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PATENT OFFICE FEES

MARCH 1, 1965.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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

REPORT

[To accompany H.R. 4185]

The Committee on the Judiciary, to whom was referred the bill (H.R. 4185) to fix the fees payable to the Patent Office, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE OF THE BILL

The purpose of H.R. 4185 is to increase fees payable to the Patent Office so that a reasonable part of Patent Office costs may be recovered. In so doing, the bill also seeks to encourage better prosecution of applications, fix payments at more convenient times, and reduce the volume of unused patents.

The fees payable to the U.S. Patent Office are prescribed by statute and have not been overhauled in the past 33 years. In that period, the ratio of Patent Office income to Patent Office expenses has fallen drastically. Where once fee income substantially covered operating costs, it now recovers only about 30 percent of such costs.

H.R. 4185 is responsive to an executive communication from the Department of Commerce (app. A). It is the latest in a series of measures designed to restore a rational relationship between Patent Office fees and the cost of administering the American Patent Office. Enactment of the bill would ultimately permit the recovery through fees of approximately 75 percent of Patent Office costs.

The principle underlying this executive proposal is set forth in the following excerpt from a letter dated April 18, 1962, from the Director of the Bureau of the Budget to Subcommittee Chairman Willis stating the general policy of the administration with respect to charges for governmental services rendered to identifiable recipients:

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In the conduct of their various activities many Federal agencies are required to provide certain services, supply products, or authorize the use of public resources which convey special benefits to identifiable recipients above and beyond those which accrue to the public at large. In fairness to the taxpayer, who carries the major burden of support of Federal activities, the Government has adopted the policy that the recipient of these special benefits should pay a reasonable charge for the service or product received or for the resource used.

The Congress gave statutory expression to this basic principle in title V of the Independent Offices Appropriation Act of 1952 (5 U.S.C. 140) which establishes as an objective that services rendered to special beneficiaries by Federal agencies should be self-sustaining to the fullest extent possible. It is our opinion that the patent system does provide such a special benefit to identifiable recipients—i.e., the inventors, applicants, and holders of patents—and that accordingly these beneficiaries should bear a fair share of the cost of the system's support. The monetary value of rights acquired through the patent system is often very large. A large subsidy to the system is not necessary to protect the public. In fact, the bill seeks only to restore the well-established principle that the patent system should be substantially self-supporting by providing for fees which are commensurate with current needs.

The full text of this letter, which was written in support of H.R. 10966, 87th Congress, a substantially identical measure, is attached hereto as appendix B. The committee agrees with the foregoing formulation.

Although the principal purpose of H.R. 8190 is to provide more nearly adequate income through higher fees, the bill also contains revisions of the fee structure. Principally, these serve two purposes:

(1) To provide incentives to efficient and economical prosecution and examination of patent applications; and

(2) To provide for deferment of payment of parts of the fees to times when the patent owner will be in a better position to judge the commercial value of his patent. This is also designed to encourage patentees to discard patents whose disclosures they do not expect to come into commercial use, and is expected to reduce the number of unused patents in force. In a laudable effort to meet recurrent objectives to the deferred fee concept, H.R. 4185 provides an alternative optional flat fee in lieu of such payments.

HISTORY OF PATENT OFFICE FEE LEGISLATION

The principal Patent Office fees now in effect were established by Public Law 212, 72d Congress (47 Stat. 382), which increased the filing and issue fees to the present $30 figure. The purpose and effect of this legislation was to reestablish a balance between income and operating costs at the Patent Office that had permitted its operation to be substantially self-supporting. Thereafter, until 1946, no legislation was introduced to change the major Patent Office fees. However, as the ratio of fee income to operating costs declined (from approximately 75 percent in 1946 to the current 32 percent), a number of

measures were introduced with the purpose of raising the fees and thereby of reestablishing the pre-World War II ratio of recovery of 90 percent or more.

The first such postwar bill (H.R. 2520, 80th Cong.) was introduced by Representative Michener on March 12, 1947. It provided filing and final fees of $50 plus $1 for each claim over 20 and minor increases in miscellaneous fees. The subcommittee held hearings and adversely reported the bill to the full Committee on the Judiciary. No further action was taken. A second fee bill (H.R. 3700) was introduced by Representative Keating on June 3, 1947. This bill proposed maintenance fees of $50 and $75 payable after the 5th and 10th years. It also proposed increasing miscellaneous fees although no increase in the filing and final fees was proposed. The subcommittee adversely reported the bill to the full committee, which took no action.

In the 83d Congress, identical bills (H.R. 9794 and S. 3738) proposed a filing fee of $40 plus $5 for each claim in excess of five, a final fee of $50, plus $5 for each claim in excess of five, and minor miscellaneous increases, but no action was taken on either bill.

In the 84th Congress two bills were introduced by Representative Celler (H.R. 4983 and H.R. 7416). The first provided for a filing fee of $40 plus $5 for each claim over five, a final fee of $50 plus $5 for each claim over five, and minor increases in miscellaneous fees. Hearings were held and the bill was reported favorably to the full committee. However, H.R. 4983 was superseded by the second bill, which would have required a filing fee of $40 plus $2 for each claim over 5, $2 for each sheet of drawing over 1 and $2 for each page of specification over 10, a final fee of $50 plus $5 for each claim over 5, and increases in miscellaneous fees. In House Report 1201, the Committee on the Judiciary recommended passage of the bill but it did not reach the floor of the House.

In the 85th Congress identical bills (H.R. 7151 and S. 2156) provided for a filing fee of $40 plus $2 for each claim over five, a final fee of $50 plus $5 for each claim over five, and increases in miscellaneous fees. No action was taken on S. 2156, but hearings were held on H.R. 7151 and in House Report 963 the committee recommended passage with an amendment raising the number of claims allowed before a charge was imposed from 5 to 10. No rule was granted to afford House action.

S. 2156 and H.R. 7151 were reintroduced in the 86th Congress as S. 494 and H.R. 2739, respectively. No action was taken on S. 494 but hearings were held on H.R. 2739 and the committee, in House Report 623, recommended passage. Again, the bill was not brought up on the floor.

In the 87th Congress, on June 19, 1961, Representative Celler introduced H.R. 7731 in response to an executive communication from the Department of Commerce. It proposed a number of fee increases and also included proposals for deferred or maintenance fees of $100, $300, and $500, after the 5th, 9th, and 13th years, respectively, of the life of a patent. H.R. 7731, 87th Congress, like the present bill, was designed to recover approximately 75 percent of Patent Office fees. Subsequently, the Department of Commerce requested introduction of a draft bill designed as a substitute for H.R. 7731 which became H.R. 10966. Hearings on H.R. 10966, 87th Congress were held before Subcommittee No. 3 of the Committee on the Judiciary on

April 19, 1962 (serial No. 26). The subcommittee heard testimony from the Commissioner of Patents and his predecessor, from representatives of a number of associations interested in the patent system, and other persons, and received written statements from many interested parties. On June 20, 1962, H.R. 10966, 87th Congress, was reported favorably to the House by the Committee on the Judiciary (H. Rept. 1850) and on July 11 a rule was granted (H. Rept. 1971), but the measure was not called up. On September 27, 1962, a slightly revised version of H.R. 10966 was reported (S. Rept. 2167) by the Senate Committee on the Judiciary as an amended S. 2225, but the measure was not brought to the floor.

In the 88th Congress H.R. 7370 was introduced, again at the request of the Department of Commerce. Thereafter H.R. 8190 was introduced, differing form H.R. 7370 only in the formulation of section 4 of the bill, dealing with the procedure in issuing a patent.

The principal differences between H.R. 8190, 88th Congress, and H.R. 10966, 87th Congress, were as follows:

(1) The basic filing and issue fees were increased from $40 to $50 and $75, respectively;

(2) The maintenance fees, payable at the end of the 5th, 9th, and 13th years, were halved;

(3) A provision was inserted to require the Patent Office to notify patent owners that a maintenance fee is due;

(4) Provision was inserted to make clear that claims may be written in dependent form and should be interpreted by reading into them all the limitations of the independent claim from which they depend; and

(5) Section 4, as it appeared in H.R. 10966, 87th Congress (and H.R. 7370) was changed to preserve an applicant's control over issuance of a patent (by nonpayment of fees) for 3 months after notice of allowance.

On December 3, 1963, H.R. 8190, with amendments, was reported favorably to the House (H. Rept. 949, 88th Cong., 1st sess.) and on January 22, 1964, it passed the House. The measure failed of enactment in the Senate.

In the present Congress, H.R. 4185 was introduced by Representative Willis, again at the request of the Department of Commerce. The principal differences between H.R. 4185 and H.R. 8190, 88th Congress, which passed the House are as follows;

(1) H.R. 4185 provides an optional alternative flat fee of $75 in lieu of maintenance fees;

(2) H.R. 4185 increases the cost of copies and imposes a smaller increase in the fees for appeals and recording assignments (these changes were suggested in Senate hearings):

(3) H.R. 4185 provides additional notice requirements with respect to maintenance fees due; and

(4) H.R. 4185 provides added clarification of validity of claims in independent form.

In summary, the committee notes that substantial Patent Office fee increases have been the subject of legislative proposals in the 83d and each succeeding Congress and that the concept of maintenance fees, far from being novel, was embodied in legislative proposals as early as 1947.

NEED FOR INCREASE IN PATENT OFFICE REVENUES

As has been stated, the income from patent and trademark fees and services once covered the operating costs of the Patent Office. In the last 20 years, however, there has occurred an increasing divergence between income and operating costs, attributable primarily to the skyrocketing of costs in the past 15 years. Material submitted by the Patent Office in connection with recent hearings indicates that this problem is not peculiar to the United States. Using the average costs of 1930–39 as a base, the operating costs of our Patent Office have multiplied fivefold. On the same basis of comparison, Germany's Patent Office costs have trebled; Switzerland's have increased fivefold; Great Britain's costs are 5½ times what they were; the Netherlands' costs have multiplied by 8, and Canada's by 11.

On the other hand, a comparison of the income and expenses attributable to the administration of the patent system in Switzerland, Germany, Denmark, Sweden, Great Britain, Canada, the Netherlands, and the United States for the period 1957–60 discloses that we in the United States now have by far the lowest recovery ratio of any of the countries compared. The committee perceives no justification for the great difference between our present cost recovery figures and those which followed the 1932 legislation, nor for the extent to which our own recovery ratio falls behind those of the countries of Western Europe and Canada.

If one were to take into account only the decreased purchasing power of the dollar, the filing and final fees totaling $60, which were established in 1932, would have to be increased to $131 to produce income of comparable purchasing power in 1962. For the most part, the increases in Patent Office budget represent increases in the basic expenses of its operation. Thus the principal components of the Patent Office budget; namely, payroll and printing, represent over 95 percent of its budget today, as they did in 1932 and in 1940. In 1940, the average salary for Patent Office employees was $2,600. By 1962, including benefits, it amounted to $8,100, more than a threefold increase. So, too, in 1940, the rate per page for printing patent specifications was $4.41. By 1962, it was $14.75, again more than a threefold increase.

Other Government fees have increased, but those of the Patent Office remain pegged at the 1932 level. Meanwhile, the cost of legal services, like that of all services, has also drastically increased. With other costs mounting, and the Patent Office fees remaining fixed, the percentage that Patent Office fees now represent in the total cost of procuring a patent on a simple invention has been reduced to approximately 9 percent. No explanation has been offered the committee why Patent Office fees should not undergo a change proportionate to the changes which have occurred, for example, in the cost of legal services connected with patent procurement.

It is obvious that a substantial increase in Patent Office income is long overdue.

GENERAL STRUCTURE OF H.R. 4185

H.R. 4185 comprises 12 sections.

Section 1 of the bill makes various changes in the existing fees payable to the Patent Office in patent cases.

Sections 2 and 10 provide that patent fees shall be payable by Government agencies and their employees.

Section 3 makes changes in trademark fees.

Section 4 changes the time for paying the issue fee (provided for in item 2 of sec. 1) and is designed to permit earlier dissemination of disclosures of applications found to contain inventive subject matter. In the notice of allowance, the Commissioner is directed to specify a sum, constituting all or a portion of the issue fee, which shall be paid within 3 months thereafter. Any remaining balance of the issue fee is to be paid within 3 months after issuance of the patent.

Sections 5-8 introduce maintenance fees in patent cases. After a patent is issued, the patentee is required to pay a fee of $50 at the expiration of the 5th year, a 2d fee of $100 at the expiration of the 9th year, and a 3d fee of $150 at the expiration of the 13th year, from the issue date of the patent. These fees are required to maintain the patent in force, and failure to pay them results in a lapse of the patent rights. The inventor who owns the patent may defer the payment of maintenance fees due on the fifth or ninth anniversaries of the patent if the total benefit received is less than the amount of the fees due. A patentee or assignee is given the option at the time of notice of allowance of his application of paying $75 in lieu of all maintenance fees.

Section 9 provides that the maintenance fees provided by sections 5-8 and certain other new fees shall not be retroactive.

Sections 11 and 12 expressly recognize the dependent form of claim and are designed to make it clear to examiners, applicants, litigants, and courts that dependent claims are to be considered individually on their merits. The validity or interpretation of dependent claims does not depend on the validity or interpretation of the claim from which they depend.

PRINCIPAL PROVISIONS OF THE BILL

The principal provisions of H.R. 4185 are as follows:

Section 1. Patent fees

The two basic fees in patent cases are a fee payable when the application for patent is filed and a fee payable when the patent is to be issued. These now are $30 each (with a charge of $1 for each claim in excess of 20, the results of which are relatively minor). These two fees produce approximately 50 percent of the revenue of the Patent Office.

Item 1 of section 1 proposes to raise the filing fee from $30 to $50 with a further payment of $2 for each claim presented in excess of 10 (whether in independent or dependent form) and $10 for each independent claim presented in excess of 1. The difference in form between an independent and a dependent claim is simple. A claim in independent form stands on its own in defining the invention, while the dependent form incorporates by reference a previous claim and adds some additional limitation. For example, a dependent form would be: "Claim 2. A life preserver in accordance with claim 1 and means to fasten the preserver around the waist of the user." A further discussion of dependent and independent claims and the reasons for the difference in charges will be made in detail later.

This revision will more than double the income from filing fees for original and reissue applications. (See table 1.)

The second important change in fees by section 1 (item 2) is to raise the fee required to issue a patent from $30 to $75 with an additional charge of $10 for each page of specification as printed and $2 for each sheet of drawing. It is estimated that this change will more than treble the income from the issue or final fee.

Section 1 also changes the fee structure applicable to design patents: Item 3 requires a filing fee of $20 and an issue fee of $10, $20, or $30, depending upon whether the applicant wants a term of 3½, 7, or 14 years. The present design fee is a filing fee of $10, $15, or $30 depending upon the term of the patent that is wanted. One of the purposes in changing this section is to have design fees parallel the filing and issue fees for other types of patent applications and to avoid the present practice wherein an applicant files for a 3½-year term and, upon allowance, requests that the term be increased to 7 or 14 years, paying the balance of the fees. It is estimated that the change will reduce to a reasonable extent some of the burdens on the Office and, for that matter, on the applicant himself.

For a similar reason, section 1 changes the structure of the reissue patent fees from a flat charge of $30 for filing the application to a filing fee of $50 with an additional charge of $2 and $10 for total claims over 10 and independent claims over 1 newly presented, respectively (item 4); and an issue fee of $75 plus $10 for each page of specification as printed and $2 for each sheet of drawing (item 2). There is no fee currently charged for issuing a reissue patent. Here, again, the revenue from the change is slight. There are only approximately 200 reissue applications filed each year; however, the revision will establish uniform treatment for all patent applications, whether original or reissue. It costs as much to print the reissue patent as it does an original patent, and the cost of examining such applications, although it starts from where the previous application left off, can be and usually is substantial. These facts being true, it seems reasonable for reissue applicants to pay the same fees as new applicants are required to pay.

Item 6 of section 1 preserves the fee on appeal to the Board of Appeals at $25 and, in addition, imposes a fee of $50 when a brief is filed in support of the appeal.

The purpose of this change is twofold: (1) to increase the appeal fee so that it will be more nearly commensurate with the expense involved, and (2) to encourage withdrawals at the earliest possible time.

In many cases, after the appeal is filed, the case is reconsidered by the examiner, the claims allowed, and the appeal withdrawn. In other cases, the appellant may lose interest in the invention and abandon efforts to get his patent. In both cases, the proposed fee structure will encourage applicants to resolve the issue at an early time and withdraw the appeal, helping to relieve the Board of Appeals from its increasing backlog.

The sale of printed copies of patent specifications and drawings at 25 cents per copy represents a large fraction of Patent Office income, at present about 20 percent of the total. This charge has been doubled by item 9 of section 1 to reflect more nearly the cost of reproducing the copies. In addition, the Commissioner is given authority to raise the charge to not more than $1 in the case of specifications above a certain size and for plant patents printed in color.

The final important change in section 1 pertains to the recording of assignments. At present a basic charge of approximately $3, with small surcharges for size and additional items, is made to record an assignment even though a number of applications, registrations, or patents are assigned by one instrument. The combined charges average about $3.20. Item 10 of section 1 of the bill proposes a charge of $20 for recording the assignment of a patent or application and an additional $3 for each other item included in the assignment. A substantial increase in income to the Patent Office from this change is illustrated in table 1. One of the principal purposes in raising the fee for recording an assignment is to place more of the burden for Patent Office operations on those applications, patents, and registrations which have proved to be valuable. Presumably, there would be no traffic in patents, applications, and registrations which are valueless. Conversely, if anyone goes to the trouble to arrange an assignment of any one of these, it must have been determined to have some value.

Items 5, 7, and 8 of section 1, deal with circumstances of relatively small occurrence and the income from which is small. Changes are made to keep them in line with other changes. The reference to certificates under section 256 in item 8 is new and, to this extent, a minor new fee is added.

Sections 2 and 10. Fees to be paid by Government agencies

Section 2 of H.R. 4185 provides that patent fees shall apply to Government agencies, in other words, they are to pay the same fees as anybody else, except that fees for incidental or occasional requests may be waived. Section 10 makes a coordinating change. Objections may be raised to this provision on the ground that it is purely a bookkeeping operation and should not be required.

In the opinion of the committee, the change is desirable. For one thing, it seems desirable to keep a record of how deeply involved other Government agencies are in the patent procurement business. Knowing the cost of this involvement should be helpful to the Government specifically in connection with Government patent policy, and in connection with various appropriations and the amount of money spent by these agencies for patent procurement and administration.

The Patent Office is not exempt from making payments to other agencies of the Federal Government. Most notably, it pays the Government Printing Office about $4 million a year for printing patent and trademark specifications and various publications such as the Official Gazette and the like. If interagency transfers are simply bookkeeping entries, this should not have been necessary. However, it has utility. It causes the Patent Office to keep its printing costs in mind and to seek ways to simplify, reduce patent size, and the like.

It does not seem unreasonable to allow the Patent Office to receive income from other Government agencies which file and prosecute patent applications. The applications filed by these agencies take up examining time and require other patent service functions just as those filed by individuals and companies. There is no reason why their proportionate share of Patent Office costs should not be reflected in Patent Office income receipts just as those of any private individual or company are reflected.

The Patent Office estimates that it would realize approximately $300,000—based on 1962 volume of business—from fees paid by

Government agencies if H.R. 4185 is enacted into law. For the ever heavier commitments by Government in research and development programs, this is bound to increase. The Commissioner of Patents believes that the other agencies should pay for Patent Office services and a number of Government agencies, including the Bureau of the Budget, agree with this view. Government agencies should be made to think twice before ordering many copies of many different documents. He argued that people tend to treat costs more respectfully when they come out of their own budget.

The proposal was at one time suggested by this committee. During an earlier hearing in 1955, on H.R. 4983, which required Government agencies to pay only certain fees and not all the major ones, it was the committee's suggestion that the Patent Office should collect all fees from Government agencies just as it does from private businesses. The committee reported a substitute bill, H.R. 7416 (H. Rept. 1201, 84th Cong.) in which it revised the provision so as to require Government agencies to pay all fees, including application and issue fees.

There is another compelling reason for this provision. The Patent Office goes before the Appropriations Subcommittees each year and is required to make a showing of how its income stacks up against its operating costs. Part of its deficiencies arise because Government agencies do not have to pay fees. If the Patent Office can receive reimbursement for expenses falling upon the Patent Office because of demands of other Government agencies, as it must pay them for expenses incurred by the Patent Office, financial responsibility will be fixed and encouraged; and accountability to the Congress will be made easier.

Section 3. Trademark fees

Section 3 of the bill makes various changes in fees related to trademark cases. In form, the section of the Trademark Act dealing with fees is reorganized, so that fees which are not changed are repeated. There are three major changes in trademark fees and a few minor ones. First, the fee for filing an application to register a mark is proposed to be raised from $25 to $35; second, a fee of $10 is made payable at the time an affidavit of use is filed (at the end of 5 years); and third, the fee for recording an assignment of a trademark registration is increased to be consistent with that for recording patent assignments.

For the first time, a fee is made payable on the filing of a petition to revive an abandoned trademark application. And the fee for surrendering a registration has been dropped. Table 1 shows the estimated income from these changes in trademark fees.

Section 4. Payment of issue fee

This section of H.R. 4185 as amended, provides a new method of paying the issue fee. At present a notice of allowance is sent to the applicant. There then is a 6-month period within which the final fee must be paid and thereafter the patent normally issues within 7 weeks. (There is also provision for the delayed payment of the issue fee up to 1 year.)

It is proposed that the 6-month period within which the applicant can prevent the patent from issuing, without effecting abandonment, shall be reduced to 3 months.

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The bill provides that the notice of allowance shall specify a sum, constituting the issue fee or a portion thereof, which shall be paid within 3 months thereafter. Upon payment of this sum the patent shall issue. If it is not paid the application is deemed abandoned. Any remaining balance of the fee shall be paid within 3 months after issuance, or the patent shall lapse. (Within 3 months after due date of an unpaid fee, however, the Commissioner may, on a showing of sufficient cause, accept late payment as though no abandonment or lapse had occurred.)

This arrangement will allow the Patent Office to issue patents substantially sooner and to get new technology to the public at an earlier date. It will also enable the applicant to calculate the amount of the components of the issue fee before it is due.

If the entire issue fee were required to be paid after the notice of allowance was sent out, but before the patent issues it would be necessary to make a rough page count of the application and an estimate of how many printed pages are involved. Since applications have many interlineations and other additions and deletions during the course of prosecution, it would be quite time consuming to attempt to make such an estimate. It might also be inaccurate in the final analysis. By waiting until after the patent issues to settle any remaining balance of the issue fee, and basing the charge on the number of sheets or drawings and pages of specification as printed, the applicant can easily make an exact determination of the unpaid balance of the issue fee and submit it within 3 months from the sending of a notice thereof by the Patent Office.

Sections 5 to 8. Maintenance fees

Sections 5 to 8 of the bill introduce maintenance fees in patent cases. To keep a patent in force after it issues, the patentee would be required to pay a 1st fee of $50 due at the end of the 5th year of its life, a 2d fee of $100 due at the end of the 9th year, and a 3d fee of $150 due at the end of the 13th year. Failure to pay any of these fees would result in the lapse of the patent. However, a grace period of 6 months is provided in which to pay the maintenance fees as they become due. This would save the patentee who misses the anniversary date for some reason. The grace period provision also satisfies our obligation under the Paris Convention for the Protection of Industrial Property.

Notice of the maintenance fee requirement is to be attached to or embodied in the patent. In addition, the Commissioner is required to give approximately 30 days' notice to a patentee that a maintenance fee is about to fall due. A second notice is to be given approximately 60 days after the due date to enable the patentee to take advantage of the grace period.

Also, there is a provision in these sections which permits deferment by an inventor who still owns his patent and has not made money or received value from the patent at least equal to the amount of the maintenance fee prior to the date that fee is due. For example, at the end of the fifth year, if the inventor still owns his patent, and has not made money, or received equivalent value from or under the patent, at least equal to the $50 fee required, he can file a declaration to this effect and the payment will be deferred until the second maintenance fee is due.

At the end of the ninth year, if the inventor has not made at least the $100 then due (or received such value) he can request a deferment of the second fee; a further deferment of the first fee can also be requested at this time.

At the time the 3d maintenance fee is due (at the end of the 13th year), however. even though the inventor has not realized anything on his invention. the patent will lapse unless the fees then due are paid. This means an inventor-owner can maintain his patent in force for 13 years without any payment of maintenance fees unless he has successfully exploited his invention at least to a point where the benefits therefrom are equal to the amount of the first maintenance fee before its due date or the amount of the second fee before its due date.

As in the case of assisgnments this provision marks an effort to place part of the burden of running the patent operation on those patents which prove successful at least to some extent. Significantly, H.R. 4185 provides an alternative optional fee of $75 which may be paid on notice of allowance in lieu of all maintenance fees.

The basic provision for maintenance fees is in section 6 of the bill; section 8 specifies the amount of the fees; sections 5 and 7 make incidental amendments.

Section 9. Time of coming into force

Section 9 of the bill works out the time of coming into force of various provisions which need special treatment.

The maintenance fees are not made retroactive to existing patents but are made to apply only to patents issued in the future in the manner indicated.

The new patent issue fee and issuance procedures apply to cases in which the notice of allowance was sent after the effective date of the act.

The new trademark affidavit fee is applied only to registrations issued after the effective date of the act and to certain old registrations which are brought into the condition of requiring the affidavit, after the effective date.

Sections 11 and 12. Dependent form of claim

As has been noted, sections 11 and 12 recognize the dependent form of claim and are designed to make clear to examiners, applicants, litigants, and courts that dependent claims are to be considered individually on their merits. The validity or interpretation of dependent claims does not depend on the validity or interpretation of the claim from which they depend.

INCOME RESULTS OF THE BILL

The results of the fees specified in the bill are based on estimates for fiscal year 1965. Under the present schedule of fees the income—using fiscal 1965 as a basis—is estimated at $8.9 million, which would be 31 percent of the appropriation for operating costs. The effect of the maintenance fees would not commence for 5 years and would not become complete for 13 years; and the trademark affidavit fee would not come into the picture for 5 years. Without these items the return from the bill would be approximately $20 million or 64 percent of the 1963 appropriation for operating costs. However, if all the fees were in full effect, the anticipated revenue would be $24,117,000, which amounts to approximately 77 percent of the appropriation for operating costs for fiscal year 1965.

The patent filing fee at the present time accounts for approximately 32 percent of Patent Office income. The final fee accounts for approximately 16 percent, patent copy sales account for 18 percent, and trademark filing fee accounts for 8 percent. Hence, it can be seen that the two most important fees in terms of the income produced are the filing and final fees for patents.

Breaking down the operating costs of the Patent Office between the functions of patent examination and adjudication, trademark examination and adjudication, and administration and program services, the patent examination and adjudication function accounts for approximately 77.6 percent of Patent Office operating costs, the trademark examination and adjudication function for approximately 4.1 percent, and the miscellaneous costs under administration and program services for approximately 18.3 percent.

Breaking the patent examination and adjudication function down further, examining and classification account for approximately 72 percent of the total Patent Office costs, with 6 percent accounted for by the costs of the Board of Appeals, the Board of Patent Interferences, and research and development activities.

The following table submitted by the Patent Office compares estimated fee income under present law and under H.R. 4185.

The table of estimated income is based on the schedule of fees in the attached proposed legislation. (Those fees which are new or changed are listed separately.)

For convenient reference, fiscal 1965 is used as the base and estimates of income under the present schedule of fees are included.

Estimated income under proposed legislation

[Dollar amounts in thousands]

Fee	Income under present fees	Income under proposed fees
Initial, patent	2,647	6,586
Issue, patent	1,633	5,692
Reissue, issue of		23
Initial, design	100	100
Issue, design		84
Initial, reissue	6	13
Disclaimer, patent	1	1
Appeal, patent filing	350	350
Appeal, patent brief		350
Petition to revive	7	11
Petition to delay	2	3
Certificate, patent	4	6
Copies, patent	1,618	3,236
Copies, trademark	34	68
Recording assignments, patents	233	1,260
Recording assignments, trademarks		96
Filing, trademark	650	910
Affidavit, trademark		[1] 120
Petition to revive, trademark		2
Certificate, trademark	2	3
Certificate correction, trademark	2	3
Disclaimer, trademark	[2]	
Fees not changed	1,611	1,611
Total	8,900	20,528
Maintenance fees		[1] 3,589
Total		24,117
Costs of operation	31,451	31,451
Percentage of costs	28.3	76.7

[1] These fees will not be received in whole or in part for 5 years.
[2] Income less than $500.

ASSUMPTIONS PROVIDING BASES FOR ESTIMATED INCOME FROM PROPOSED FEES IN 1965

Initial filing: Original patent containing on the average 2 claims over 10 and 2 independent claims over 1; average fee $74; 89,000 applications.

Patent issue: Average issue of 3.6 pages of specifications with 2 sheets of drawings; average fee of $115; 55,000 issues less 10 percent forfeiture or 49,500 issues.

Design filing: 5,000 applications.

Design issue: 3,000 divided on a 5-, 10-, and 85-percent basis for 3½, 7, and 15 years protection.

Patent appeals: 14,000 with 7,000 withdrawn.

Patent copies: $1,618,000.

Trademark copies: $34,000.

Recording assignments: This fee, based on 80,000 patent items and 13,200 trademark items, has been estimated on the same basis as that used by proponents of S. 2547 (88th Cong.) since the modification adopted in the present proposal parallels the provision of that bill.

Applications for trademarks: 26,000.

Affidavits for trademarks: 12,000.

Maintenance fees: Assume a basic volume of 49,500, which is the adjusted issue volume for 1965; also, that 50 percent will pay the first maintenance fee of $50, that 25 percent will pay the fee of $100, and that 15 percent will pay the fee of $150 due at the 13th year of the term. An alternative of $75 at time of issue, provided by the proposal, is considered as an equivalent. Maintenance fees calculated as follows:

$50×49,500×0.5	$1,237,500
$100×49,500×0.25	1,237,500
$150×49,500×0.15	1,113,750
Total	3,588,750

Income from the maintenance fees would be deferred until due, and income from those who elect to pay $75 extra at issue would be realized at the time issue fees are paid as a result of notices of allowance sent after the effective date of the proposed legislation.

Fees not changed include, among others, fees charged for reproduction of records which are fixed administratively ($1,130,000), special service orders, and trademark renewal fees.

HOW H.R. 4185 ACHIEVES ITS OTHER OBJECTIVES

Conditions other than overall cost recovery will also, in the committee's opinion, be improved by the proposed bill. These are:

1. The absence of a relation between the size and complexity of a given application and the fees involved;
2. The lack of incentives to encourage better practice before the Patent Office;
3. The delay in issuing patents; and
4. The accumulation of unexpired patents that are never used or whose disclosures are commercially superseded.

The absence of a relation between size and complexity and the fees involved

Item 2 of section 1 of the bill is directed to this problem. It calls for a charge of $2 for each sheet of drawing and $10 for each printed page of specification, thereby making the issue fee somewhat proportional to the size of the application. This change is directed to a longstanding problem.

We agree with the Commissioner of Patents that there should be a substantial difference between the charge on patents exemplified by No. 1,817,451 and on patents exemplified by No. 1,826,026. The former includes 40 sheets of drawings and 99 pages of printed specifications, while the latter consists of 1 drawing and 1 printed page of specification. Nonetheless, since 1932 the basic filing and final fees assessed for both were the same. Patent No. 2,925,957 (which includes 354 sheets of drawings and 216 pages of printed specification) was obtained for the same filing and final fees (totaling $60) that were required for patent No. 2,955,299 (which consists of 1 sheet of drawings and 1 page of specification).

Admittedly, in both comparisons, charges were made in the larger cases for claims over 20; but the fees for the smaller and larger cases are still comparable even when that is taken into account.

Here, the question is not how much money should be received from patent fees, but where the money ought to come from. Obviously, there was a marked difference in the time required to examine the patents cited. Patents 1,817,451 and 2,925,957 are what are commonly referred to as "jumbo" patents. They required large amounts of time on the part of the examiner, particularly when contrasted with the time required to act on patents 1,826,926 and 2,955,299. Even if it is assumed that the large patents contribute far more to the storehouse of technical knowledge there is no reason why inventors, whose inventions are described in short applications, should be required to pay a large share of the cost of examining and issuing the "jumbo" patents. The committee was told that many pioneer patents—for example, 821,393 (flying machine), 879,532 (triode vacuum tube), 2,524,035 (transistor)—involved short patent disclosures.

Patent Office divisions that handle more complex subject matter have average disposal rates substantially below those that handle ordinary or simple inventions. And the complex application divisions even have disposal rates substantially below the rates of the overall average for the Office, whereas those handling simpler subject matter are well above the overall average.

Data submitted by the Patent Office reveal a lack of relationship between the number of claims and number of sheets of drawings and pages of specification, based on a sample of patents issued in 1961. It is not fair to the applicant on the low end of the range to pay the freight for those on the high side. This condition will be, in part, corrected by the structure of the present fee bill.

Not only does the uniformity of the present fees unnecessarily assess the applicant who files a short and succinct disclosure, but it provides no economic incentive to the good practitioner. The bill would encourage applicants and attorneys who file good applications and discourage those who employ unnecessary drawings, redundant and excessive descriptions, and unreasonable permutations and combinations of claims.

The committee believes that the discrepancy between the size and complexity of inventions, on the one hand, and the fee involved on the other needs correction. A more reasonable relationship should be established between these factors, and this is what item 2 of section 1 of the bill is designed to do.

The lack of incentives to encourage better practice before the Patent Office

1. *Claim obscurity and prolixity.*—As has been indicated, item 1 of section 1 of the bill calls for a charge of $10 for each independent claim in excess of 1 and a charge of $2 for each claim, independent or dependent, in excess of 10. (Sec. 112 of title 35 states in part, "The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.") Item 1 of section 1 of H.R. 4185 has a provision that will do much to discourage the unreasonably multiplied permutations and combinations of claims filed by some applicants and to encourage the dependent form of claim.

The need to check the unnecessary multiplicity of claims contained in patent applications has been long acknowledged. In 1924 a Committee on Patent Office Procedure was formed by the Secretary of the Interior (the Patent Office was then a bureau of the Department of the Interior) by inviting several patent law associations, the Chamber of Commerce of the United States, the National Association of Manufacturers, and the American Engineering Council to nominate representatives to serve on the Committee.

The Committee filed its report with Hon. Herbert Hoover, then Secretary of Commerce, on April 15, 1926. (The Patent Office had by that time been transferred to the Department of Commerce.) Among the observations and recommendations of the Committee was the following:

> The work of the Patent Office is enormously and unnecessarily added to by the multiplicity of claims contained in applications. There is no one change which would be so helpful in the present situation as the placing of a limit upon the number of claims. There are attorneys who make a practice of writing claims by a permutation and combination formula or system. Such a practice is unnecessary and is fearfully wasteful of public money.

Later commentators on the patent system and the Patent Office have perceived the same difficulty. For example, Mr. George E. Frost, of Chicago, in his monograph "The Patent System and the Modern Economy," which was published as Study No. 2 in a series sponsored by the Subcommittee on Patents, Trademarks, and Copyrights of the Committee on the Judiciary, U.S. Senate said:

> A broad field for improvement—helpful to the Patent Office, the public, and applicants alike—lies in simplifying and streamlining the preparation and prosecution of patent applications. Excessive numbers of patent claims, for example, extend the time required for the examiner to pass on an application and, if embodied in the issued patent, they unnecessarily complicate the efforts of competitors to evaluate the patent and labors of a court in enforcing it. However, with an understandable abundance of caution—and in some

> instances because of inadequate care in preparing the applications—patent applicants may file a number of claims greatly in excess of those called for by the circumstances. No categorical rules can overcome this difficulty—for there are occasions when many claims are necessary. The solution to the problem accordingly lies in giving the Patent Office ample authority to control the number of claims and *in placing a substantial incentive upon the applicant to submit only such claims as are really necessary.* [Emphasis added.]

Item 1 of section 1 of H.R. 4185, by setting different fees for dependent and independent claims, is designed to provide the incentive of which Mr. Frost speaks.

To date, the only successful effort to charge according to the number of claims became law in 1927. It invoked a nominal charge of $1 for each claim in excess of 20. However, the regulatory effect of this nominal charge, if such was intended, has not been achieved. A study designed to evaluate this effect showed that in the applications surveyed there was no statistically significant decrease in the number of claims over 20.

One phase of an examiner's job is to analyze the differences between claims so that he can ascertain in what areas he should look for anticipatory art. In an effort to measure the time required for an examiner to analyze the differences in scope when the forms of the claims are different, a number of experienced examiners were asked to evaluate a selected number of patents having claims in both independent and dependent form. (As has been indicated, the independent form requires no reference to any other claim, while a claim in independent form incorporates merely by reference a previous claim and adds some additional elements or limitations.) The Commissioner of Patents has informed us that even in the case of simple patents, the time saved in analyzing the differences between claims is approximately 2 to 1 in favor of the dependent form of claim.

To emphasize this point, the Commissioner referred to patent No. 1,817,451, which not only includes 40 sheets of drawings and 99 pages of printed specifications but over 900 claims. He stressed the difficulty faced by an examiner, even if he is experienced, in analyzing the differences between these claims. There is no reason why this sort of prolixity in claiming should be allowed. It should be discouraged.

One way of reducing the number of claims, in order both to establish better practice in the Office and to make the job of interpretation easier for the courts, is to require applicants to limit the number of claims which they file.

We agree with the Commissioner that restraints through financial incentives will be more effective than a mere power in the Patent Office to restrain prolix claiming. An applicant can always contest a Patent Office rejection of claims for multiplicity. The work imposed on the Office in adjudicating such a contest can be as great as an adjudication on the merits of the claims themselves. The cost incentive proposed in the bill is self-executing and continuing.

Figure 18 of the submission of the Commissioner of Patents at the 1962 hearing is helpful in demonstrating the difference in form between independent and dependent claims and the marked advantage of the dependent form. In this display of the claims for a simple inventive

concept, the four claims of the patent were written in independent form, so that it is difficult to ascertain the differences between them without a careful comparison. Yet claims 1, 2, and 4 differ from claim 3 only in minor ways. Claim 3 is the broadest claim, but the reader is not aware of this in his first scanning. Had the claims been written in the dependent form shown in figure 18—with claim 3 first—the examiner's job clearly would have been easier. He would have been able to tell immediately that the claims differ from one another only slightly. If this saving in the time of analyzing one application is multiplied by the more than 80,000 applications examined per year, many of which concern much more difficult technology than does the patent of figure 18, it becomes evident that the dependent claim form can expedite Patent Office efforts to reduce the backlog of pending applications. H.R. 4185 will encourage the drafting of claims in dependent form, to the everlasting appreciation of all those in and out of the Office who must subsequently evaluate them.

The purpose of the claim structure fee differentials is to put a premium on limited numbers of claims and on the dependent form, not only for the sake of the Patent Office, in which the examining process will be made easier, but also for the sake of the courts. The courts in a number of instances have commented rather critically on the unreasonable number of obscure claims before them.

For example, as to multiplicity of claims, Judge Learned Hand in *Victor Talking Machine Co.* v. *Thomas A. Edison, Inc.* (229 Fed. 999 (S.D.N.Y. 1915)), at one point commented:

> * * * the court should discourage * * * practice which permits 48 claims on a simple and perfectly obvious machine like this. Such claims violate the very purpose of any claims at all, which is to define the forbidden field. In such a waste of abstract verbiage it is quite impossible to find any guide. It takes the scholastic ingenuity of a Saint Thomas with the patience of a yogi to decipher their meaning as they stand.

And as to prolixity, Judge Hand had this to say:

> * * * Amid the wilderness of words I have tried to find and tread a path of logic, though the simpler way might have been to rest the case upon broader lines.

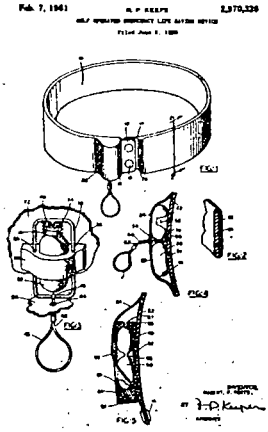
44-015—65——3

FIG. 18

CLAIM FORM: INDEPENDENT vs. DEPENDENT

THE INVENTION

A life preserver that is worn around the neck as a neckband. The neckband houses an hourglass-shaped gas cell that breaks and thereby inflates the neckband preserver when the neckband is grasped and bent.



INDEPENDENT FORM (The claims as patented)

1. An inflatable neckband, comprising a narrow thin flat tubular band comprising a relatively heavy flexible inelastic neck engaging backing portion, and a thin highly elastic outer portion extending substantially the length of the band, and sealed at its ends, an elongated hourglass shaped cell mounted within said tubular band and containing liquified gas, a flexible air-tight tube closely surrounding said cell and disposed in said band, and having one end extending through an end of said thin elastic outer portion in sealed relation thereto, said tube being open at its other end within said band, and having an air-tight removable closure in its one end whereby cells may be replaceable.

2. An inflatable neckband, comprising a narrow thin flat tubular band comprising a relatively heavy flexible inelastic neck engaging backing portion, and a thin highly elastic outer portion extending substantially the length of the band, and sealed at its ends, an elongated hourglass shaped cell mounted within said tubular band and containing liquified gas, a flexible air-tight tube closely surrounding said cell and disposed in said band, and having one end extending through an end of said thin elastic outer portion in sealed relation thereto, said tube being open at its other end within said band, and having an air-tight removable closure in its one end whereby cells may be replaceable and means for manually flexing said tube to bend and break a cell contained therewithin.

3. An inflatable neckband, comprising a narrow thin flat tubular band comprising a relatively heavy flexible inelastic neck engaging backing portion, and a thin highly elastic outer portion extending substantially the length of the band, and sealed at its ends, an elongated cell mounted within said tubular band and containing liquified gas, a flexible air-tight tube closely surrounding said cell and disposed in said band, and having one end extending through an end of said thin elastic outer portion in sealed relation thereto, said tube being open at its other end within said band, and having an air-tight removable closure in its one end whereby cells may be replaceable.

4. An inflatable neckband, comprising a narrow thin flat tubular band comprising a relatively heavy flexible inelastic neck engaging backing portion, and a thin highly elastic outer portion extending substantially the length of the band, and sealed at its ends, an elongated cell mounted within said tubular band and containing liquified gas, flexible air-tight tube closely surrounding said cell and disposed in said band, and having one end extending through an end of said thin elastic outer portion in sealed relation thereto, said tube being open at its other end within said band, and having an air-tight removable closure in its one end whereby cells may be replaceable and means for manually flexing said tube to bend and break a cell contained therewithin.

PREPARED BY: U.S. DEPARTMENT OF COMMERCE, PATENT OFFICE (1962)

CLAIM ANALYSIS	DEPENDENT FORM
CLAIM 3 + gas cell is HOUR-GLASS SHAPED	 A neckband as in claim 3 in which said gas cell is hour-glass-shaped.
CLAIM 3 + gas cell is HOUR-GLASS SHAPED and can be MANUALLY BROKEN to inflate preserver	 A neckband as in claim 3 in which said gas cell is hour-glass-shaped and means are provided to break said cell manually.
BROADEST CLAIM	
CLAIM 3 + gas cell can be MANUALLY BROKEN to inflate the preserver	 A neckband as in claim 3 and means to break said gas cell manually.

In 1873, Mr. Justice Bradley said in *Carlton* v. *Bokee* (17 Wall. 463, 472 (U.S. 1873)), with respect to ambiguous specifications and nebulous claims:

> Without deciding that a repetition of substantially the same claim in different words will vitiate a patent, we hold that where a specification by ambiguity and a needless multiplication of nebulous claims is calculated to deceive and mislead the public, the patent is void.

The evils of which Judge Hand and Mr. Justice Bradley spoke are still prevalent. For example, Judge Brown in *Thurber Corp.* v. *Fairchild Motor Corp.* (269 F. 2d 841, 850 (5th Cir., 1959)) said:

> There is no question but what the claims are complex and drafted with language and in a style that makes them difficult if not impossible for laymen—and indeed, for most laywers and judges—to understand. As an example of that with which the jury was confronted, we have set forth in the margin the 334-word sentence which is claim 45 of the * * * patent.

The dependent form of claims is important, not only because it facilitates the examining process in the Patent Office and makes the interpretation by the courts easier should the claims ever be litigated, but also because it helps industry to understand better what is being claimed by others.

The purpose of claims is to define the invention clearly, not to obscure it—for the Patent Office, the public, and the courts. Dependent claims serve the purpose of setting out in clear relief the distinctions among various claims.

This clarity is especially important when new claims are added late in the prosecution of a patent application. There, unless the examiner can readily grasp the relationship of the new to the older claims in the same case, there is a hazard that limitations upon which the examiner has insisted as a condition of allowance may be omitted and the omission escape his notice.

Mr. Harry R. Mayers, general patent counsel, General Electric Co., in a lecture before the Practicing Law Institute in 1956, listed the disadvantages of excessive patent claims as—

> (1) Adverse effect upon examiner's determination of patentability;
>
> (2) Adverse effect upon the court's approach to the issue of validity and infringement and to the application of the doctrine of equivalents.

2. *Excessive and circumlocutory disclosures.*—It has been pointed out that item 2 of section 1 of the bill would set a charge of $2 for each sheet of drawing and $10 for each printed page of specification. It is hoped by this measure to limit obfuscating verbiage by encouraging an applicant to consider seriously his inventive concept when he first prepares the application. In many applications, the invention is submerged in circumlocution. This not only makes it difficult for the courts when they are called upon to interpret the patent document, but also places an unconscionable burden on the examiners during the prosecution of the application. The fee structure of H.R. 4185 is intended to promote adequate but concise disclosure, consistent with the requirements of the patent laws.

3. *Appeals.*—Item 6 of section 1 of the bill calls for an initial appeal fee of $25 as at present, with an additional charge of $50 on filing a brief in support of the appeal.

The proposed appeal fee seems well calculated to provide recovery more commensurate with the cost involved and to encourage timely withdrawal of appeals where appropriate.

THE DELAY IN ISSUING PATENTS

The unreasonable delay between the time a patent application is filed and the time the patent issues is a longstanding problem which the Patent Office has faced and which has occasioned regretful comment by a number of persons interested in the patent system.

Ideally patents should issue promptly. In appropriations hearings for the Patent Office, for many years, the Congress has expressed concern about the backlog. Indeed, it is often the dominant element of discussion at the hearings. The substantial buildup in the staff of the Patent Office since 1955 has been authorized with the understanding that this was done to reduce the backlog.

There are several compelling reasons why patents should issue promptly. First, a patent is granted for 17 years from the date of issue, and an unduly prolonged pendency extends the life of the patent.

The Senate at one time was so much concerned about long pendency that it passed a bill to limit the life of patents to not more than 20 years from the time of filing.

Moreover, the consideration for the grant of the patent is the disclosure of the invention to the public; and that disclosure is made to the public when the patent issues. This consideration is of special importance today when the rate of technological innovation is at an alltime high and increasing. Beyond that, while a patent is pending, important business decisions about investment must often be delayed both on the part of the applicant or his assignee and on the part of competitors. All of these reasons argue for as prompt an examination and adjudication of patent applications as is possible.

While the period of prosecution of an application has varied over the years, at the present time it takes an average application more than 3 years to go through the examination process. Consistent with proper examination, this period should be reduced to provide for early publication, thereby stimulating the research and product competition of others.

The committee believes that a fee bill, a least in part, should seek to reduce unreasonable delay in prosecution, and that the issue procedure provided by H.R. 4185 works toward this end.

The Commissioner of Patents informed the committee that in 1960 the average period of pendency of a typical application was 37 months; and that the period now averages 34 months. Under this bill the average spread between the application filing date and the issuance of the patent will be materially reduced by shortening by 3 months the period within which the applicant must either pay a specified portion of the issue fee or abandon his application.

THE ACCUMULATION OF UNEXPIRED PATENTS THAT ARE NEVER USED

A reduction in the number of unexpired patents, for which use or potential use is not contemplated by the patentees, would simplify

right-to-use investigations which are undertaken by parties prior to commercial use of a product in order reasonably to ascertain that they will not be infringing the rights of others.

The maintenance fees that would be required by sections 5–8 of the bill would further such a reduction. If the history of the patent systems of European countries may be used as examples, there is reason to believe that a dramatic reduction in the number of patents in force at any one time will occur under a maintenance fee system. Roughly speaking, in the experience of Great Britain, Germany, the Netherlands, and Switzerland, after the first 5 years of the period considered, around 80 percent of patents were still in force, after the 9th year about 30 to 50 percent were still in force, and after the 13th year only 20 to 25 percent were still in force, calculating the time from the filing date of the application and not the issue date. By interpolation the Patent Office has adopted the figures of 50 percent after 5 years, 25 percent after 9 years, and 15 percent after 13 years, these times being from the issue date of the patent. What this means can best be appreciated when it is remembered that the Patent Office now issues approximately 50,000 patents each year and this number will increase if the present trend continues. At this rate, we will have approximately 850,000 patents in force, say, 15 years from now. If, on the other hand, maintenance fees are in effect during that period and our experience parallels that of European countries, instead of 850,000 there would be only about 430,000 patents still in force. The resulting simplification in infringement searches, and in other investigations, primarily concerned with patents still in force, would be of considerable help to industry. In addition, new businesses would be far freer to utilize prior art in the development of their products and processes.

POSSIBLE OBJECTIONS TO H.R. 4185

Arguments have been made that the proposed bill will impede progress in general and, in particular, that some of its provisions are discriminatory.

These objections fall generally into the following categories:

1. Fees should not be raised because the patent system benefits the public and the applicant is a public benefactor to be honored, not taxed.
2. Higher fees will suppress the flow of applications by reducing the incentive to inventors, and the patent incentive to technological innovation will abate accordingly.
3. The claim differential charges are unreasonable, arbitary, and discriminatory.
4. The issue fee is harsh and unworkable.
5. The fee for recording an assignment is much higher than the actual cost of recording the document.
6. The fee structure favors applicants and unfairly discriminates against the patentees and assignees.

The committee has considered these arguments and has concluded that they each merit discussion.

1. *Argument that fees should not be raised at all.*—There is little support for this contention at the present time. Bar associations, and many private attorneys, have stated for a number of years that some reasonable increase in fees is both desirable and necessary.

Similar statements have been received by the committee. Noteworthy in this connection is the letter submitted by the Chamber of Commerce of the United States to Subcommittee Chairman Willis. This letter reads as follows:

CHAMBER OF COMMERCE OF THE UNITED STATES,
Washington, D.C., April 27, 1962.

DEAR MR. WILLIS: The national chamber urges your subcommittee to recommend a realistic schedule of fees which would enable the Patent Office to be self-supporting. H.R. 10966, now being considered by you, would substantially increase such fees, but would not provide sufficient revenue to recover all Patent Office costs.

The chamber believes that, whenever practicable, the costs of Government programs, which provide special benefits to identifiable groups or individuals in excess of benefits to the general public, should be borne by those receiving the benefits.

The Patent Office does provide special benefits to inventors, applicants for patents, and holders of patents. We believe they should bear the cost of the patent system. For many years they did. The Patent Office was self-supporting over a large part of its existence. However, the fee structure instituted in 1932, and designed to maintain a balance between income and expenses at that time, has been woefully inadequate in the face of increases in operating costs since approximately 1940.

A table of income and operating costs of the Patent Office, submitted to your subcommittee by the Commissioner of Patents, is a graphic portrayal of the inadequacy of the out-of-date fee structure. In the period 1900 to 1940, income from fees actually exceeded operating costs in 22 years, and in the same 41-year period only 5 years show income of less than 90 percent of costs.

Cost recovery has eroded rapidly since 1940; it has not again reached 90 percent. In a steady decline, it has dropped to 32 percent in 1961 and is estimated at 31 percent in the current year.

It is true that income from fees has increased 77 percent—$4.3 million in 1940 to $7.6 million in 1961. But operating costs in the same years increased 413 percent—$4.6 million in 1940 to $23.6 million in 1961. Substantial increases in personnel costs (including eight general pay raises since 1945) and printing and reproduction costs have left fee collections far behind.

The chamber is of the firm opinion that under existing rates the general public is subsidizing the specific beneficiaries of the patent system. It strongly recommends enactment of legislation which would provide for recovery of the costs of the Patent Office by means of an equitable fee system.

We urge your favorable consideration of this letter. Also, I will appreciate it if you will include this in the record of hearings on H.R. 10966.

Sincerely yours,

THERON J. RICE,
Legislative Action General Manager.

The fact that the Patent Office has covered its operating costs in the past has also suggested to many others that there should be some relation between fees and operating costs. For example, the report of

the House Committee on Appropriations of the 79th Congress, 2d session (Rept. No. 1890, 1947) had this to say:

> The committee believes that this agency should again be made self-sustaining by increasing many of the fees connected with the processing of applications and the sale of copies of patents. Recommendations for major changes in the present fee system are now before the Patent Committee of the House.

Members of the House and Senate Appropriations Committee have made it clear for many years that the Patent Office should collect a higher percentage of its operating costs.

For example, Senator Ferguson had this to say at one appropriations hearing:

> We have been talking about this in the Judiciary Committee for years, and the chairman has urged this for years. There seems to be always a resistance to the Patent Office on charging, on getting your fees sufficient to carry it (Department of Commerce Appropriations for 1952, Committee on Appropriations, U.S. Senate, 82d Cong., 1st sess., H.R. 4740).

In sum, the argument that Patent Office fees should not be raised is no longer consonant with the times.

2. *Argument that higher fees means fewer applications.*—This objection is leveled against any fee bill that proposes to raise fees. It is not borne out by the per capita figures for application submissions. The per capita filing of applications in the United States is less than in many European countries, even though these countries have substantially higher fees. For example, in Germany the per capita number of applications filed is 1.01 per 1,000 population. By contrast, the U.S. per capita figure is 0.44. High per capita figures also exist in Great Britain (0.61), the Netherlands (1.00), Sweden (1.65), Norway (1.09), and Switzerland (2.63). A large proportion of the applications filed in these countries are filed by U.S. companies. These figures exceed those of the United States, even though all of the European countries named have maintenance fees—which American patent owners pay as well as others—and the total sum of the fees paid during the life of the patent is considerably greater than the U.S. total of $60. The committee recognizes, however, that substantial numbers of filings abroad are made by applicants alien to the country of filing.

The experience of European countries fails to bear out the fear behind this objection in another way. European countries have not found that the number of applications filed decreases significantly after they increase their fees. Many European countries increased their fees in the 1950's, some even twice. There was no significant change in the number of applications filed before and after the fees were changes. This suggests, at least to some extent, that increases in fees have not had depressing effects on the number of patent applications filed.

Here, again, it is relevant to say that the present filing and final fees (and those proposed by H.R. 4185) constitute a relatively small part of the cost of obtaining a patent of average size when an attorney is employed. And approximately 96 percent of all applications filed in the U.S. Patent Office are prepared by someone other than the

inventor. It is not unreasonable to assume that this percentage reflects, with a small margin of error, the number of applications prepared by attorneys. Many of the few inventors who prepare their applications themselves, subsequently have them prosecuted by an attorney, upon either their own initiative or that of their assignees, as the case may be.

With respect to the "garret," indigent, or independent inventor, it is sometimes asserted that by increasing the fees even slightly, we will discourage the independent inventor from filing his application and, therefore, will prevent the public from obtaining his inventive contributions. In spite of the fact that inventions are coming increasingly from complex research centers, the independent inventor should be given consideration.

We agree with the Commissioner of Patents that the proposed legislation treats him equitably. It permits him to defer the first two maintenance fees if he has not been successful in exploiting his invention. It minimizes the increase in the filing fee in comparison to the issue, appeal, assignment, and maintenance fees, so that he can have his invention examined to see if it is patentable at a minimum price. And, finally, under this bill the small application that he usually files is less costly than are the lengthy applications filed almost exclusively by corporations.

Much of the argument against rises in Patent Office fees is inevitably cast in terms of the small inventor. Yet the assignment records of the Patent Office show that approximately 70 percent of the patents issued in 1961 were assigned to companies.

3. *Argument that the claim fee differential is unrealistic and unfair.*—This report has already dealt at length with the unreasonable impositions that vast numbers of prolix claims in applications make on examiners, judges, and other attorneys. This alone answers the argument that economic incentives for better claim practices are unfair or unrealistic.

One may look at the claim practices in European countries, where applications are filed for on most important U.S. inventions. The average U.S. patent is substantially larger than its German and British counterparts, and the number of independent claims in a U.S. patent averages 4.38, compared to 1.02 in German patents, and 2.70 in British patents. Certainly there are differences in patent practices and law in Great Britain, Germany, and the United States (both as to the approach they take to patent disclosures and as to the breadth of protection their courts provide) but the fact remains that these examining countries, in common with most other examining countries in the world, require the applicant to limit himself to a few independent claims. In Great Britain, rarely is an application filed that has more than four independent claims. Any number over a very few is rejected by the examiner, as a matter of course as unnecessary. The British patent agents, recognizing that the courts will uphold the office in this connection, withdraw excessive claims. More often, they are never submitted. In Germany, practice requires that a main claim be used with other claims depending from it, as is illustrated in figure 18. Any other method of claiming is almost always refused consideration.

The American Bar Association has recently acknowledged that the use of dependent claims should be encouraged. At the meetin ofg the Section of Patent, Trademark, and Copyright Law of the American

Bar Association at its annual convention in St. Louis in August 1963, the following resolution was adopted:

> *Resolved*, That the section approves the principle that, in the case of any additional fee for excess claims over a predetermined maximum, a lesser fee be charged for claims in dependent form to encourage their use.

4. *Argument that the issue fee is harsh and unworkable.*—The size of an application, in terms of the number of pages of specification and the number of sheets of drawings, has a direct bearing on the amount of time it takes an examiner to study and understand the invention, regardless of how many claims define the invention. It seems eminently fair to say that those applicants who file the longer and more complicated patent applications should bear a greater proportion of the cost of operating the Patent Office than those applicants who file short, succinct, and simple disclosures.

The reasonableness of the components of the proposed issue fee is evidenced by the cost of printing alone. Ignoring completely the increasing difficulty of examination, which is at least roughly related to the length of the specification and the number of sheets of drawings, the 1962 cost for printing and publishing an average patent was approximately $63. This includes a printing charge per page of approximately $15 for the specifications alone. This is not an internal cost which is subject to the natural error of any estimated cost, but is the amount which the Government Printing Office charges the Patent Office for printing the patent specification. Over and above this it costs the Patent Office $1.75 for each sheet of drawing of the patent.

If we add to the printing cost and complexity factor the cost of examining the application and providing other services in connection with it, the proposed charge of $10 for each page of specification as printed and $2 for each sheet of drawing is quite low.

Originally the Patent Office considered a charge for the number of pages of specification as filed and the number of sheets of drawings as submitted. One of the difficulties with this proposal, however, was the objection earlier raised by members of the bar to the effect that it would be difficult to compute the actual fee in advance. Under the concept embodied in H.R. 4185, however, it is a simple matter for the applicant or his attorney to determine the exact amount of the issue fee after the patent issues and before any remaining balance of the fee is due.

Some have opposed a charge based on the size of the patent, arguing that a charge for the number of claims is really a charge for length, and hence a double charge for size. However, although there is some rough correlation between the length of applications and the average number of claims, the scatter for applications is large. The data indicate that the claim differential charge is not primarily a charge for lengthy applications. Rather, it is a charge to encourage clarity in claiming and to discourage prolixity. The charge for the long and complex application is obtained by the proposed issue fee.

5. *Argument that the assignment recording fee is too high.*—H.R. 4185 proposes a substantial increase in the fee for recording assignments. This is not based upon the actual cost of the work to the Patent Office. It is primarily an effort to provide income which otherwise would have to be recovered by increasing the other fees provided for in H.R. 4185.

There are quite defensible reasons for a recording fee of the size provided for in H.R. 4185.

As has been pointed out, patents would not be assigned if the assignee did not consider them of value. At least, we know that this recordation fee is being assessed upon a person who is receiving value from the patent system.

More than 70 percent of patents nowadays are issued or assigned to American and foreign companies and the U.S. Government. Surely when the cost of an average application prosecuted by corporations is probably $1,500 to $2,000, the assessment of a $20 recording fee for recording the assignment to them of the invention is not unreasonable.

In sum, the bill assesses this part of operating expenses against assignees of patent and trademark instruments rather than against the applicants themselves. Until an inventor is able to sell his invention, nothing is exacted from him by the proposed recording fee. Once he has successfully sold his invention it seems not unreasonable to require the purchaser of that property to pay a fee for the privilege of recording the interest transferred to him.

6. *Argument that the fee structure discriminates against patentees.*—The objection may be made that this bill does discriminate against patentees and assignees. The attempt has been made, however, to use judgment in allocating the fee cost as between applicants, patentees, and assignees in order to obtain both the necessary incentives to good practice and the necessary revenue.

For example, the charge of $10 per page of printed specification and $2 for each sheet of drawing is a charge designed to reduce excess verbiage in applications as filed. To this extent, the applicants whose applications are abandoned do not pay this charge for complexity and length, and it is instead born by the patentees.

It is our judgment that those who are successful in obtaining patents may to some extent be required to pay for the cost of the examination of unsuccessful applications. Even so, the issue fee is still much below the actual cost of examining and issuing patents.

Maintenance fees are more favorable to applicants than to patentees for applicants will not bear the maintenance fees at all. But 4 or 5 years after the patent issues, the patentee is in better position to judge whether his invention is worth paying the renewal fee. If it is worthless, he skips the fee and the patent lapses. If it has value—as little as $50—he pays the fee and is confirmed in his rights and benefits. On the other hand, if he objects to paying maintenance fees he may pay a flat fee of $75 in lieu of them.

In all these cases, to some extent, the bill proceeds on the theory that beneficiaries of issued patents should bear part of the burden of the Patent Office and the patent system which made these benefits possible.

This is not a naked ability-to-pay principle. As between the applicant and the patentee, the examination system is for the patentee, not the applicant. The Patent Office and its examination system are great hurdles to the applicant; they are great safeguards to the patentee. The applicant must convince the Patent Office that his invention is patentable over all the world's prior art. This may be an arduous task. The patentee, however, because of the examination in the Patent Office and his success in the Patent Office, has a legal presumption of the validity of his patent and protection against the

award of patents to rivals later claiming the same subject matter. Therefore, it is not at all unreasonable that the patentee share more significantly than the applicant in the cost of maintaining the Patent Office and the examining system.

Opposition to maintenance fees is by no means universal. The Proceedings of the Patent, Trademark and Copyright Section of the American Bar Association after the 1961 St. Louis meeting reported (pp. 59–60):

> Robert C. Watson [the former Commissioner of Patents] * * * said that during six trips to Europe during his service as Commissioner of Patents he asked two questions of the heads of foreign patents offices. These were: First, Is there a full cost recovery in your country of the cost of operation of the Patent Office? The answer always was "Yes." Second, Is there any disposition by any elements in your country to eliminate maintenance fees? The answer was always "No."
>
> He saw many advantages to the adoption of a system of such fees * * *.

Mr. Watson testified to like effect at the 1962 hearing on H.R. 10966.

The bill makes every effort, in our opinion, to place the least possible burden on the individual seeking to present his invention and determine its value, if any. There can be no possibility that the incentive to invent is weakened.

SUMMARY OF THE COMMITTEE'S CONCLUSIONS

Most of the foregoing is based on the painstaking, thorough, and detailed presentation made on behalf of the Patent Office at the 1962 hearing. The committee believes that the need for general fee increases has been demonstrated beyond peradventure of doubt. The issue is one of financial responsibility. As to this, most, if not all, witnesses concur.

With respect to the precise detail and method by which increased Patent Office income should be augmented, there is, of course, room for diversity of opinion. The committee heard many diverse proposals and objections to various of the bill's provisions, particularly to those instituting maintenance fees. In the opinion of the committee, however, none of these alternative proposals and none of these objections prevail against the presumption that the Patent Office, itself, with its firsthand awareness of its own operations, is best qualified to say how the money should be raised. The committee recommends the enactment of H.R. 4185 in its entirety.

APPENDIXES

APPENDIX A

THE SECRETARY OF COMMERCE,
Washington, D.C., January 11, 1965.

Hon. JOHN W. MCCORMACK,
Speaker of the House of Representatives,
Washington, D.C.

DEAR MR. SPEAKER: There are enclosed four copies of a draft of legislation to fix the fees payable to the Patent Office, and for other purposes, together with a section-by-section analysis; a statement of purpose of and need for the proposed legislation; a statement describing the relation of the proposed bill to H.R. 8190, 88th Congress as passed by the House of Representatives; and a statement of estimated income under the proposed legislation.

This legislation implements the administration's policy of charging appropriate fees for special benefits or privileges provided to users and beneficiaries of Federal programs. We are convinced that the substantial benefits derived by patentees from the operation of the patent system clearly justify the changes proposed.

We are advised by the Bureau of the Budget that enactment of this proposed legislation would be consistent with the administration's objectives.

I urge prompt enactment of the enclosed bill in the interest of sound administration of the Patnet Office.

Sincerely yours,

LUTHER H. HODGES,
Secretary of Commerce.

APPENDIX B

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., April 18, 1962.

Hon. EDWIN E. WILLIS,
Chairman, Subcommittee on Patents, Trademarks, and Copyrights of the Committee on the Judiciary, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Reference is made to the statement of Commissioner of Patents David L. Ladd in support of H.R. 10966, a bill to fix the fees payable to the Patent Office, and for other purposes. This letter sets forth the general policy of the administration on the matter of charges for Government services rendered to identifiable recipients, as well as our views on the merits of the subject bill.

In the conduct of their various activities many Federal agencies are required to provide certain services, supply products, or authorize

the use of public resources which convey special benefits to identifiable recipients above and beyond those which accrue to the public at large. In fairness to the taxpayer, who carries the major burden of support of Federal activities, the Government has adopted the policy that the recipient of these special benefits should pay a reasonable charge for the service or product received or for the resource used.

The Congress gave statutory expression to this basic principle in title V of the Independent Offices Appropriation Act of 1952 (5 U.S.C. 140) which established as an objective that services rendered to special beneficiaries by Federal agencies should be self-sustaining to the fullest extent possible. It is our opinion that the patent system does provide such a special benefit to identifiable recipients—i.e. the inventors, applicants, and holders of patents—and that accordingly these beneficiaries should bear a fair share of the cost of the system's support. The monetary value of rights acquired through the patent system is often very large. A large subsidy to the system is not necessary to protect the public. In fact, the bill seeks only to restore the well-established principle that the patent system should be substantially self-supporting by providing for fees which are commensurate with current needs.

At present many problems bear heavily on the Patent Office. The complexity of applications and mounting search load have reduced the production of examiners and forced a persistent expansion of the size of the examining corps. In addition, salaries, printing, and other elements of continuing overhead cost are sharply increased. A major new effort is being initiated in research and development which will require increased support. In order to overcome severe problems created by personnel turnover and excessive backlogs, attention is also being focused on the need for additional space and the modernization of examining facilities.

Action by the Congress to modernize patent fees will contribute to the improvement of the patent system in at least three ways. First, the fee structure which would be introduced by enactment of H.R. 10966 will provide remedies to certain inefficient practices by reducing the number of unnecessarily complicated claims and inactive patents. Second, the additional revenues generated by increased fees will at least partially offset the cost of providing desirable improvements in the range and level of Patent Office services. Finally, enactment of the bill will provide important evidence of the determination of the beneficiaries of the patent system to join with the Government in accomplishing whatever improvements may be necessary to preserve this country's traditional system of patent examination and award.

To summarize, it is our position that H.R. 10966, by updating the patent fee structure, provides for recovery of a fair share of the costs of the Patent Office through a fair and reasonable system of fees. Furthermore, the revisions to the fee structure incorporated in the bill provide valuable corrective measures which would further benefit the operation of the Patent Office and the patent system. Accordingly, we concur in the intent of the legislation and strongly recommend its enactment.

Sincerely yours,

DAVID E. BELL, *Director.*

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the House of Representatives, there is printed below in roman existing law in which no change is proposed by the bill as here reported, with matter proposed to be stricken by the bill as here reported enclosed in black brackets; new language proposed by the bill as here reported is printed in italic:

TITLE 35, UNITED STATES CODE

* * * * * * *

§ 41. Patent fees.

(a) The Commissioner shall charge the following fees:

1. On filing each application for an original patent, except in design cases, [$30, and $1 for each claim in excess of twenty] *$50; in addition, on filing or on presentation at any other time, $10 for each claim in independent form which is in excess of one, and $2 for each claim (whether independent or dependent) which is in excess of ten. Errors in payment of the additional fees may be rectified in accordance with regulations of the Commissioner.*

2. [On] *For* issuing each original *or reissue* patent, except in design cases, [$30, and $1 for each claim in excess of twenty] *$75; in addition, $10 for each page (or portion thereof) of specification as printed, and $2 for each sheet of drawing.*

3. In design cases:

a. On filing each design application, $20.

b. On issuing each design patent: For three years and six months, $10; for seven years, [$15] *$20; and* for fourteen years, $30.

4. On [every] *filing each* application for the reissue of a patent, [$30 and $1 for each claim in excess of twenty over and above the number of claims of the original patent] *$50; in addition, on filing or on presentation at any other time, $10 for each claim in independent form which is in excess of the number of independent claims of the original patent, and $2 for each claim (whether independent or dependent) which is in excess of ten and also in excess of the number of claims of the original patent. Errors in payment of the additional fees may be rectified in accordance with regulations of the Commissioner.*

5. On filing each disclaimer, [$10] *$15.*

6. On [an] appeal for the first time from the examiner to the Board of Appeals, $25; *in addition, on filing a brief in support of the appeal, $50.*

7. On filing each petition for the revival of an abandoned application for a patent or for the delayed payment of the fee for issuing each patent, [$10] *$15.*

8. For certificate [of correction of applicant's mistake] under section 255 *or under section 256* of this title, [$10] *$15.*

9. *As available and if in print:* For uncertified printed copies of specifications and drawings of patents (except design patents), [25] *50* cents per copy; for design patents, [10] *20* cents per copy; *the Commis-*

sioner may establish a charge not to exceed $1 per copy for patents in excess of twenty-five pages of drawings and specifications and for plant patents printed in color; special rates for libraries specified in section 13 of this title, $50 for patents issued in one year. *The Commissioner may, without charge, provide applicants with copies of specifications and drawings of patents when referred to in a notice under section 132.*

10. For recording every assignment, agreement, or other paper *relating to the property in a patent or application, $20; where the document relates to more than one patent or application, $3 for each additional item.* [not exceeding six pages, $3; for each additional two pages or less, $1; for each additional patent or application included in one writing, where more than one is so included, 50 cents additional.]

11. For each certificate, $1.

12. *For maintaining a patent (other than for a design) in force:*

a. beyond the fifth anniversary of the issue date of the patent, $50;

b. beyond the ninth anniversary of the issue date of the patent, $100; and

c. beyond the thirteenth anniversary of the issue date of patent, $150.

13. For delayed payment of a maintenance fee, $25.

(b) The Commissioner may establish charges for copies of records, publications, or services furnished by the Patent Office, not specified above.

(c) *The fees prescribed by or under this section shall apply to any other Government department or agency, or officer thereof, except that the Commissioner may waive the payment of any fee for services or materials in cases of occasional or incidental requests by a Government department or agency, or officer thereof.*

ANALYSIS OF CHAPTER 14 OF TITLE 35, UNITED STATES CODE, IMMEDIATELY PRECEDING SECTION 151

Sec.

151. *Issue of patent.* [Time of issue of patent.]
152. Issue of patent to assignee.
153. How issued.
154. Contents and term of patent.
155. Maintenance fees.

§ 151. *Issue of patent* [Time of issue of patent.]

[The patent shall issue within three months from the date of the payment of the final fee, which shall be paid not later than six months after written notice to the applicant of allowance of the application but the Commissionermay accept the final fee if paid within one year after the six month period for payment, and the patent shall issue.]

If it appears that applicant is entitled to a patent under the law, a written notice of allowance of the application shall be given or mailed to the applicant. The notice shall specify a sum, constituting the issue fee or a portion thereof, which shall be paid within three months thereafter.

Upon payment of this sum the patent shall issue, but if payment is not timely made, the application shall be regarded as abandoned.

Any remaining balance of the issue fee shall be paid within three months from the sending of a notice thereof and, if not paid, the patent shall lapse at the termination of this three-month period.

If any payment required by this section is not timely made, but is submitted with the fee for delayed payment within three months after the due date and sufficient cause is shown for the late payment, it may be

accepted by the Commissioner as though no abandonment or lapse had ever occurred.

* * * * * * *

§154. Contents and term of patent

Every patent shall contain a short title of the invention and a grant to the patentee, his heirs or assigns, for the term of seventeen years, *subject to the payment of issue and maintenance fees as provided for in this title,* of the right to exclude others from making, using, or selling the invention throughout the United States, referring to the specification for the particulars thereof. A copy of the specification and drawings shall be annexed to the patent and be a part thereof.

§155. Maintenance fees

(a) During the term of a patent, other than for a design, the following fees shall be due:

(1) a first maintenance fee on or before the fifth anniversary of the issue date of the patent;

(2) a second maintenance fee on or before the ninth anniversary of the issue date of the patent; and

(3) a third maintenance fee on or before the thirteenth anniversary of the issue date of the patent.

In the case of a reissue patent the times specified herein shall run from the date of the original patent.

(b) A grace period of six months will be allowed in which to pay any maintenance fee, provided it is accompanied by the fee prescribed for delayed payment. When a response is not received to the notice provided by subsection (e) of this section, a subsequent notice shall be sent approximately sixty days after the due date of any maintenance fee.

(c) The first and second maintenance fees may be deferred in accordance with subsection (f) of this section.

(d) A patent will terminate on the due date for any maintenance fee unless, as provided for in this section, the fee due (including any fees previously deferred) is paid or a statement in accordance with subsection (f) of this section requesting deferment is filed. Such termination or lapsing shall be without prejudice to rights existing under any other patent.

(e) Notice of the requirement for the payment of the maintenance fees and the filing of statements in compliance with this section shall be attached to or be embodied in the patent. Approximately thirty days before a maintenance fee is due, the Commissioner shall send an initial notice thereof to the patentee and all other parties having an interest of record at the addresses last furnished to the Patnet Office. Irrespective of any other provision of this section, a maintenance fee may be paid within thirty days after the date of such initial notice.

(f) Any inventor to whom a patent issued (or his heirs) and who owns the patent may within six months of the fifth anniversary of the issue date of the patent by a statement to the Commissioner request deferment of the first maintenance fee if the gross benefit received by the inventor or any other party having or having had any interest in the subject matter of the patent, from, under, or by virtue of the patent or from the manufacture, use, or sale of the invention, was less in value than the amount of the fee, and the statement so specifies. The fee shall thereupon be deferred until the time the second maintenance fee is due and shall be paid in addition to the second maintenance fee.

"Any inventor to whom a patent issued (or his heirs) and who owns the patent may within six months of the ninth anniversary of the issue date of the patent by a statement to the Commissioner request deferment of the second maintenance fee (and further deferment of the first maintenance fee if such fee has been deferred) if the gross benefit received by the inventor or any other party having or having had any interest in the subject matter of the patent during the preceding four years, from, under, or by virtue of the patent or from the manufacture, use, or sale of the invention, was less in value than the amount of the second fee, and the statement so specifies. The second fee, or the first and second fees, as the case may be, shall thereupon be deferred until the time the third maintenance fee is due and shall be paid in addition to the third maintenance fee and with the same result if not paid. No deferment of any of the fees beyond the thirteenth anniversary of the issue date of the patent shall be permitted and the patent will terminate at the end of the thirteenth anniversary of the issue date unless all maintenance fees are paid in accordance with the provisions of this section.

"(g) An applicant or his assignee may elect, on or before the time of payment of the sum specified in the notice of allowance provided in section 151 of this chapter, to pay a fee of $75 and such payment shall constitute a complete satisfaction of the maintenance fees provided for in this section."

* * * * * * *

ACT OF JULY 5, 1946 (CH. 540, 60 STAT. 427; 15 U.S.C. SEC. 1113), AS AMENDED

§ 31. Fees and charges

(a) The following fees shall be paid to the Patent Office under this Act:

1. On filing each original application for registration of a mark in each class [on either the principal or the supplemental register, $25;], *$35.*

2. On filing each application for renewal in each class, $25; and on filing each application for renewal in each class after expiration of the registration, an additional fee of $5[;].

3. On filing an affidavit under section 8(a) or section 8(b) for each class, $10. [on filing notice of claim of benefits of this Act for a mark to be published under section 12(c) hereof, $10;]

4. On filing each petition for the revival of an abandoned application, $15. [;]

5. On filing [notice of] opposition or application for cancellation *for each class,* $25. [;]

6. On appeal from [an] *the* examiner in charge of the registration of marks *to the Trademark Trial and Appeal Board for each class* $25. [;]

7. For issuance of a new certificate of registration following change of ownership of a mark or correction of a registrant's mistake, [$10;] *$15.*

8. For certificate of correction of registrant's mistake *or amendment after registration,* [$10;] *$15.*

9. [for manuscript copies, for every one hundred words or fraction thereof, 10 cents; for comparing other copies, 5 cents for every one hundred words or fraction thereof;] For certifying in any case, [additional,] $1. [; for each additional registration or application which may be included under a single certificate, 50 cents additional;]

10. For filing *each* disclaimer[, amendment, surrender, or cancellation] after registration, [$10;] *$15.*

[For abstracts of title: For the search, one hour or less, and certificate, $3; each additional hour or fraction thereof, $1.50; for each brief from the digest of assignments of two hundred words or less, $1.]

[For certificate that trademark has not been registered—search and certificate (for deposit in foreign countries only), $3.]

[For title reports required for office use, $1.]

[For a single printed copy of statement and drawing, 10 cents; if certified, for the grant, additional, $1; for the certificate, $1; if renewed, for copy of certificate of renewal, additional, $1.]

[For photographic copies of records and drawings, the reasonable cost of making them.]

11. For printed copy of registered mark, 20 cents.

12. For recording every assignment, *agreement,* or other paper [not exceeding six pages, $3] *relating to the property in a registration or application, $20;* [for each additional two pages or less, $1; for each additional registration or application included, or involved in one writing where more than one is so included or involved, additional, 50 cents] *where the document relates to more than one application or registration, $3 for each additional item.*

13. On filing notice of claim of benefits of this Act for a mark to be published under section 12(c) hereof, $10 [;].

(b) The Commissioner may establish charges for copies of records, publications, or services furnished by the Patent Office, not specified above.

(c) The Commissioner [shall] *may* refund [fees] *any sum* paid by mistake or in excess.

ANALYSIS OF CHAPTER 27 OF TITLE 35, UNITED STATES CODE, IMMEDIATELY PRECEDING SECTION 266

Sec.

[266. Issue of patents without fees to Government employees.]

267. Time for taking action in Government applications.

[§ 266. Issue of patents without fees to Government employees.

The Commissioner may grant, subject to the provisions of this title, to any officer, enlisted man, or employee of the Government, except officers and employees of the Patent Office, a patent without the payment of fees, when the head of a department or agency certifies the invention is used or likely to be used in the public interest and the applicant in his application states that the invention described therein, if patented, may be manufactured and used by or for the Government for governmental purposes without the payment to him of any royalty thereon, which stipulation shall be included in the patent.]

SECTION 112 OF TITLE 35, UNITED STATES CODE

§ 112. Specification.

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention. *A claim may be written in independent or dependent form, and if in dependent form, it shall be construed to include all the limitations of the claim incorporated by reference into the dependent claim.*

An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof.

SECTION 282 OF TITLE 35, UNITED STATES CODE

§ 282. Presumption of validity; defenses

[A patent shall be presumed valid. The burden of establishing invalidity of a patent shall rest on a party asserting it.] *A patent shall be presumed valid. Each claim of a patent (whether in independent or dependent form) shall be presumed valid independently of the validity of other claims; dependent claims shall be presumed valid even though dependent upon an invalid claim. The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting it.*

The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:

(1) Noninfringement, absence of liability for infringement, or unenforceability,

(2) Invalidity of the patent or any claim in suit on any ground specified in part II of this title as a condition for patentability,

(3) Invalidity of the patent or any claim in suit for failure to comply with any requirement of sections 112 or 251 of this title,

(4) Any other fact or act made a defense by this title.

In actions involving the validity or infringement of a patent the party asserting invalidity or noninfringement shall give notice in the pleadings or otherwise in writing to the adverse party at least thirty days before the trial, of the country, number, date, and name of the patentee of any patent, the title, date, and page numbers of any publication to be relied upon as anticipation of the patent in suit or, except in actions in the United States Court of Claims, as showing the state of the art, and the name and address of any person who may be relied upon as the prior inventor or as having prior knowledge of or as having previously used or offered for sale the invention of the patent in suit. In the absence of such notice proof of the said matters may not be made at the trial except on such terms as the court requires.

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