOMATION



PTO - 7/27/84

of the 98th Congress, we are quite optimistic that many of the following bills will be enacted:

- It is likely that this Congress will enact S.32 and H.R.5938, which will repeal the copyright first-sale doctrine as it applies to audio works. Under this bill, if someone were to rent out copyrighted audio works they would need the permission of the copyright owner before they could do so. Based on experience in Japan, rental of phonorecords displaces sales virtually one-for-one. S.32 was passed by the Senate on June 28, and H.R.5938 has been reported favorably by Chairman Kastenmeier's Subcommittee of the House Judiciary Committee.
- The House and Senate have passed H.R.5525 and S.1201, which would provide an inexpensive form of 10-year protection for the mask works used to produce semiconductor chips. Each of these bills meets the criteria recommended by the Cabinet Council on Commerce and Trade. I understand that the House and Senate conferees are very close to a final agreement.
- The Senate has already enacted S.875, which would impose heavy criminal penalties on those who traffic in counterfeit goods. The House counterpart of that bill is being actively considered in the House Judiciary Committee. A study by the International Trade Commission, in which we were pleased to participate, demonstrates clearly that counterfeiting of goods is an enormous problem. The ITC estimates that $6 to $8 billion was lost by U.S. industry because of counterfeit goods sold in 1982. And the issue is not merely an economic one. There are documented cases of counterfeit aircraft engine bolts, artificial heart pumps and agricultural chemicals, to name just a few examples that directly affect public health and safety.
- Prospects are good that the Congress will enact S.1538 and its counterpart in the House, which would merge our Board of Appeals with our Board of Patent Interferences, in line with Don Quigg's detailed recommendations to simplify patent interference proce-

dures. These bills would also establish a defensive Statutory Invention Recording.

- Prospects are also good regarding S.1841 and H.R.5041, which would encourage joint research and development by eliminating the possibility of treble damages in private antitrust actions. These bills, as they are now written, would not reform the overly restrictive patent misuse and copyright misuse doctrines. Those provisions have been split off and will be considered separately.
- We are hopeful that legislation will be enacted to facilitate the marketing of off-patent drugs by the generic pharmaceutical industry in return for up to five years patent restoration to compensate the patent owner for delays in premarket clearance. The Administration supports the compromise which was worked out by the generic pharmaceutical industry and the Pharmaceutical Manufacturers Association, but we strongly oppose S.2748 and H.R.3605, as they are currently written, because they are unnecessarily cumbersome and because they would reverse the very solid *Roche v. Bolar* case. Reversing that decision would run exactly contrary to this Administration's efforts to increase patent protection worldwide for pharmaceuticals and agricultural chemicals.

If these bills are enacted, it will be a real credit to the House and Senate leadership, and it will demonstrate clear bipartisan recognition of the pressing need to strengthen intellectual property protection across the board.

Other measures that the Administration strongly supports include S.33 and H.R.1029, which would repeal the copyright first-sale doctrine for video works; S.1990 and H.R.4460, which would clarify the test for when a trademark is to be held generic; H.R.3878, which does include provisions to reform the judge-made patent misuse doctrine to encourage the licensing of intellectual property; bills which would establish a simplified Federal Patent Policy to replace the present patchwork of 26 different Federal patent policies; S.774, which would permit a submitter of trade secrets to the Government to participate in a decision of the Gov-

ernment on whether to release them under the Freedom of Information Act; and S.1535 and H.R.4524–4529, the bills drafted by an informal group of bar leaders that would bring about several important improvements in intellectual property protection.

On the other side of the coin, the Department of Commerce strongly opposes S.1734, which would establish a one-shot $50 fee per jukebox instead of an annual fee to compensate copyright owners for use of their works, and we oppose any legislative or administrative scheme which would deprive Government contractors of their privately financed trade secrets after some arbitrary time period of, for example, five years or seven years.

International

This past year I had the privilege of heading the U.S. Delegation to the Fourth Session of the Diplomatic Conference on the Revision of the Paris Convention. I had high hopes that during that session we would reach a consensus on what is referred to as the Jimenez Davila compromise, which had been formulated during the Third Session of the conference. That compromise would have proscribed altogether the grant of compulsory exclusive licenses by member states of the Paris Union. It would have permitted forfeiture of patents in developing countries after five years, but only if one of two conditions is satisfied. And developing countries would not have to comply with the provisions of Article 5*quater* regarding process patents. Five years in which to work an invention or suffer forfeiture of the patent is unrealistic and clearly too short, but our delegation had reluctantly agreed to that provision in return for eliminating the possibility of compulsory exclusive licenses.

Regrettably we were not able to reach agreement on the Jimenez Davila compromise. But in many ways I regard the Fourth Session as a success. We were able to reach agreement within Group B, the developed countries, on Article 10*quater*, having to do with geographical indications. And we were able to achieve a totally unified position in Group B against compulsory exclusive licenses.

The stalemate at the Fourth Session led to a recognition by all countries that it would not be productive to rush to a

Fifth Session of the conference without additional detailed preparatory work. All three groups of countries at the Fourth Session recommended that this fall an extraordinary session of the Paris Union be convened to establish "machinery for consultations" to prepare for a Fifth Session. I firmly believe that the Diplomatic Conference should not be resumed until those mechanisms result in prospects for broad agreement. Realistically, I don't see that happening for the next several years.

In the first of two new international initiatives, the Administration will request the Senate's advice and consent to withdraw the U.S. reservation concerning Chapter II of the Patent Cooperative Treaty. This past spring we reached agreement with the European Patent Office that it would serve as the International Preliminary Examining Authority for patent applications of U.S. origin. The Administration Council of the EPO has now ratified that agreement. Initially, until the United States is in a position itself to serve as an International Preliminary Examining Authority, the European Patent Office will examine 500 cases per year for U.S. applicants, but only in cases in which they have served as an International Searching Authority. Nevertheless, this is a significant step in my view, and one which will eventually bring to U.S. industry the full benefits of the Patent Cooperation Treaty.

In a second international initiative based on a decision of the Cabinet Council on Commerce and Trade, the Administration also intends to request the Senate to give its advice and consent to the U.S. ratifying the Brussels Satellite Convention. That treaty, concluded in 1974, requires member states to take steps to prevent piracy of TV signals sent to or received from satellites.

The American Intellectual Property Law Association and my office are now planning for a tour of the United States by officials of the new Chinese Patent Office, the Chinese Trademark Office and the China Council for the Promotion of International Trade (CCPIT) later this year or early next year. The tour will include briefings and seminars in several major U.S. cities. A new organization, the China Patent Agent, Limited, an arm of the CCPIT, has already announced that it is prepared to receive patent applications

for subsequent transmission to the Chinese Patent Office when it officially opens on April 1, 1985.

Based on a recommendation of the Patent and Trademark Office, Secretary Baldrige has established a goal of increasing protection of intellectual property worldwide. In line with that goal, we are increasing our bilateral efforts to provide training and technical assistance to developing countries which are seeking to increase the effectiveness of their intellectual property systems. Figure 14 lists the countries which have received or will receive technical assistance or training from our Office during this Administration.

I was greatly honored this past September to be elected Chairman of the General Assembly of the World Intellectual Property Organization (WIPO). Under the leadership of Dr. Arpad Bogsch, WIPO stands out as a shining example of how a specialized agency of the United Nations can effectively and beneficially serve the needs of not only developing countries but also of the industrialized nations. By fostering a keen awareness of how indispensable intellectual property is to a nation's progress and well-being and by down-to-earth technical assistance programs, WIPO is an important instrument for progress worldwide.

Conclusion

Let me say in closing that I am very proud of all employees at every level in the Patent and Trademark Office and their performance over the last three and one half years. I really believe that there is a new spirit of dedication to serve industry and inventors. While we still have some rough spots to smooth over, I think there is a true appreciation that we are rapidly becoming a first-class service organization.

I am especially proud of our executive staff. I have been in Government now for 25 years, and I believe our executive staff is a model of the effectiveness and dedication of the best of public servants. [Parenthetically, when I was in Geneva heading the U.S. Delegation to the Diplomatic Conference for four weeks in March, I would call my office each week to discuss and offer my help in resolving problems. To my dismay there were no problems. The executive staff didn't quite say "Gerry who?" when I called, but they might well have since they had everything so well under control.]

Fig. 14.

UNITED STATES PATENT AND TRADEMARK OFFICE ASSISTANCE TO DEVELOPING COUNTRIES SEEKING TO STRENGTHEN THEIR INTELLECTUAL PROPERTY RIGHTS

TECHNICAL ASSISTANCE	TRAINING
ARGENTINA	BARBADOS
BRAZIL	EGYPT
INDONESIA	INDONESIA
KOREA	JAMAICA
MALAYSIA	KOREA
MEXICO	MEXICO
PAKISTAN	NIGERIA
PEOPLE'S REPUBLIC OF CHINA	PEOPLE'S REPUBLIC OF CHINA
PHILIPPINES	PHILIPPINES
SINGAPORE	TAIWAN
THAILAND	THAILAND
AFRICAN INTELLECTUAL PROPERTY ORGANIZATION — OAPI	AFRICAN INTELLECTUAL PROPERTY ORGANIZATION — OAPI
GULF COOPERATION COUNCIL	GULF COOPERATION COUNCIL

PTO 7/27/84

When I first addressed this Section in New Orleans in 1981, I stated that I believed that I was uniquely privileged to be able to serve as the Commissioner of Patents and Trademarks at this time and during this Administration. Everything that has happened in the past three and one half years has reinforced that conviction.

RONALD REAGAN, THE INTELLECTUAL PROPERTY PRESIDENT

Remembrances of the Honorable Gerald J. Mossinghoff*
Assistant Secretary of Commerce
and
Commissioner of Patents and Trademarks
1981-1985

Prior to my nomination as Commissioner of Patents and Trademarks in 1981, Commerce Secretary Malcolm Baldrige and I met with President Reagan. At that meeting, I was impressed with how much the President knew about the importance of intellectual property and how dedicated he was to strengthening intellectual property protection. That included copyrights, of course – particularly important to the motion picture industry – but also patents and trademarks.

In a light vein, the President referred to a story he had heard about Charles Holland Duell, Patent Commissioner at the turn of the nineteenth century, who reportedly recommended to President McKinley that he close the Patent Office because "Everything that can be invented has been invented." President Reagan, tongue in cheek, told me not to follow that example and not to make such a recommendation to him while he was president.

Secretary Baldrige told me later that President Reagan viewed intellectual property protection worldwide as the key to U.S. international competitiveness. The President rejected the idea – then prevalent in some quarters – that the U.S. government should pick "winners" and "losers" among U.S. industries to enhance our international competitive positions. Secretary Baldrige reported that the President saw protection of intellectual property as a far more appropriate course for the U.S. government to pursue. And in fact, President Reagan's leadership in the field of intellectual property led to major and lasting contributions. Foremost among them were:

- ***Government-Wide Attention to Intellectual Property***

Early in his Administration, President Reagan established his Cabinet-Council structure, installing Commerce Secretary Baldrige as the Chair of the Cabinet Council on Commerce and Trade. In turn, to achieve President Reagan's goals on intellectual property, Secretary Baldrige established a government-wide Working Group on Intellectual Property, manned at the Assistant Secretary level, which I was honored to chair.

- ***Adherence to the Berne Convention for the Protection of Literary and Artistic Works***

On October 31, 1988, President Reagan had a Rose-Garden Signing Ceremony for the Berne Convention Implementation Act. He stated:

> "Today we celebrate victory in the name of a right as old as the Union itself and as central to our Union as any: the right all Americans have to protect their property. We're here to sign into law the Berne Convention Implementation Act of 1988. It will enable the United States to adhere to the Berne Convention for the protection of literary and artistic works. The Berne convention, which was originally concluded in 1886 and approved by our Senate earlier this month, provides for the protection of copyrighted works from international pirates who make their living by stealing and then selling the creative accomplishments of others.
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> "With 77 countries as members, including most of our trading partners, the Berne convention features the highest internationally recognized standards for the protection of works of authorship. Our membership will automatically . . . secure the highest available level of international copyright protection for U.S. artists, authors, and copyright holders. This is especially significant because American works protected by copyright – books, recordings, movies, computer software prominent among them – have been at risk because of differences between U.S. law and the Berne convention.
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> "The cost to Americans has been substantial, not only in terms of the violation of the property rights of Americans but in terms of our trade balance as well. We've been running a trade surplus of over $1 billion annually in copyrighted goods, and it would have been much larger had it not been for the pirating of American copyright work. In 1986 alone, the entertainment industry may have lost more than $2 billion in potential revenue, and our computer and software industries more than $4 billion in potential revenue. That's why adherence to the Berne convention has been such an important goal of the administration and why this occasion marks a watershed for us.

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"Officials in our administration worked closely with many key Members of Congress, such as Senator Pete Wilson and Congressman Carlos Moorhead, to get this bill passed in Congress. And we must also remember our good friend and former Secretary of Commerce, the late Malcolm Baldrige, who led the charge on this legislation."

- ***The Creation in 1982 of the Court of Appeals for the Federal Circuit***

On April 2, 1982, President Reagan, in a Roosevelt Room ceremony that included Secretary Baldrige and Congressional leaders, signed the Federal Courts Improvement Act of 1982, among other things, establishing the Court of Appeals for the Federal Circuit. That court was empowered to hear appeals in all patent cases nationwide. This had the effect of assuring consistency and uniformity in patent cases among the 94 Federal district courts, the U.S. Court of Claims, the U.S. Patent and Trademark Office and the International Trade Commission. Prior to the creation of the Federal Circuit, the results in patent cases often depended more on *where* a case was filed rather than on the merits of the case.

- ***Adding Intellectual Property Protection to the Agenda of the World Trade Organization***

President Reagan decided to add intellectual property protection to the GATT (General Agreement on Tariffs and Trade) negotiations in the 1980s. That resulted ultimately in the creation of the World Trade Organization ("WTO") and the landmark Trade-Related Aspects of Intellectual Property ("TRIPs") international accord. That in turn forces "patent-pirate" nations to respect intellectual property worldwide if they choose to join the WTO.

- ***A Firm Commitment to Reduce the Time it Takes to Acquire a U.S. Patent from the Patent and Trademark Office ("USPTO") to 18 Months from then-prevalent Protections of Four to Five Years***

At the beginning of the Reagan Administration, the U.S. Patent and Trademark Office ("USPTO") was significantly underfunded and the backload of unexamined applications was growing at an alarming rate. High-technology industry was concerned that the resulting uncertainties about patent protection were adversely affecting their ability to fund research and development. President Reagan supported a two-way compromise. If the Congress would enact a meaningful increase in user fees, which the USPTO could retain, he would commit – through the Department of Commerce – to reduce the time it takes to acquire a U.S. patent to an average of 18 months. Congress agreed with the Reagan fee recommendation, and the goal of 18 months average time of patent pendency was achieved in 1989, the lowest the average pendency of patent applications has been in modern times, before or since.

- ***A Firm Commitment to Replace the Enormous Paper Search System at the Patent and Trademark Office with a Fully Automated System***

At the beginning of the Reagan Administration, the USPTO was using pre-World War II all paper search techniques to decide whether patents should be granted and trademarks should be registered. As part of the bargain on increasing user fees, the President committed to a fully automated search and retrieval system. That has now been achieved, resulting in one of the largest and most effective paperless automated search systems in the world.

- ***Enactment of the Trademark Counterfeiting Act of 1984, 18 U.S.C. § 2320***

This act established major fines up to $1,000,000 and provided for searches and seizures of counterfeit products without prior notice to suspected counterfeiters. As the chair of Intellectual Property Working Group, I testified before the House Judiciary Committee in 1983 in support of that act, which provided a clear model for subsequent anti-counterfeiting laws.

In a December 28, 1984, letter from President Reagan to me, he summarized briefly his Administration's successes in protecting intellectual property in these terms:

> You have served as Commissioner of the Patent and Trademark Office during one of its most eventful and productive periods. Through the enactment of realistic user fees, you have been able to greatly enhance your Office's service to industry and inventors. You have modernized operations at the Office through a far-reaching automation program. You have worked effectively to strengthen international intellectual property protection for U.S. industry. Your actions to accomplish these goals will be remembered for many years to come.

Since President Reagan's Administration, protection of intellectual property has moved from a somewhat sleepy esoteric form of law to where it now generates headlines daily in the lay press. Our internet economy depends heavily on the creation and protection of intellectual property. President Reagan saw that coming and personally led efforts in bringing about our dynamic high-technology society, dependent as it is on strong and effective intellectual property protection.

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