20 House Report No. 96-1307, 96th Cong., 2d Sess. (1980) *

[Part 1]

AMENDING THE PATENT AND TRADEMARK LAWS

September 9, 1980--Ordered to be printed

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

REPORT

[To accompany H.R. 6933]

[Including cost estimate and comparison of the Congressional Budget Office]

The Committee on the Judiciary to whom was referred the bill (H.R. 6933) entitled: "To amend the patent and trademark laws", having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendment to the text of the bill is a complete substitute therefor and appears in italic type in the reported bill.

The title of the bill is amended to reflect the amendment to the text of the bill.

STATEMENT

The Need for the Legislation

Many analysts of the U.S. economy have warned that the roots of the current recession lie in a longer term economic malaise which arises out of a failure of American industry to keep pace with the increased productivity of foreign competitors.n1

According to the Committee for Economic Development, "the slowing of productivity improvement during the past few years parallels the discouraging decline in the rate of investment in plant and equipment."n2 The rate of investment as a proportion of GNP has averaged about one half the rate for France and Germany and about one third the rate for Japan. Further, the situation does not appear to be improving. There has been an especially significant decline in total U.S. expenditures for research and development, as measured in constant dollars since 1970.n3 Since the primary means of improving productivity lies in the creation of new technologies, the decline in expenditures for research and development is especially significant to the health of the overall economy.

Testimony presented to the Subcommittee on Courts, Civil Liberties and the Administration of Justice also indicates that the Federal Government is bearing an ever increasing share of the burden of financing basic research and development.n4 This means that the effective commercialization of government financed research is becoming an ever more important issue for those who are concerned with industrial innovation. The patent policies governing the utilization of government funded research will become even more important when the research expected to flow out of recent Congressional enactments such as the Energy Security Act of 1980n5 begins to produce usable new technologies. It is highly likely that the fuel which powers our automobiles and the boilers which heat our homes will owe part of their chemical composition or mechanical operation to patented research developed in part by government funds. At the present time U.S. companies desiring to use government funded research to develop new products and processes must confront a bewildering array of 26 different sets of agency regulations governing their rights to use such research. This bureaucratic confusion discourages efficient use of taxpayer financed research and development.

HISTORY OF THE BILL

The crisis in U.S. productivity and the governmental role in it has not gone unnoticed, however. In May of 1978 the President called for a major policy review of industrial innovation as the key to increased productivity in the United States. This White House call to action resulted in the creation of an advisory Committee of more than 150 senior representatives from the industrial, public interest, labor, scientific, and academic communities. The work of the Advisory Committee was overseen by a cabinet level coordinating committee chaired by the Secretary of Commerce. The Committee studied all the areas in which federal government policy impacts on productivity and innovation in the private sector. These fields of inquiry included: economic and trade policy; environmental, health and safety regulations; anti-trust enforcement; federal procurement policies, and federal patent and information policies.

When the advisory committee issued its 300 page report last year, a key segment contained recommendations on government patent policy. These recommendations, in turn, were received by the President, and formed the basis of a major legislative proposal which was conveyed to the Congress. Special emphasis was placed on the role of the patent system and the patent policy regarding government funded research in promoting industrial innovation. These patent related recommendations were forwarded to the Committee on the Judiciary and are embodied in H.R. 6933 and H.R. 3806.

H.R. 6933 has three major thrusts. First, it strengthens investor confidence in the certainty of patent rights by creating a system of administrative reexamination of doubtful patents. Secondly, it strengthens the financial resources of the Patent Office to provide fast and accurate processing of patent applications by revising the fee structure of the Office. Finally, the existing melange of 26 different agency policies on vesting of patent rights in government funded research is replaced by a single, uniform national policy designed to cut down on bureaucracy and encourage private industry to utilize government funded inventions through the commitment of the risk capital necessary to develop such inventions to the point of commercial application.

H.R. 3806 embodies another recommendation of the Advisory Committee and the President. It grants jurisdiction over appeals in patent cases to a single court of appeals--ending the current legal confusion created by 11 different appellate forums, all generating different interpretations of the patent law. The new court will do a great deal to improve investors' confidence in patented technology.

In addition to the three broad areas already outlined, H.R. 6933 addresses the special needs of Universities and small businesses when they attempt to deal with Patent issues arising out of government contracts. Both of these groups lack the resources to cope with the bewildering regulatory and bureaucratic problems associated with transfer of patent rights pursuant to government contracts; and the university sector in particular is an important link to the private sector.

The Subcommittee on Courts, Civil Liberties and the Administration of Justice held seven days of hearings on H.R. 6933 and related patent law proposals. In all, over thirty witnesses from Government, the private Bar, industry, education, small business, and the judiciary offered testimony on the various legislative proposals before the subcommittee. Hearings were followed by four days of markup, during which H.R. 3806, creating a new Court of Appeals for the Federal Circuit, H.R. 6933, containing reforms in patent policy and procedures, and H.R. 6934, clarifying the law of copyright of computer programs, were reported favorably. Each bill was reported unanimously. The unanimous votes, particularly on H.R. 6933, were cast only after careful examination of the legislation in light of the criticisms made during the hearings and after consultation with members of the Committee on Science and Technology, which shares jurisdictional interest. During the course of markup H.R. 6933 was amended substantially to respond to criticisms raised during the hearing.

SUMMARY OF THE BILL

H.R. 6933, as amended, addresses four major issues. Section 1 provides for a system of administrative reexamination of patents within the patent office. This new procedure will permit any party to petition the patent office to review the efficacy of a patent, subsequent to its issuance, on the basis of new information about preexisting technology which may have escaped review at the time of the initial examination of the patent application. Reexamination will permit efficient resolution of questions about the validity of issued patents without recourse to expensive and lengthy infringement litigation. This, in turn, will promote industrial innovation by assuring the kind of certainty about patent validity which is a necessary ingredient of sound investment decisions.

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

the most expert opinions exist and at a much reduced cost. Patent office reexamination will greatly reduce, if not end, the threat of legal costs being used to "blackmail" such holders into allowing patent infringements or being forced to license their patents for nominal fees.

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

The bill does not provide for a stay of court proceedings. It is believed by the committee that stay provisions are unnecessary in that such power already resides with the Court to prevent costly pretrial maneuvering which attempts to circumvent the reexamination procedure. It is anticipated that these measures provide a useful and necessary alternative for challengers and for patent owners to test the validity of United States patents in an efficient and relatively inexpensive manner.

Sections 2 through 5 of H.R. 6933 provide for a new fee structure for the patent office. At the present time patent examination fees are established by statute, last revised in 1967. When enacted, the present fee structure provided revenues which met 67 percent of the costs of operating the Patent Office. Inflation has now reduced the impact of those fees to the point where they generate only 27 percent of the funding necessary to the operation of the office.

At the present time patent fees average about $ 239 per application.n6

H.R. 6933 would entirely revise the fee structure. It grants the Commissioner the power to establish fees. As introduced, the bill provided that the fee level would be revised yearly to generate 60 percent of the revenue needed to operate the office. However, the subcommittee amended the bill to reduce that level to 50 percent. This was in response particularly to criticism from small business and individual inventors that the fees would place too great a burden on those groups.

In order to further soften the impact on small business and individual inventors, the fees are to be paid in four installments over the life of the patent. This system, known as maintenance fees, is in use in most advanced industrial nations and has the advantage of deferring payment until the invention begins to return revenue to the inventor.

Should the invention prove to have no commercial value, the inventor has the option of permitting the patent to lapse, thus avoiding all further fees.

Section 6 of H.R. 6933 provides for a uniform policy governing the disposition of patent rights in government funded research.

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SECTION-BY-SECTION ANALYSIS

Reexamination

Section 1 of the bill would add seven new sections to the patent laws to establish a patent reexamination system. These seven new sections would constitute chapter 30 of title 35 of the United States Code.

Section 301. Citation of prior art

Section 301 provides statutory authority for the citation to the Patent and Trademark Office (PTO) of prior art consisting of patents or printed publications which a person believes to have a bearing on the patentability of any claim of a particular patent. Section 301 would make clear that a citation of prior art is not to be included in the official file on a patent unless the citer submits a written statement as to the pertinency and applicability to the patent. Section 301 also would require the PTO to keep the identity of the citer of prior art confidential if the citer so requests in writing. Without the confidentiality provision, competitors of a patent owner might be reluctant to cite prior art to the PTO.

Section 302. Request for reexamination

Section 302 provides authority for any person to seek reexamination by the PTO on the basis of the patents and printed publications cited under section 301. Such a person need not be the one who cited prior art under section 301. The person could even be the patentee.

Section 302 requires that the person seeking reexamination pay a fee established by the Secretary. Under section 2 of this bill, the Secretary would be required to establish a fee to recover the estimated average cost of a reexamination proceeding. Thus, those who request reexamination would pay for it.

Section 302 requires the Commissioner to send a copy of the request promptly to the patent owner, as shown by the records of the Office. The patent owner would have to see that his ownership and current address are recorded properly so that the request is not sent to a previous owner.

Section 303. Determination of issue by Commissioner

Subsection 303(a) requires the Commissioner to determine if a "substantial new question of patentability" is raised in connection with any claims of the patent against which a patent or printed publication is cited and to order reexamination upon a positive determination. Further, it would permit the Commissioner to initiate reexamination without a request upon a determination that a substantial new question of patentability is raised by patents or publications discovered by him or cited under the provisions of section 301. This authority to initiate reexamination without a request is not intended to abrogate in any way the right of the United States to sue to cancel a patent obtained by fraudulent means.

This "substantial new question" requirement would protect patentees from having to respond to, or participate in unjustified reexaminations. Further, it would act to bar reconsideration of any argument already decided by the Office, whether during the original examination or an earlier reexamination.

Subsection 303(b) requires that the Commissioner's determination be recorded in the file of the patent and a copy promptly sent to the patent owner and the person requesting the reexamination.

Subsection 303(c) makes final and nonappealable a decision by the Commissioner not to conduct reexamination. In such a case, however, a portion of the reexamination fee could be returned.

No one would be deprived of any legal right by a denial by the Commissioner of a request for reexamination. A party to a reexamination proceeding could still argue in any subsequent litigation that the PTO erred and that the patent is invalid on the basis of the cited prior art.

Section 304. Reexamination order by Commissioner

Section 304 specifies the initial steps to be taken where the Commissioner determines that reexamination should be ordered. Upon issuance of a determination ordering reexamination, the patent owner would be given the opportunity to file a statement with the Office and, if he wishes, to propose an amendment to the specification or claims of his patent as well as a new claim or claims in response to the Commissioner's determination. The patent owner would be required to serve a copy of any such statement and any proposed amendment on the person requesting reexamination, who would be permitted to file a reply with the Office, with service required on the patent owner.

Section 305. Conduct of reexamination proceedings

Section 305 governs the conduct of the actual reexamination proceeding. Section 305 specifies that after the initial exchange permitted under section 304, the PTO will utilize the same procedures it uses for the initial examination of patent applications under patent law sections 132 and 133 . The patent owner could propose an amendment to his patent specification or claims, as well as propose a new claim or claims, to distinguish his invention from the prior art cited under section 301. However, the bill would prohibit the Commissioner from granting during reexamination any amended or new claim that enlarges the scope of a claim of the original patent. Also, the bill would require reexamination to be promptly handled, so as to make it as helpful as possible.

Section 306. Appeal

Section 306 grants a patent owner the right to pursue the same appeal routes available to patent applicants. An adverse decision on reexamination by the primary examiner could be appealed to the Board of Appeals. Adverse final decisions on reexamination by the Board of Appeals or by the Commissioner could be appealed to the U.S. Court of Customs and Patent Appeals or de novo review of the reexamination decision could be sought in the United States District Court for the District of Columbia.

Section 307. Certificate of patentability, unpatentability, and claim cancellation

Section 307(a) requires the Commissioner at the conclusion of reexamination to cancel any patent claim found to be unpatentable, confirm any patent claim found to be patentable, and add any amended or new claims found to be patentable.

Subsection 307(b) provides intervening rights similar to those provided by patent law section 252 with respect to reissued patents. Thus, a person practicing a patented invention would not be considered an infringer for the period between issuance of an invalid patent and its conversion through reexamination to a valid patent.

It ordinarily is in the interests of both parties to expedite the disposition of patent litigation. A party discovering new prior art on which reexamination might be conducted ordinarily will reveal it promptly to the patent owner. If he does not, the court may exercise its equity power by allowing the patent owner to request reexamination later in the trial, or precluding the party from relying on such prior art or by other appropriate measures.

Administrative Fee Setting

Section 2 of the bill would restructure and modernize completely section 41 of title 35, United States Code--the basic fee provision of the patent laws.

The committee recognizes that the PTO, in issuing patents and registering trademarks, performs a significant public service in implementing the Federal patent and trademark laws and also confers benefit on private persons who seek to protect their intellectual property. The Committee, therefore, supports the premise that patent applicants and those seeking to register trademarks should bear a significant share of the cost of operating the PTO by the payment of fees. However, the Committee has made certain amendments to the formula which empowers the Commissioner to set these fees. Certain costs of operating the PTO confer no direct benefit on applicants but rather go to meet the responsibility of the Federal Government to have a PTO in order to execute the law. For example, the cost of executive direction and administration of the office, including the Office of the Commissioner and certain agency offices involved with public information, legislation, international affairs and technology assessment. Maintaining the public search room confers a general public benefit, as does the maintenance of the patent files in depository libraries. The contribution to the World Intellectual Property Organization relative to the Patent Cooperation Treaty is a treaty obligation. These costs should be paid for entirely from appropriated funds.

The committee inserted the word "actual" in this legislation to describe those costs which should be assumed 50 percent by applicants. Patent applicants should bear through the payment of fees, 25 percent in processing of fees, and 25 percent in maintenance fees, the costs of the patent examiners and their clerical support, as well as quality review, appeals, interferences, and patent printing including internal PTO printing costs. Also, "actual" is intended to exclude from such costs the acquisition or replacement of equipment where such acquisition or replacement involves substantial capital outlays. Such expenditures would be paid from the Patent and Trademark Office's appropriation. The cost of data and document retrieval systems, however, to the extent that these expenditures goes toward the reclassification of the patent search file, should be borne 50 percent by the public. These are the actual costs of processing patent applications, and activity which confers certain direct benefits on private persons.

The committee notes that the PTO furnishes to the public copies of issued patents for a fee. The costs to the PTO of such copies should be charged to applicants.

The trademark examiners and their clerical support, the trial and appeal process, and trademark printing should be paid for to the extent of 50 percent by applicants for the registration of trademarks.

Some of the cost of operating the PTO confers no direct benefit to the general public, but rather goes to providing services to private parties. The cost of customer services such as providing copies should be recovered 100 percent in fees. Also, in the patent process, drafting and assignment should be self-supporting.

Illustrative Example of PTO Recovery Policy--Based on Fiscal
Year 1981 Budget

I. Government 100 percent: Commissioner (includes Office of Information Services); Office of Legislation and International Affairs; Management planning; Administrative services; Automatic data processing; and Search room.

II. Government 50 percent/users 50 percent: Examination--professional staff; Quality review; Clerical force; Appeals; Interferences; Patent printing; Solicitor; Data and document retrieval; publication services; Examination of trademarks; Trademark trial and appeals; and Trademark printing.

III. Users 100 percent: Customer services; drafting; and assignment.

Section 41. Patent fees

Subsection 41(a) authorizes the Secretary of Commerce to set fees administratively for processing a patent application, for maintaining a patent in force, and for providing all other patent services and materials.

Subsection 41(b) requires the Secretary of Commerce to establish fees for processing patent applications, from filing to disposition by issuance or abandonment, equal in aggregate to 25 percent of the estimated average cost of actually processing an application. As fee revenues and costs change, the Secretary would adjust fees to achieve the specified recovery rate once every three years. These fees are those of the type now specified in paragraphs 1, 2, 3, and 6 of existing subsection 41(a) of the patent laws. The Secretary would have authority to eliminate or change the amounts of any of the present fees and establish others, so long as a fee charged directly relates to the actual processing of patent applications and the aggregate fees for an application effect the specified 25 percent recovery rate.

Subsection 41(b) would treat design patent processing fees differently than fees for other types of patents. Since the costs to the Office of processing design patent applications are significantly lower and maintenance fees will not be imposed, design patent applicants would be charged fees equal in aggregate to 50 percent of the estimated cost of processing such an application.

Subsection 41(c) requires the payment of maintenance fees three times in a patent's life--six months prior to the fourth, eighth and twelfth anniversaries of the patent's seventeen-year term. As required by the Paris Convention for the Protection of Industrial Property, subsection 41(c) permits late payment during a six-month grace period. Failure to pay an applicable maintenance fee by the end of the grace period would result in expiration of the patent on the date the grace period ends.

Subsection 41(c) also requires the Secretary to establish maintenance fees at levels that recover 30 percent of the costs to the Office for the year in which such maintenance fees are received of processing all applications for patents other than design patents, from filing through disposition by issuance or abandonment, by the fifteenth year following enactment of the Act.

Subsection 41(d) requires the Secretary to establish fees for all other patent-related services and materials at levels which will recover the full costs to the Office of performing those services or providing those materials. Fees would be adjusted as costs vary. Subsection 41(d), however, would maintain the existing subsection 41(a)(9) fee of $ 50 for providing a despository library with uncertified printed copies of the specifications and drawings for all patents issued in a year.

Subsection 41(e) allows the Commissioner to waive any fee for a service or product provided to a government agency. This authority now is provided in existing subsection 41(c).

Subsection 41(f) limits the adjustment of patent application processing fees and maintenance fees to once every three years.

Subsection 41(g) imposes a notice requirement on effective date of new or adjusted fees.

Crediting of Fee Revenue to the PTO Appropriation Account

Section 3 of this bill would amend section 41 of title 35, United States Code, by completely rewriting it.

Section 42. Patent and Trademark Office funding

Subsection 42(a) makes all fees for Patent and Trademark Office services and materials payable to the Commissioner of Patents and Trademarks. This provision is carried over from existing section 42.

Subsection 42(b) requires all fee revenues and all Patent and Trademark Office appropriations to be credited to the Patent and Trademark Office Appropriation Account in the Treasury of the United States. At present, Patent and Trademark Office fee revenues are deposited in the general fund of the Treasury and are unavailable for directly funding PTO activities.

Subsection 42(c) makes fee revenues credited to the PTO Appropriation Account available to the Secretary of Commerce to carry out the activities of the Patent and Trademark Office. Budgetary control is maintained since the PTO would continue to receive appropriations and the use of fee revenues would be limited "to the extent provided for in an appropriations Acts."

Subsection 42(d) authorizes the Secretary to refund any fee paid by mistake or any account paid in excess of that required. This authority is found in existing section 42.

Technical Amendment

Section 4 of the bill is a technical amendment to section 154 of the patent laws necessitated by creation of the maintenance fee system.

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Transitional Provisions

Section 8. Effective date

Section 8 provides for the taking effect of the bill's various provisions.

Section 8(a) specified and that the fee setting authority provisions of the bill and the conforming technical amendment take effect upon enactment. Nevertheless, these fees need not be set to recover the levels specified in the bill (25 percent recovery for patent processing and full recovery for providing materials and services in patent and trademark cases) until the first day of the first fiscal year beginning one calendar year after enactment. This will provide at least a year to determine the amounts and natures of fees needed.

Subsection 8(b) provides that the reexamination provisions of this bill take effect six months after enactment and apply to patents then in force or issued thereafter.

Subsection 8(c) provides that the authority to credit fee revenues to the Office's Appropriation Account take effect as of the first day of the first fiscal year beginning one calendar year after enactment. Thus, at least one year would be available to obtain needed administrative approval and implement an appropriate accounting system. However, until section 3 takes effect, the Secretary, in order to pay reexamination costs, may credit the Patent and Trademark Office Appropriation Account with the revenues from collected reexamination fees.

Subsection 8(d) continues existing fees until new fees are established.

Subsection 8(e) provides that maintenance fees shall not be applicable to patents applied for prior to the day of enactment of this Act.

Subsection 8(f) provides that sections 6 and 7 of this bill which establish a uniform patent policy and make necessary conforming amendments to existing laws take effect six months after enactment.

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Estimated Cost of the Legislation

It is estimated that there will be no additional costs to the United States due to the provisions of H.R. 6933. As the statement of the Congressional Budget Office indicates, there will be a substantial savings to the United States as a result of the legislation.

Statement of the Congressional Budget Office

Click here to view image.

Dear Mr. Chairman: Pursuant to Section 403 of the Congressional Budget Act of 1974 , the Congressional Budget Office has prepared the attached cost estimate for H.R. 6933, a bill to amend the patent and trademark laws.

Should the Committee so desire, we would be pleased to provide further details on this estimate.

Sincerely, James Blum
(For Alice M. Rivlin, Director).

CONGRESSIONAL BUDGET OFFICE--COST ESTIMATE, AUGUST 28, 1980

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Reexamination of patents

H.R. 6933 would allow any party to petition the PTO to reexamine a patent for validity. The cost of reexamination would be paid by the party based on a fee structure established by the Commissioner of Patents. It is anticipated that the number of patent applications for reexaminations will be limited by the cost involved and the potential for commercial

development. Based on rates currently available in foreign countries for similar procedures, as well as estimates provided by the PTO, it is estimated that the number of appeals will be approximately 500 in fiscal year 1981, increasing to 2,000 by 1982, and remain relatively stable thereafter.

Although the bill does not specifically authorize funding for this purpose, it is assumed that additional staff will be required to handle the reexamination procedures. Based on PTO data, it is estimated that the average cost per employee, including overhead and benefits, would be approximately $ 40,000 in fiscal year 1981. Assuming approximately 30 hours per reexamination, plus clerical support, it is estimated that approximately 55 appeals could be reviewed annually by a professional staff member. It is estimated that the cost of this procedure would be approximately $ 0.4 million in fiscal year 1981, which reflects six month's activity. Costs are estimated to be $ 1.4 million in fiscal year 1982, increasing to $ 2.5 million by fiscal year 1985. It is assumed, however, that the full amount required by the PTO for salaries and expenses would be recovered by fees set at the beginning of the fiscal year and adjusted annually for inflation and anticipated workload. It is assumed that fees would be included with the request for reexamination and reflected as a reimbursable to the agency, resulting in a net outlay of around zero in each fiscal year.

Revision of fee structure

H.R. 6933 would restructure the current fee structure for patents and trademarks. Currently, the PTO recovers approximately 20 percent of the cost of processing patents and approximately 30 percent of the cost of issuing trademarks. These fees are deposited in the general fund of the Treasury.

The bill would allow the PTO to recover up to 25 percent of the average processing costs and 25 percent of the maintenance costs for patents, the latter fee collected in four installments over the life of the patent. In addition, the PTO would be allowed to recover a maximum of 50 percent of the cost of issuing trademarks. All fees for patents and trademarks could be adjusted no more than once every three years and would be credited to the PTO as a reimbursable to the agency, rather than as a revenue to the Treasury.

It is assumed that the revised fee structure for trademarks would be implemented early in the second quarter of fiscal year 1981, and for patents beginning in fiscal year 1982. It is assumed that the agency costs for processing patents and trademarks from which recovery could be made would be approximately $ 84 million in fiscal year 1982, increasing to approximately $ 109 million by fiscal year 1985. It is assumed that an average recovery rate of 25 and 50 percent, adjusted every third year, would be established for processing fees for patents and for trademarks, respectively. Patent maintenance fees would be collected three times in a patent's life--around the forth, eighth, and twelfth year. Since the first payment would not be made until fiscal year 1986, it is not reflected in the table below.

[By fiscal years, in millions of dollars]

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Committee Vote

H.R. 6933 was approved by the Committee on the Judiciary on August 20, 1980, by a voice vote.

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CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

TITLE 35, UNITED STATES CODE

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PART I--PATENT AND TRADEMARK OFFICE

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CHAPTER 4--PATENT FEES

Sec.

41. Patent fees.

42. Payment of patent fees; return of excess amounts.

[§ 41. Patent fees

[(a) The Commissioner shall charge the following fees:

[1. On filing each application for an original patent, except in design cases, $ 65; 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. For the purpose of computing fees, a multiple dependent claim as referred to in section 112 of this title or any claim depending therefrom shall be considered as separate dependent claims in accordance with the number of claims to which reference is made. Errors in payment of the additional fees may be rectified in accordance with regulations of the Commissioner.

[2. For issuing each original or reissue patent, except in design cases, $ 100; 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, $ 20; and for fourteen years, $ 30.

[4. On filing each application for the reissue of a patent, $ 65; 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, $ 15.

[6. On appeal for the first time from the examiner to the Board of Appeals, $ 50; 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, $ 15.

[8. For certificate under section 255 or under section 256 of this title, $ 15.

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

[11. For each certificate, $ 1.

[(b) The Commissioner may establish charges for copies of records, publications, or services furnished by the Patent and Trademark 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.]

§ 41. Patent fees

(*a*) *The Commissioner of Patents will establish fees for the processing of an application for a patent, from filing through disposition by issuance or abandonment, for maintaining a patent in force, and for providing all other services and materials related to patents. No fee will be established for maintaining a design patent in force.*

(*b*) *By the first day of the first fiscal year beginning on or after one calendar year after enactment of this Act, fees for the actual processing of an application for a patent, other than for a design patent, from filing through disposition by issuance or abandonment, will recover in aggregate 25 per centum of the estimated average cost to the Office of such processing. By the first day of the first fiscal year beginning on or after one calendar year after enactment, fees for the processing of an application for a design patent, from filing through disposition by issuance or abandonment, will recover in aggregate 50 per centum of the estimated average cost to the Office of such processing.*

(*c*) *By the fifteenth fiscal year following the date of enactment of this Act, fees for maintaining patents in force will recover 25 per centum of the estimated cost to the Office, for the year in which such maintenance fees are received, of the actual processing all applications for patents, other than for design patents, from filing through disposition by issuance or abandonment. Fees for maintaining a patent in force will be due three years and six months, seven years and six months, and eleven years and six months after the grant of the patent. Unless payment of the applicable maintenance fee is received in the Patent and Trademark Office on or before the date the fee is due or within a grace period of six months thereafter, the patent will expire as of the end of such grace period. The Commissioner may require the payment of a surcharge as a condition of accepting within such six-month grace period the late payment of an applicable maintenance fee.*

(*d*) *By the first day of the first fiscal year beginning on or after one calendar year after enactment, fees for all other services or materials related to patents will recover the estimated average cost to the Office of performing the service or furnishing the material. The yearly fee for providing a library specified in section 13 of this title with uncertified printed copies of the specifications and drawings for all patents issued in that year will be $ 50.*

(*e*) *The Commissioner may waive the payment of any fee for any service or material related to patents in connection with an occasional or incidental request made by a department or agency of the Government, or any officer thereof. The Commissioner may provide any applicant issued a notice under section 132 of this title with a copy of the specifications and drawings for all patents referred to in that notice without charge.*

(*f*) *Fees will be adjusted by the Commissioner to achieve the levels of recovery specified in this section; however, no patent application processing fee or fee for maintaining a patent in force will be adjusted more than once every three years.*

(*g*) *No fee established by the Commissioner under this section will take effect prior to sixty days following notice in the Federal Register.*

[§ 42. Payment of patent fees; return of excess amounts

[All patent fees shall be paid to the Commissioner who, except as provided in sections 361(b) and 376(b) of this title, shall deposit the same in the Treasury of the United States in such manner as the Secretary of the Treasury directs, and the Commissioner may refund any sum paid by mistake or in excess of the fee required by law.]§ 42. Patent and Trademark Office funding

(*a*) *All fees for services performed by or materials furnished by the Patent and Trademark Office will be payable to the Commissioner.*

(*b*) *All fees paid to the Commissioner and all appropriations for defraying the costs of the activities of the Patent and Trademark Office will be credited to the Patent and Trademark Office Appropriation Account in the Treasury of the United States, the provisions of section 725e of title 31, United States Code, notwithstanding.*

(*c*) *Revenues from fees will be available to the Commissioner of Patents to carry out, to the extent provided for in appropriation Acts, the activities of the Patent and Trademark Office.*

(*d*) *The Commissioner may refund any fee paid by mistake or any amount paid in excess of that required.*

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PART II--PATENTABILITY OF INVENTIONS AND
GRANT OF PATENTS

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CHAPTER 14--ISSUE OF PATENT

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§ 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] 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.

* * * * *

CHAPTER 30--PRIOR ART CITATIONS TO OFFICE AND REEXAMINATION OF PATENTS

Sec. 301. 301. Citation of prior art.

Sec. 302. Request for reexamination.

Sec. 303. Determination of issue by Commissioner.

Sec. 304. Reexamination order by Commissioner.

Sec. 305. Conduct of reexamination proceedings.

Sec. 306. Appeal.

Sec. 307. Certificate of patentability, unpatentability, and claim cancellation.

§ 301. Citation of prior art.

Any person at any time may cite to the Office in writing prior art consisting of patents or printed publications which that person believes to have a bearing on the patentability of any claim of a particular patent. If the person explains in writing the pertinency and manner of applying such prior art to at least one claim of the patent, the citation of such prior art and the explanation thereof will become a part of the official file of the patent. At the written request of the person citing the prior art, his or her identity will be excluded from the patent file and kept confidential.

§ 302. Request for reexamination

Any person at any time may file a request for reexamination by the Office of any claim of a patent on the basis of any prior art cited under the provisions of section 301 of this title. The request must be in writing and must be accompanied by payment of a reexamination fee established by the Commissioner of Patents pursuant to the provisions of section 41 of this title. The request must set forth the pertinency and manner of applying cited prior art to every claim for which reexamination is requested. Unless the requesting person is the owner of the patent, the Commissioner promptly will send a copy of the request to the owner of record of the patent.

§ 303. Determination of issue by Commissioner

(*a*) *Within three months following the filing of a request for reexamination under the provisions of section 302 of this title, the Commissioner will determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request, with or without consideration of other patents or printed publications. On his own initiative, and at any time, the Commissioner may determine whether a substantial new question of patentability is raised by patents and publications discovered by him or cited under the provisions of section 301 of this title.*

(*b*) *A record of the Commissioner's determination under subsection (a) of this section will be placed in the official file of the patent, and a copy promptly will be given or mailed to the owner of record of the patent and to the person requesting reexamination, if any.*

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

§ 304. Reexamination order by Commissioner

If, in a determination made under the provisions of subsection 303(a) of this title, the Commissioner finds that a substantial new question of patentability affecting any claim of a patent is raised, the determination will include an order for reexamination of the patent for resolution of the question. The patent owner will be given a reasonable period, not less than two months from the date a copy of the determination is given or mailed to him, within which he may file a statement on such question, including any amendment to his patent and new claim or claims he may wish to propose, for consideration in the reexamination. If the patent owner files such a statement, he promptly will serve a copy of it on the person who has requested reexamination under the provisions of section 302 of this title. Within a period of two months from the date of service, that person may file and have considered in the reexamination a reply to any statement filed by the patent owner. That person promptly will serve on the patent owner a copy of any reply filed.

§ 305. Conduct of reexamination proceedings

After the times for filing the statement and reply provided for by section 304 of this title have expired, reexamination will be conducted according to the procedures established for initial examination under the provisions of sections 132 and 133 of this title. In any reexamination proceeding under this chapter, the patent owner will be permitted to propose any amendment to his patent and a new claim or claims thereto, in order to distinguish the invention as claimed from the prior art cited under the provisions of section 301 of this title, or in response to a decision adverse to the patentability of a claim of a patent. No proposed amended or new claim enlarging the scope of a claim of the patent will be permitted in a reexamination proceeding under this chapter. All reexamination proceedings under this section, including any appeal to the Board of Appeals, will be conducted with special dispatch within the Office.

§ 306. Appeal

The patent owner involved in a reexamination proceeding under this chapter may appeal under the provisions of section 134 of this title, and may seek court review under the provisions of sections 141 to 145 of this title, with respect to any decision adverse to the patentability of any original or proposed amended or new claim of the patent.

§ 307. Certificate of patentability, unpatentability, and claim cancellation

(*a*) *In a reexamination proceeding under this chapter, when the time for appeal has expired or any appeal proceeding has terminated, the Commissioner will issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent any proposed amended or new claim determined to be patentable.*

(*b*) *Any proposed amended or new claim determined to be patentable and incorporated into a patent following a reexamination proceeding will have the same effect as that specified in section 252 of this title for reissued patents on the right of any person who made, purchased, or used anything patented by such proposed amended or new claim, or who made substantial preparation for the same, prior to issuance of a certificate under the provisions of subsection* (*a*) *of this section.*

* * * * *

[Part 2]

SEPTEMBER 23, 1980.--Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. Brooks, from the Committee on Government Operations, submitted the following

REPORT

together with

ADDITIONAL VIEWS

[To accompany H. R. 6933]

[Including cost estimate of the Congressional Budget Office]

The Committee on Government Operations, to whom was referred the bill (H.R. 6933) entitled "To amend the patent and trademark laws," having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

* * * * *

It was determined that Sections 1 through 5, dealing with certain procedures and fees, were not within the jurisdiction of the committee. The committee's jurisdiction does cover those sections dealing with Government policies for retaining or disposing of contract inventions developed during the course of or under Government contracts and related matters, and those sections dealing with the reorganization or transfer of individual units of Government.

* * * * *

FOOTNOTES:

[n1] Footnote 1. Report of the President's Advisory Committee on Industrial Innovation, Sept., 1979.

[n2] Footnote 2. *Stimulating Technological Progress.* A statement by the Research and Policy Committee of the Committee for Economic Development, Jan. 1980, pp. 2-7.

[n3] Footnote 3. *Science Indicators,* National Science Board, 1976, pp. 108-115.

[n4] Footnote 4. Testimony of Pindaros Roy Vagelos, M.D., before the subcommittee on Courts, Civil Liberties and the Administration of Justice, April 15, 1980, transcript p. 14.

[n5] Footnote 5. P.L. 96-294 .

[n6] Footnote 6. Testimony of Honorable Sidney Diamond, Commissioner of Patents, April 24, 1980--p. 50.

*. The following is the text of those portions of the House Report by the Committee on the Judiciary (Part 1) and Committee on Government Operations (Part 2) relating to patent fees and patent reexamination. Those portions dealing with section 6 of H.R. 6933 and with other matters are omitted in view of the substantial amendments made to section 6 by the Senate.

21 House and Senate Reports on the Creation of the Court of Appeals for the Federal Circuit *

COURT OF APPEALS FOR THE FEDERAL CIRCUIT
ACT OF
1981

NOVEMBER 4, 1981.--Committed To the Committee of the Whole
House on the State of the Union and ordered to be printed

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

R E P O R T

[To accompany H.R. 4482]

[Including cost estimate of the Congressional Budget Office]

The Committee on the Judiciary, to whom was referred the bill (H.R. 4482) to establish a United States Court of Appeals for the Federal Circuit, to establish a United States Claims Court, and for other purposes, having considered the same, report favorably there on with an amendment and recommend that the bill as amended do pass.

.....

PURPOSE OF THE BILL

H.R. 4482 establishes a new intermediate appellate Court to be called the United States Court of Appeals for the Federal Circuit. Creation of this court is accomplished through a merger of the United States Court of Claims and the United States Court of Customs and Patent Appeals ("CCPA") into a single appellate court with expanded jurisdiction. The creation of this new court substantially improves the administration of the law in the areas of patents, government contracts, merit system protection, trademarks and international trade; provides a tribunal capable of exercising intermediate appellate jurisdiction nationwide; and results in improved functioning of the federal appellate system.

H.R. 4482 also creates a new Article I trial forum known as the United States Claims Court, which inherits the trial jurisdiction of the Court of Claims. The creation of this court provides an upgraded and better organized trial forum for government claims cases.

BACKGROUND AND NEED FOR LEGISLATION

Responding to the Federal Appellate Crisis

Over the past two decades, the caseload of the federal appellate system has grown so large that a crisis has arisen. Between 1962 and 1981, appellate court filings increased more than fivefold from 4,832 cases to 26,362. At the same time, the number of federal circuit judges increased only from 78 to 132. The caseload of each judge more than tripled during this period. Although the addition of the 35 new appellate judges authorized by the Omnibus Judgeship Act of 1978 (Public Law 95-486) has helped the courts of appeals to keep pace with their work, the trend toward increased appellate court filings has continued. The addition of numerous district court judges, also created by the 1978 Omnibus Judgeship Bill, coupled with legislation conferring increased powers on bankruptcy judges (see Public Law 95-598) and magistrates (see Public Law 96-82) have generated more lower court decisions requiring appellate review. The net result is that the federal appellate system faces a crisis that actually is worsening rather than being solved. This is a crisis that does not only affect judges. As stated in a report of the Department of Justice:

This is not a crisis for the courts alone. It is a crisis for litigants who seek justice, for claims of human rights, for the rule of law, and it is therefore a crisis for the Nation.n1

Unfortunately, a solution to one rising tide of appellate work is not facile. It is neither possible nor desirable to continually add new judges to the federal judicial pyramid. Such an approach is, at best, a short-term solution. It may create more problems than it solves. The mere addition of new judgeships itself creates problems such as increased

intracircuit conflicts, unwieldly en banc proceedings and a 1055 in judicial collegiality.n2 As former Judge Shirley M. Hufstedler observed:

A judicial system cannot be expanded horizontally beyond the capacity of the next tier to process the added cases. For that reason, district courts cannot be indefinitely expanded, unless access to the appellate courts is correspondingly curtailed. A judicial system cannot be indefinitely expanded vertically because cases that should reach the top of the ladder fall by the wayside due to delay, expense, or battle fatigue.

Judicial personnel cannot be indefinitely added without imperiling the quality of persons attracted to the bench. Nonjudicial personnel cannot be perpetually increased without turning courts into the impersonal bureaucracies which the litigants are trying to escape.

In short, federal judicial time is a scarce commodity. The supply can be increased a little, but very little, without impairing or destroying its value. We must face up to the fact that we have to treat federal judicial time as we have treated other essential resources in the periods of shortage. We have to inventory our present and future supply to ascertain the totality for distribution.n3

The new court that results from the merger brought about by this bill will help alleviate the docket pressures on the regional courts of appeals by reallocating and realigning existing judicial resources, not by adding new ones. No new judgeships are created;n4 and the number of federal courts within the system is not increased.

The United States Court of Appeals for the Federal Circuit

The essence of the proposal is the provision for a new intermediate appellate court. The Court of Claims and the Court of Customs and Patent Appeals are merged into a single appellate court which would take over the merged courts' twelve judgeships. The resulting United States Court of Appeals for the Federal Circuit is an Article III court at the same level as the existing circuit courts of appeals. The new court will function like these other appellate courts; but its jurisdiction, like that of the courts it replaces, is defined by subject matter rather than geography. It inherits all the appellate jurisdiction of the two existing Courts. Thus, the new court will hear appeals in suits against the government for damages or for the refund of federal taxes, appeals from the Court of International Trade, appeals from the Patent and Trademark Office, and a few other agency review cases, In addition, the court has jurisdiction over all federal contract appeals in which the United States is a defendant, over patent appeals from all federal district courts, and over all appeals from the Merit Systems Protection Board (including cases over which the Court of Claims did not have jurisdiction)n5 Review of the new court's decisions will be in the Supreme Court by petition for writ of certiorari.

Reducing Judicial Specialization

By combining the jurisdiction of the two existing courts along with certain limited grants of new jurisdiction, the bill creates a new intermediate appellate court markedly less specialized than either of its predecessors and provides the judges of the new court with a breadth of jurisdiction that rivals in its variety that of the regional courts of appeals. The proposed new court is not a "specialized court," its jurisdiction is not limited to one type of case, or even to two or three types of cases. Rather, it has a varied docket spanning a broad range of legal issues and types of cases. It will handle all patent appeals and some agency appeals, as well as all other matters that are now considered by the CCPA or the Court of Claims. The Court of Claims decides cases involving federal contracts, civil tax issues if the government is the defendant, Indian claims, military and civilian pay disputes, patents, inverse condemnation, and various other matters.n6 The CCPA decides patent and customs cases from several sources, and those cases often include allegations of defenses of "misuse, fraud, inequitable conduct, violation of the antitrust laws, breach of trade secret agreements, unfair competition, and such common law claims as unjust enrichment."n7

Meeting the Imperatives of Appellate Justice

The proposed court also will score positively with respect to various lessons of appellate court reform that emerged from various well-known study groups and committees, including the Freund Committee, the Hruska Commission, and the Advisory Council for Appellate Justice.n8 First, the proposal is for a new court, free of jurisdictional uncertainties and composed of permanent Article III judges of its own. Second, the number of judges within the Federal judiciary does not increase; and the number of courts actually decreases. Third, no new tier of courts is added to the Federal judicial system and the status of other existing courts and judges is not diminished. Access to and review by the Supreme Court remains unchanged.n9

Transitional Provisions

As a transitional measure, the persons occupying the twelve Article III judgeships of the two existing courts on the effective date of this legislation (October 1, 1982) become judges of the new court. Their positions are designated as United States circuit judgeships; and future vacancies on the court will be filled by Presidential appointment, with Senatorial confirmation.

As a further transitional feature, the first chief judge of the Court of Appeals for the Federal Circuit will be the chief judge of the Court of Claims or the chief judge of the Court of Customs and Patent Appeals, whoever has served longer as chief judge of his respective court. The junior chief judge is deemed senior in commission over all the other circuit judges on the new court. Successor chief judges of the Federal Circuit will be chosen by seniority of commission, in the manner prescribed for other United States courts of appeals under 28 U.S.C. 45.

Location and Panel Composition

The new appellate court has its headquarters in Washington, D.C., in the facilities presently shared by the two existing courts. By rule of court, it can sit at other designated places throughout the country. Indeed, it is the prevailing view of the committee that the new court, adequate caseload permitting, should make diligent efforts to sit throughout the country. The court will sit in panels of three or more judges or en banc. Under existing law, other United States courts of appeals are authorized to decide cases in separate divisions, each consisting of three judges. *See* 28 U.S.C. 46(b). Since the jurisdiction of the Court of Appeals for the Federal Circuit consists of an unusual number of complex cases in which current law lacks uniformity or is inconsistently applied, and since the new court's decisions are intended to have nationwide precedential effect, the legislation authorizes the judges of the Federal Circuit to determine the size of the panels in which the court will sit, with the provision, however, that panels cannot consist of less than three judges. This permits the Federal Circuit to sit in panels of more than three judges, but as less than a full en banc court, for cases in which authoritativeness of decision and doctrinal stability could be enhanced by the use of larger panels.

The Need for Increased Uniformity in Patent Law

The establishment of a single court to hear patent appeals was repeatedly singled out by the witnesses who appeared before the Committee as one of the most far-reaching reforms that could be made to strengthen the United States patent system in such a way as to foster technological growth and industrial innovation. The new Court of Appeals for the Federal Circuit will provide nation-wide uniformity in patent law, will make the rules applied in patent litigation more predictable and will eliminate the expensive, time-consuming and unseemly forum-shopping that characterizes litigation in the field.

Patent litigation long has been identified as a problem area, characterized by undue forum-shopping and unsettling inconsistency in adjudications based on the evidence it compiled during the course of thorough hearings on the subject, the Commission on Revision of the Federal Court Appellate System--created by Act of Congress concluded that patent law is an area in which the application of the law to the facts of a case often produces different outcomes in different courtrooms in substantially similar cases.n10 As a result, some circuit courts are regarded as "pro-patent" and other "anti-patent," and much time and money is expended in "shopping" for a favorable venue. In a Commission survey of practitioners, the patent bar reported that uncertainty created by the lack of national law precedent was a significant problem; the Commission found patent law to be an area in which widespread forum-shopping was particularly acute.n11

Presently, there are three possible forums for patent litigation: the Court of Customs and Patent Appeals, a federal district court, or the Court of Claims. Although these multiple avenues of review do result in some actual unresolved conflicts in patent law, the primary problem in this area is uncertainty which results from inconsistent application of the law to the facts of an individual case. Even in circumstances in which there is no conflict as to the actual rule of law, the courts take such a great variety of approaches and attitudes toward the patent system that the application of the law to the facts of an individual case produces unevenness in the administration of the patent law. Perceived disparities between the circuits have led to "mad and undignified races" between alleged infringers and patent holders to be the first to institute proceedings in the forum they consider most favorable.

The Hruska Commission's patent law consultants deplored the forum-shopping that occurs in that field of the law. It was pointed out that, at least when the issue turned on validity:

[p]atentees now scramble to get into the 5th, 6th, and 7th circuits since the courts there are not inhospitable to patents whereas infringers scramble to get anywhere but in these Circuits.n12

They concluded that forum-shopping on this scale:

not only increases litigation costs inordinately and decreases one's ability to advise clients, it demeans the entire judicial process and the patent system as well.n13

During its hearings held during the 96th and 97th Congresses, the Subcommittee on Courts, Civil Liberties and the Administration of Justice received the benefit of comments from distinguished jurists, patent practitioners and representatives of major technologically-oriented business enterprises. The great weight of their testimony confirmed the findings of the Hruska Commission that patent cases are inconsistently adjudicated.

Chief Judge Howard T. Markey of the Court of Customs and Patent Appeals confirmed the existence of this problem in patent law and the fact that the merger proposal directly addresses the issue.n14 Chief Judge Daniel M. Friedman of the Court of Claims also testified to the improvement in the federal judicial system that would be brought about by the proposal.n15 Speaking on behalf of the Judicial Conference of the United States, both judges expressed strong support for the legislation.n16

At present, the validity of a patent is too dependent upon geographyn17 (*i.e.,* the accident of judicial venue) to make effective business planning possible. It is particularly difficult for small businesses to make useful and knowledgeable investment decisions where patents are involved when they fear a patent may be tied up for years in expensive litigation and when the standard of patentability varies from circuit to circuit.n18 A single court of appeals for patent cases will promote certainty where it is lacking to a significant degree and will reduce, if not eliminate, the forum-shopping that now occurs.n19 Former Secretary of Commerce Philip M. Klutznick testified in support of the proposal:

Decisions to file patent applications and to invest in commercializing inventions would be improved meaningfully as a result of the greater uniformity and reliability made possible * * *.n20

For these reasons the establishment of a single court to hear patent appeals was a major recommendation of the Domestic Policy Review initiated by President Jimmy Carter and was an indispensable part of the President's industrial innovation program. The proposal was expressly endorsed by President Carter in a message to the Congress on February 17, 1979.n21

The sentiment of the users of the patent system on this score is particularly compelling. For example, the Industrial Research Institute, a private, non-profit corporation with a membership of approximately 250 industrial companies that account for a major portion of the industrial research and development conducted in the United States, polled its membership and found them overwhelmingly in favor of centralizing patent appeals in a single court.n22

The infrequency of Supreme Court review of patent cases leaves the present judicial system without any effective means of assuring even-handedness nationwide in the administration of the patent laws. The proposed new court will fill this void. Directing patent appeals to the new court will have the beneficial effect of removing these unusually complex, technically difficult, and time-consuming cases from the dockets of the regional courts of appeals.n23 This will leave those courts better able to handle other types of cases that flow to them. Although the creation of the new court will therefore reduce the workload of the appellate courts, case management is not the primary goal of the legislation; rather, the central purpose is to reduce the widespread lack of uniformity and uncertainty of legal doctrine that exist in the administration of patent law.

Removing the incentive to forum-shop also will reduce costs to litigants. The reduction of such costs will promote investment in innovative products and new technology. Moreover, as the new court brings uniformity to this field of law, the number of appeals resulting from attempts to obtain different rulings on disputed legal points can be expected to decrease. As in all contestable situations, a more predictable outcome will encourage the contestants to avoid litigation: as aptly observed by one witness, "... the rules of law need not be challenged daily, to reinforce the rule of law."n24

Similarly, the uniformity in the law that will result from the centralization of patent appeals in a single court will be a significant improvement from standpoint of the industries and businesses that rely on the patent system. Business planning becomes easier as more stable and predictable patent law is introduced. Patents have served as a stimulus to the innovative process. This can have important positive ramifications for the nation's economy.

Other Advantages

The creation of a single new appellate entity has other distinct advantages. The Court of Claims and the Court of Customs and Patent Appeals were historically justified at the time they were created, and those courts have done a good job with the cases that have been assigned to them through the years. But the merger of these two courts now will reduce some overlapping functions and would provide for more efficient court administration. From a practical standpoint, the merger of the Court of Claims and the CCPA can be accomplished with minimal disruption. The courts presently occupy but do not quite fill the Courts Building on Lafayette Square in Washington, D.C., sharing the library and dining facilities. There is a standing order of the Judicial Conference all owing the interchange of judges between the two courts.n25

An analysis of the workload of the proposed new court discloses that this merger also can be accomplished easily in terms of caseload.n26 In addition to inheriting the jurisdiction of the CCPA and the Court of Claims, the new appellate court will also receive patent appeals and all appeals in federal contract cases brought against the United States that are presently heard in the regional courts of appeals. The new court's appellate jurisdiction in patent cases is defined in relation to the district court's jurisdiction; that is, if the district court has jurisdiction over the case under 28 U.S.C. § 1338(a), on the ground that the case arises under the patent law, the appeal in that cases will go to the new appellate court, instead of to the regional circuit.

On a projection of 1981 figures, the new court will be handling 159 cases that would otherwise have been heard by the CCPA, 512 cases that would have been heard by the Court of Claims, and approximately 350 patent or federal contract cases coming directly from the district courts that would have been heard by the regional courts of appeals. This will provide an appellate docket of about 1,021 cases. Detailed figures are not available concerning appeals from the newly created Merit Systems Protection Board, although it is known that in 1981 a total of 74 of these cases were filed in the Court of Claims.

The United States Claims Court

A second, and equally important, aspect of the bill is the creation of a new Article I trial forum known as the United States Claims Court. The Claims Court inherits substantially all the trial jurisdiction of the Court of Claims.

The Court of Claims is theoretically a trial court. In practice, the trial function of the Court is discharged by commissioners appointed by the Court. The Court itself sits as an appellate court reviewing the decisions of the commissioners. Under the proposed legislation, the Claims Court essentially will have the same jurisdiction that the Court of Claims now exercises through its Trial Division under the Tucker Act, 28 U.S.C. § 1491, together with the authority to enter final judgment. This includes "any claim against the United States founded either upon the Constitution, or any Act of Congress, or any regulation of an executive department, or upon any express or implied contract with the United States, or for liquidated or unliquidated damages in cases not sounding in tort." This jurisdiction covers tax refund suits, contract claims, civilian and military pay cases, suits seeking just compensation for inverse condemnation (situations in which the United States has taken action that deprives someone of a property interest), suits by Indian tribes and individual Indians, suits alleging that the United States or its contractors have infringed a patent, as well as a wide variety of other cases that either come within the jurisdictional authority of the Tucker Act or that Congress specifically has authorized the court to determine.

In short, the Claim Court's jurisdiction is substantially the same as the trial jurisdiction of the current Court of Claims, with the sole exception that it will not hear Federal Tort Claims Act cases. Only one such case has ever been filed in the Court of Claims; since these cases frequently involve the application of state law, they will continue to go to the district courts arid to the regional courts of appeals.

The new Claims Court also will be able to exercise equitable relief Power declaratory judgments and such extraordinary relief as it deems proper, including injunctive relief--in contract actions prior to award. This will permit the Claims Court to enjoin the award of contacts if, for example, illegal government conduct is involved.

The new United States Claims Court is composed of sixteen Article I judges, who will be appointed by the President with the consent of the Senate. They will serve for a term of fifteen years. This represents a significant improvement in assuring the independence of the trial function over the present situation in which the trial commissioners serve at the pleasure of the judges reviewing their decisions.

The chief judge of the Claims Court will be designated by the President of the United States. He or she will continue to serve as the judge until reaching the age of seventy and until another judge is designated as chief judge by the President. As a transitional measure, persons in active service as trial commissioners of the Court of Claims on the effective date of this legislation become Article I judges of the United States Claim Court. They will serve for initial

terms that shall expire on October 1, 1986, but will be eligible for reappointment by the President to full fifteen-year terms. It is the expectation of the Committee that the President will carefully balance the twin obligations of providing adequate transition from the old to the new court by reappointing sitting commissioners to the new body, and at the same time, of selecting individuals to be judges on the basis of merit, regardless of race, sex, religion or national origin.

Like the present Court of Claims and the Tax Court, the Claims Court is authorized to sit nationwide. The court is required to establish times and places of its sessions with a view toward minimizing inconvenience and expense to litigants. This is an important obligation and the Committee expects the Claims Court will take it seriously.

Changes in the existing structure of the Court of Claims have been advocated by practitioners with extensive experience before the courtn27 and by the commissioners themselves. The establishment of the Claims Court accomplishes a much needed reorganization of the current system by assigning the trial function of the court to trial judges whose status is upgraded and who are truly independent. Presently, the commissioners of the Court of Claims are appointed by the article III judges of that court and do not have the power to enter dispositive orders; final judgment in a case must be made by the article 111 judges after reviewing findings of fact and recommendations of law submitted by a commissioner. Thus, every case, in effect, is appealed in order to receive a final judgment even though no party expects the commissioner to be reversed. The creation of the United States Claims Court will reduce delay in individual cases and will produce greater efficiencies in the handling of the court's docket by eliminating some of the overlapping work that has occurred as a result of this process.

Constitutionality

Congress has an independent and affirmative obligation continually to determine the constitutionality of legislation.n28 During the 96th and 97th Congresses, the Committee considered the possible constitutional questions that arise from the reallocation of the personnel of the Court of Claims and of the Court of Customs and Patent Appeals to the new Court of Appeals for the Federal Circuit or the new Claims Court. The Committee has concluded there is constitutional objection to these reallocations.n29

It is important to characterize the Claims Court grandfathering clause for what it really is. It merely continues the trail commissioners in office as judges of a reorganized court, with additional authority, for a limited transition period. Congress has eliminated courts and transferred judges to new or other courts in the past. *See, e.g.,* Act of October 22, 1913, ch. 32, 38 Stat. 208, 219 (abolishing Commerce Court and transferring judges to district courts and courts of appeals); District of Columbia Self-Government and Governmental Reorganization Act, Public Law 93-198, § 431(c), 87 Stat. 774, 793 (December 24, 1973) (grandfathering District of Columbia judges). Second, after the Claims Court has come into existence, the power of the appointment is vested in the President, by and with the advice and consent of the Senate. Likewise, this does not have a constitutional infirmity. The provisions of the bill merely delay the date on which the President has power to nominate and, by and with the advice and consent of the Senate, appoint the judges of the Claims Court. Further, the bill provides a mechanism by which the power of appointment may be accelerated: the death, resignation or retirement of a sitting judge. For further analysis of these considerations, *See* memorandum from American Law Division to Hon. Robert Kastenmeier (Leland E. Beck, Oct. 2, 1981). Therefore the Committee finds no constitutional infirmity in the grandfathering clauses of the proposed legislation.

Likewise, as relates to the Court of Appeals for the Federal Circuit, the Committee can see no constitutional problems. The Committee has concluded that it is also permissible under *Shoemaker* for Congress by statute, and without a fresh Presidential nomination and Senatorial confirmation, to make the judges of the Court of Claims and the Court of Customs and Patent Appeals, upon the abolition of those courts, judges of the newly created United States Court of Appeals for the Federal Circuit. No loss of authority, status, tenure, or compensation is involved and no judge is removed from hearing cases he had previously heard. It is, in the Committee's view, within Congress' power under Article I, section 8, cl. 9 and 18, to reallocate the business and personnel of the lower federal courts under these conditions.

Conclusion

In summary, consolidation of the Court of Claims and the Court of Customs and Patent Appeals is constitutionally permissible and logistically and technically uncomplicated. Furthermore, it will make maximum use of available facilities and personnel and make only a modest change in federal appellate court structure. It will reduce the incentive to forum-shop and bring desirable uniformity to an important area of the law. The number of appeals resulting from attempts to obtain different rulings on disputed legal points can be expected to decrease. Business and personal planning will be made easier as the law becomes more stable.

At the same time, the merger of the courts will relieve docket pressures both on the regional appellate courts and on the Supreme Court. Although the number of appeals to be redirected is not great in proportion to the total caseload of these courts, the cases that will be rerouted contain some of the most complex and time-consuming issues the courts consider. The impact of the new court on the dockets of these courts therefore will be far greater than the raw numbers might indicate. Thus, the proposed court will increase the capacity of the federal judicial system for definitive adjudication of patent and other issues falling within its jurisdiction.

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SECTION-BY-SECTION ANALYSIS

TITLE I--UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT AND UNITED STATES CLAIMS COURT

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Section 103--Panels of Judges; Numbers of Judges for Hearings

Current section 46(b) of title 28, United States Code, authorizes the courts of appeals to decide cases in Separate panels, each consisting of three judges. Section 103 of the bill amends the first sentence of this subsection to permit the United States Court of Appeals for the Federal Circuit to determine the size of the panels in which it sits with the provision, however, that panels cannot consist of less than three judges. This will permit and indeed encourage the court, for example, to establish five or more member panels for complex or important Issues, and three-member panels to review more routine matters.

The jurisdiction of the Court of Appeals for the Federal Circuit will involve an unusual number of complex cases in which current law is not uniform or is inconsistently applied. The purpose of this section is to permit the court to sit as panels of more than three judges but as less than a full en banc court for cases in which authoritativeness of decision and doctrinal stability would be enhanced by the use of a larger panel.

Section 103 further amends the first sentence of subsection 46(b) by requiring the new court to determine by rule a procedure for the rotation of judges from panel to panel to ensure that all the judges sit on a representative cross section of the cases heard.

Several witnesses before the Committee expressed fears that the Court of Appeals for the Federal Circuit would be unduly specialized or would soon be captured by specialized interests.n34 This provision should reduce these fears by ensuring that all the judges sit on a representative sampling of all the cases heard. It will, in short, prohibit judges with a patent law expertise from sitting on a disproportionate number of patent cases.

Section 103 also contains technical amendments providing for the consistent usage of the term "panel" throughout 28 U.S.C. 46.

Finally, section 103 amends section 46(c) of title 28 of the United States Code to exempt the United States Court of Appeals for the Federal Circuit from the provision in existing law that a panel shall consist of three judges unless a hearing or rehearing en banc is ordered. This completes the special structure for complex cases initiated in Section 103.

Section 104--Places of Holding Court

Section 104 generally recodifies section 48 of title 28 of the United States Code. It also authorize the United States Court of Appeals for the Federal Circuit to hold annual sessions, as determined by rule of court, at any of the listed places in which other courts of appeals hold annual sessions. For purposes of administration, the location of the court is designated as Washington, D.C.

However, as is the case with the regional courts of appeals, the United States Court of Appeals for the Federal Circuit is authorized to hold annual sessions at other places within its jurisdiction (which is nationwide) as designated by rule of court. It is the view of the Committee that the new court will pay careful attention to costs of litigation and needs of litigants and their counsel in deciding where and when to hold special sessions of court. That is, the times and places of the sessions of the new court will be prescribed with a view to securing reasonable opportunity to citizens to appear before the court with as little inconvenience and expense as is practicable. This section should be read in conjunction with section 117 of the proposed legislation, which allows the Court of Appeals for the Federal Circuit to

forward its budget requests directly to Congress. It is the view of the committee that these two propositions increased nationwide travel responsibilities and augmented budget autonomy go hand-in-hand. Stated in a slightly different manner, the new court may experience initial budget pressures that differ slightly from the other circuit courts. In this regard, the committee notes that the future Chief Judge of the Court of Appeals for the Federal Circuit stated in the hearing record that he is aware of the new court's nationwide responsibilities to provide appellate access to justice to the dispersed sections of this country. Assuming an adequate caseload arising from a particular place or region, the Chief Judge stated that he and his court will make diligent efforts to satisfy the court's nationwide travel mandate.n35

Section 119--Technical Assistants

Chapter 17 of title 28, United States Code, provides for the appointment of employees for the United States courts of appeals.

Section 119 of the bill authorizes the Court of Appeals for the Federal Circuit to appoint technical assistants. The purpose of the provision is to authorize the employment of lawyers who have technical degrees and experience in a scientific or engineering field or in patent law in addition to their legal training. The present Court of Customs and Patent Appeals has made use of such technical advisers for many years. The service of these advisers is identical to that of law clerk, except that they confer with the judges on technical as well as legal matters.

It is important to understand and appreciate the fundamental difference between the use of technical advisers by the Court of Customs and Patent Appeals judges in the ex parte appeals from the Patent and Trademark Office which they now consider and a similar type of help for judges who are called upon to resolve technical issues in adversary patent infringement cases of the kind that will now be heard by the Court of Appeals for the Federal Circuit.

The use of the technical advisers in the Patent and Trademark Office ex parte appeals is probably necessary, as the judges need help in reviewing and assessing arguments and technical points made by the applicant for patent and the Patent and Trademark Office examiners. This is so because in many of the appeals presently heard by the Court of Customs and Patent Appeals, and especially in chemical and electronics cases, there is sharp disagreement between the applicant and the examiner regarding the technical subject matter involved and the disclosures of the application in issue and of the patents or publications relied on by the examiner in rejecting the application. Obviously, the judges need the assistance of the advisers in resolving these disputes as to the technical aspects of the appeal.

However, to use these advisers in adversary patent infringement cases and have them review and assess the technical aspects of the evidence, as developed by the sworn testimony of witnesses and as covered by the findings of fact entered by the trial judge, is quite a different matter. It is well established that factual issues in a patent case must be tried and decided by the trial judge or a jury in precisely the same manner as such issues are tried in any other kind of a lawsuit. The technical aspects of a patent case are factual issues, and patent cases are reviewed in the circuit courts of appeals in the same manner as with other appeals.

Thus, it is the settled practice of the circuit courts of appeals in patent cases to honor and respect Rule 52(a) F.R.Civ.P., which provides that findings of fact may knot be set aside unless clearly erroneous, giving due regard to the opportunity of the trial court to judge the credibility of witnesses. The circuit courts have repeatedly held that it is not their function to pass upon or consider de novo the evidence received at the trial or to weigh controverted evidence. For example, in *Hazeltine Research v. Admiral Corp.*, 183 F. 2d 953 (7th Cir. 1950), the court condemned the practice of briefing and arguing patent appeals in nisi prius proceedings and emphasized that its function "on review is no different than in any other kind of case." Where a case might have gone either way, the Seventh Circuit has said it will not ignore the entered findings and that it is not its function to make an independent analysis and determination of the factual issues is controversy. *O'Brien v. O'Brien*, F.2d 254, 255 (7th Cir. 1953).

It should be recognized that technical advisers will not be subject to cross-examination, as are experts called by the parties in an infringement action, and there will be no record of the process by which they evaluate and assess the technical aspects of the evidence covered by the trial court's findings or the jury's verdict. Litigants are entitled to know what their record is and that that record is the record made in the trial court. As was stated by the Supreme Court in *Goldberg v. Kelly*, U.S. 254, 269 (1969).

where important decisions turn on questions of fact, due process requires an opportunity to confront and cross-examine adverse witnesses.

Thus, while the current standard of review of and practices with respect to ex parte appeals from the Patent and Trademark Office are to be continued by the Court of Appeals for the Federal Circuit, it is the desire of the committee

that the judges be sensitive to these due process considerations in their employment of technical advisers when reviewing adversary patent infringement cases.

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Section 125--Jurisdiction of the United States Court of Appeals for the Federal Circuit

Section 125(a) of the proposed legislation defined the exclusive jurisdiction of the United Stated Court of Appeals for the Federal Circuit. It does this by adding a new section 1295 to chapter 83 of title 28, United States Code. Section 125(a) also creates a mechanism which the court will use in determining the order in which civil cases are to be considered. The court, in accordance with any law applicable to priorities for hearing civil cases, must give precedence to actions in the order that the court may establish by rule. This end is achieved by adding a new section 1296 to chapter 83 of 23 title 28, United States Code.

Before discussing the court's jurisdiction, it bears repetition here that the Federal courts are courts of limited jurisdiction. There is never a presumption in favor of jurisdiction, and the basis for that jurisdiction always must be affirmatively shown. It is not sufficient that jurisdiction merely be inferred argumentatively. *See, e.g., Hanford v. Davies*, 163 U.S. 273 (1986); *Thomas v. Board of Trustees of Ohio State Univ.*, 195 U.S. 207 (1904). This caselaw is incorporated in the Federal Rules of Civil Procedure; Rule 8(a)(1) requires that a pleading setting forth a claim for relief contain a short and plain statement of the grounds upon which the jurisdiction depends, unless the court already has jurisdiction and the claim needs no new grounds of jurisdiction to support it.

Jurisdiction is not an issue that ordinarily will escape a court's attention. The defendant in a civil proceeding may, at any time, assert a court's lack of jurisdiction over the subject matter. Furthermore, even though the defendant has not so moved, Rule 12(h)(3), Federal Rules of Civil Procedure, expressly provides that a court "shall dismiss the action" "whenever it appears by suggestion of the parties or otherwise that the court lacks jurisdiction of the subject matter." In other words, even if not raised by the defendant, jurisdiction is a threshold question that must be and is considered by any court.

An analysis of pertinent cases reveals that both the Court of Claims and the Court of Customs and Patent Appeals have followed these dictates. Both courts have strictly construed their own jurisdiction. They have not allowed inferential and unwarranted increases to their own respective jurisdictions. *See, e.g., Eastport S.S. Corporation v. United States*, 178 Ct. Cl. 559, 372 F. 2d 1002 (1967); *Somali Development Bank v. United States*, 705 Ct. Clt. 741, (508 F. 2d 817 (1974); *United States v. Boe*, 543 F. 2d 151 (C.C.P.A. 1976); and *Godtfredsen v. Banner*, 598 F. 2d 589 (C.C.P.A. 1979). In the rare instance that one of these courts has mistakenly construed its own jurisdictional grant, the Supreme Court has not hesitated to reverse and remand with instructions. *See, e.g., United States v. Testan*, 424 U.S. 392 (1976); *United States v. King*, 395 U.S. 1 (1969).

Fears have been expressed that the Court of Appeals for the Federal Circuit will appropriate for itself large elements of Federal law under its section 1295(a)(1) grant of jurisdiction. Opponents of the legislation, as well as several interested parties who generally support the legislation, argue that a jurisdictional grant to the new court to consider appeals from a district court when jurisdiction was based, "in whole or in part," on section 1338 of title 28 (which confers on the district courts original jurisdiction of any civil action arising under an act of Congress relating to patents, plant variety protection, copyright and trademarks) is dangerously broad. It is argued that specious and peripheral patent claims will be tied, for example, to substantial antitrust claims in order to create jurisdiction in the Court of Appeals for the Federal Circuit. The "in part" jurisdiction of the new court, to use an apt metaphor, will be a locomotive that will pull all sorts of related issues into the terminal of the court's appellate jurisdiction.

In addition to being highly speculative as to the results that this might have on substantive decision making, because one has to assume that an appeal would be handled by the new court in a different manner than in the other circuits, this argument does not recognize the obvious. The statutory language in question specifically requires that the district court have jurisdiction under 28 U.S.C. § 1338. This, standing alone, is a substantial requirement. Immaterial, inferential, and frivolous allegations of patent questions will not create jurisdiction in the lower court, and therefore will not create jurisdiction in the appellate court. As stated above, it being a canon of construction that courts strictly construe their jurisdiction, and it further being the practice of trial courts to create a clear record below on jurisdictional issues, the committee is confident that the present language is not unduly broad.

Should questions legitimately arise respecting ancillary and pendent claims and for the direction of appeals in particular cases, the Committee expects the courts to establish, as they have in similar situations, jurisdictional

guidelines respecting such cases. Whatever form such guidelines for particular cases may take, the proposal would continue to provide a consistent jurisprudence and a uniform body of patent law created over time by the Court of Appeals for the Federal Circuit or by its reviewing court, the Supreme Court of the United States.

Paragraph (1) of new section 1295(a) gives the Court of Appeals for the Federal Circuit jurisdiction of any appeal in which the trial court jurisdiction was based, in whole or in part, on section 1338 of title 28 (which as stated above confers on the district courts original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyright and trademarks), except that jurisdiction of an appeal in a case involving a claim arising under any Act of Congress relating to copy rights or trademarks, and no other claims under section 1338(a) will continue to go to the regional appellate courts, pursuant to section 1294 of title 28. Cases will be within the jurisdiction of the Court of Appeals for the Federal Circuit in the same sense that cases are said to "arise under" federal law for purposes of federal question jurisdiction. *Contrast, Coastal States Marketing, Inc. v. New England Petroleum Corp.*, 604 F.2d 179 (2d Cir., 1979).

Paragraph (2) of new section (2) 1295 gives the Court of Appeals for the Federal Circuit jurisdiction of any appeal from a trial court where the jurisdiction of the district court was based, in whole or in part, on section 1346 of title 28, United States Code, except 1346(a)(1) and (e) (tax appeals), 1346(b) (Federal Tort Claims), 1346(f) (quiet title actions), or 1346(a)(2) when the claim is founded upon an Act of Congress or a regulation of an executive department providing for internal revenue. This bill modifies section 1346 to bring all other civil cases in which the United States is a defendant under centralized appellate review. Because cases brought under the Federal Tort Claims Act frequently involve the application of state law, those appeals will continue to be brought to the regional courts of appeals.

Subsection (3) of new section 1295 gives the United States Court of Appeals for the Federal Circuit jurisdiction of any appeal from the United States Claims Court. As provided elsewhere in this bill, the jurisdiction of the Claims Court would be virtually identical to the trial jurisdiction of the existing Court of Claims, except that it would no longer have authority to handle cases brought under the Federal Tort Claims Act. Only one case under that Act has ever been filed in the Court of Claims, and that case was dismissed Pursuant to 28 U.S.C. 1504 because the appellees failed to consent to the filing of the suit in the Court of Claims.

Paragraph (4) of new section 1295 gives the United States Court of Appeals for the Federal Circuit jurisdiction of appeals from decisions of the Board of Appeals and the Board of Interference Examiners of the Patent and Trademark Office as to patent applications and interferences; from decisions of the Commissioner of Patents and Trademarks as to trademark applications and proceedings; and appeals in patent and trademark cases brought in a federal district court under 35 U.S.C. 145 or 146.

Paragraph (5) of new section 1295 would transfer jurisdiction of appeals from decisions of the United States Court of International Trade to the new court. Currently, jurisdiction of such appeals is in the Court of Customs and Patent Appeals, pursuant to section 1541 of title 28, United States Code.

Paragraph (6) of new section 1295 gives the United States Court of Appeals for the Federal Circuit jurisdiction to review findings of the United States International Trade Commission as to unfair trade practices in import trade. Jurisdiction of these appeals is in the Court of Customs and Patent Appeals under existing law. *See* 28 U.S.C. 1543.

Paragraph (7) of new section 1295 gives the United States Court of Appeals for the Federal Circuit jurisdiction to review, by appeal on questions of law only, certain findings of the Secretary of Commerce. Currently, jurisdiction of these appeals is in the Court of Customs and Patent Appeals, pursuant to section 1544 of title 28, United States Code.

Paragraph (8) of new section 1295 gives the Court of Appeals for the Federal Circuit jurisdiction of appeals under section 71 of the Plant Variety Protection Act (7 U.S.C. 2461). Under existing law, the Court of Customs and Patent Appeals has jurisdiction of these appeals, pursuant to section 1545 of title 28, United States Code.

Paragraph (9) of new section 1295 gives the Court of Appeals for the Federal Circuit jurisdiction of any final order or final decision of the Merit Systems Protection Board (including cases over which the Court of Claims did not have jurisdiction). Generally, jurisdiction of these appeals was in the Court of Claims or a United States Court of Appeals, pursuant to section 7703(b)(1) and 7703(d) of title 5, United States Code.

Paragraph (10) of new section 1295 gives the Court of Appeals for the Federal Circuit jurisdiction of appeals under section 8(g)(1) of the Contract Disputes Act of 1978. At present, jurisdiction of these appeals is in the United States Court of Claims. Sections 1295 (b) and (c) carry forward the provisions of the Contract Disputes Act of 1978 necessary to conform to this change.

Subsection (b)of section 125 of the bill amends the section analysis of chapter 83 of title 28, by adding the items relating to new sections 1295 and 129.

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HREP97-275

97TH CONGRESS SENATE REPORT
1st session No. 97-275

FEDERAL COURTS IMPROVEMENT ACT OF 1981

NOVEMBER 18 (legislative day, NOVEMBER 2), 1981.--Ordered to be printed

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

R E P O R T

together with

ADDITIONAL VIEWS

[To accompany S. 1700]

The Committee on the Judiciary, to which was referred the bill (S. 1700) having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

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TITLE III--JURISDICTION AND PROCEDURE

Transfer of cases

In recent years much confusion has been engendered by provisions of existing law that leave unclear which of two or more federal courts including courts at both the trial and appellate level have subject matter jurisdiction over certain categories of civil actions. The problem has been particularly acute in the area of administrative law where misfilings and dual filings have become commonplace. The uncertainty in some statutes regarding which court has review authority creates an unnecessary risk that a litigant may find himself without a remedy because of a lawyer's error or a technicality of procedure.

At resent, the litigant's main protective device. absent an adequate transfer statute, is the wasteful and costly one of filing in two or more courts at the same time. This puts increased burdens on the courts as well as on the parties.

Although most problems in this regard relate to controversies involving the district courts and the court of appeals. There also have been cases involving the Court of International Trade, and the Temporary Emergency Court of Appeals. Therefore, the language of Part A of Title III is broadly drafted to permit transfer between any two federal courts.

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SECTION-BY-SECTION ANALYSIS

TITLE I--U.S. COURT OF APPEALS FOR THE FEDERAL CIRCUIT
AND UNITED STATES CLAIMS COURT

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Section 120.--Section 120(a) amends section 610 of title 28, United States Code.

Section 120(b) amends 28 U.S.C. 713 to the appointive authority for librarians and their assistants for each court of appeals, including methods of removal.

Section 120(c) amends chapter 47 of title 28 by clarifying the language used to employ criers and messengers. It also provides for the first time for the appointment of staff attorneys and technical assistants in a new section 715. In recent years, many of the regional courts of appeals have found it necessary to utilize central staff attorneys, but they have done so without specific statutory authorization. Similarly, despite a lack of explicit statutory authorizations, the judges of the present Court of Customs and Patent Appeals have found it necessary to hire technical advisers to assist them in resolving cases. These advisers are lawyers who have technical degrees and experience in a scientific or engineering field or in patent law in addition to their legal training. The service of these advisers is identical to that of a law clerk, except that they confer with the judges on technical as well as legal matters. Judges of the United States Court of Appeals for the Federal Circuit need a similar system of technical advisers when they review patent cases, and judges of other United States courts of appeals could frequently benefits from the use of technical advisers. It is anticipated that the judges of the Court of Appeals for the Federal Circuit will receive technical assistance at least as great as the type and quality currently being given to the Court of Customs and Patent Appeals.

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Section 127.--Section 127 (a) of the Act adds a new section 1295 to chapter 83 of title 28, United States Code.

Before discussing the court's jurisdiction, it needs repetition here that the Federal courts are courts of limited jurisdiction. There is no presumption in favor of jurisdiction, and the basis for jurisdiction always must be affirmatively shown. It is not sufficient that jurisdiction merely be inferred argumentatively. *See, e.g., Hanford v. Davies*, 163 U.S. 273 (1896). *Thomas v. Board of Trustees of Ohio State Univ.*, 195 U.S. 207 (1904). This caselaw is incorporated in the Federal Rules of Civil Procedure. Rule 8(a)(1) requires that a pleading setting forth a claim for relief contain a short and plain statement of the grounds upon which the court's jurisdiction depends, unless the court already as jurisdiction and the claim needs no new grounds of jurisdiction to support it.

The defendant in a civil proceeding may, at any time, assert a court's lack of jurisdiction over the subject matter. Furthermore, even though the defendant has not so moved, Rule 12(h)(3), Federal Rules of Civil Procedure expressly provides that a court "shall dismiss the action" "whenever it appears by suggestion of the parties or otherwise that the court lacks jurisdiction of the subject matter." What this all accounts to is that a court's jurisdiction is not something that is easily manipulated.

An analysis of pertinent caselaw reveals that both the Court of Claims and the Court of Customs and Patent Appeals have strictly construed their own jurisdiction. They have not allowed inferential and unwarranted increases to their own respective jurisdictions. *See, e.g. Eastport S.S. Corporation v. United States*, 178 Ct. Cl. 559, 372 F.2d 1002 (1967); *Somali Development Bank v. United States*, 705 Ct.Cl. 741, 508 F.2d 817 (1974); *United States v. Boe*, 543 F.2d 151 (C.C.P.A. 1976); and *Godtfredsen v. Banner*, 598 F.2d 589 (C.C.P.A. 1979). In the rare instance that one of these courts has mistakenly construed its own jurisdictional grant, the Supreme Court has not hesitated to reverse and remand. *See e.g. United States v. Testan*, 424 U.S. 392 (1976); *United States v. King*, 395 U.S. 1 (1969).

Concern hs been expressed that the Court of Appeals for the Federal Circuit will appropriate for itself elements of federal law under its section 1295(1) grant of jurisdiction. It has been argued that a jurisdictional grant to the new court to consider appeals from a district court when jurisdiction was based, "in whole or in part," on section 1338 of title 23 (which confers on the district courts original jurisdiction of any civil action arising under an act of Congress relating to patent variety protection, copyright and trademarks) is too broad and that specious patent claims will be tied, for example, to substantial antitrust claims in order to create jurisdiction in the Court of Appeals for the Federal Circuit. However, the statutory language in question required that the district court have jurisdiction under 28 U.S.C. § 1338. This is a substantial requirement. Immaterial, inferential, and frivolous allegations of patent questions will not create jurisdiction in the lower court, and therefore there will be no jurisdiction over these questions in the appellate court. As stated above, it is a canon of construction that courts strictly construe their jurisdiction. Therefore, the committee is confident that the present language will not pose undue difficulties.

The Committee is concerned that the exclusive jurisdiction over patent claims of the new Federal Circuit not be manipulated. This measure is intended to alleviate the serious problems of forums shopping among the regional courts of appeals on patent claims by investing exclusive jurisdiction in one court of appeals. It is not intended to create forum shopping opportunities between the Federal Circuit and the regional courts of appeals on other claims.

Thus, for example, mere joinder of a patent claim in a case whose gravamen is antitrust should not be permitted to avail a plaintiff of the jurisdiction of the Federal Circuit in avoidance of the traditional jurisdiction and governing legal interpretations of a regional court of appeals. Federal District judges are encouraged to use their authority under the Federal Rules of Civil Procedure. *See* Rules 13 (i), 16, 20(b) 42(b), 54(b), to ensure the integrity of the jurisdiction of the federal court of appeals by separating final decisions on claims involving substantial antitrust issues form trivial patent claims, counterclaims, cross-claims, or third party claims raised to manipulate appellate jurisdiction.

The Committee intends for the jurisdictional language to be construed in accordance with the objectives of the Act and these concerns. If, for example, a patent claim is manipulatively joined to an antitrust action, but severed or dismissed before final decision of the antitrust claim, jurisdiction over the appeal of the antitrust claim should not be changed by this Act but should rest with the regional court of appeals.

Further, the jurisdictional section of the CAFC should be read with section 301 or the proposed legislation. This latter section allows any Federal court which lacks jurisdiction over a matter to transfer the complaint or appeal to a proper court, in the same manner as if the complaint or appeal had been filed int that court in the first instance. This provision, therefore, will allow the CAFC to transfer cases to the proper circuit court, or vice versa.

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TITLE III--JURISDICTION AND PROCEDURE

Transfer of cases

Section 301--Because of the complexity of the Federal court system and of special jurisdictional provision, a civil case may on occasion be mistakenly file din a court either trial or appellate that does not have jurisdiction. By the time the error is discovered, the statute of limitations or a filing period may have expired. Moreover, additional expense is occasioned by have to file the case anew in the proper courts.

Section 301 adds a new chapter to title 28 that would authorize the court in which a case is improperly filed to transfer it to a court where subject matter jurisdiction is proper. The case would be treated by the transferee court as though it had been initially filed there on the date on which it was filed in the transferor court. The plaintiff will not have to any additional filing fees. This provision is broadly drafted to allow transfer between any two Federal courts. Although most problems of misfiling have occurred in the district and circuit courts, others have occurred in the Court of International Trade and the Temporary Emergency Court of Appeals. Some others may occur in the Court of Appeals for the Federal Circuit. The broadly drafted provisions of section 301 will help avoid all of these situations.

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FOOTNOTES:

[n1] Footnote 1. Report of the Department of Justice Committee on Revision of the Federal Judicial System 1 (1977).

[n2] Footnote 2. *See* H.R. Rept. No. 95-858, 95th Cong., 2d sess (1978). In its report on the Omnibus Judgeship Bill, this Committee found that the federal judiciary cannot be enlarged indeterminably without threatening its high quality. Creation of judgeships leads unavoidably to the creation of more and, more judicial staff, with attendant problems of judicial bureaucratization something avoided in the past becoming a problem. *See* Rubin, Bureaucratization of the Federal Courts: The Tension Between Justice and Efficiency, 55 Notre Dame L. Rev. 648 (1980).

[n3] Footnote 3. State of the Judiciary and Access to Justice: Hearings before the House Judiciary Subcommittee on Courts, (Civil Liberties and the Administration of Justice, 95th Cong., 1st Sess. 149 (1977)(statement of Shirley M. Hufstedler [hereinafter referred to as House Hearings on the State of the Judiciary]; *see also Id.* at 112 (statement of Burt Neuborne); Hufstedler, New Blocks for Old Pyramids: Reshaping the Judicial System, 44 So. Cal. L. Rev. 901 (1971).

[n4] Footnote 4. The sixteen trial commissioners employed by the Court of Claims, previously designated by rule of court as trial judges, are elevated to the status of Article I judges.

[n5] Footnote 5. *See Dunn v. United States. Dept. of Agriculture, appeal No. 2-80, decided June 17, 1981 (Ct. Cl.)*

[n6] Footnote 6. *See* 28 U.S.C sections 1491-1507.

[n7] Footnote 7. *See* Kauper (Statement submitted to the Mruska Commission, May 20, 1974, at 14 (unpublished; on file with National Archives). See 28 U.S.C. section 1541-1545.

[n8] Footnote 8. To increase the capacity of the federal judicial system for definite adjudication of issues of national law, various proposals for restructuring the federal appellate courts have been considered in recent year by lawyers, jurists, and academicians. Detailed recommendations have been developed by the Study Group on the Caseload of the Supreme Court (the Freund Committee, the Committee on Revision of the Federal Court Appellate System (the Hruska Commission), and the Advisory Council for Appellate Justice chaired by Professor Maurice Rosenberg. See Federal Judicial Center, Report of the Study Group on the Caseload of the Supreme Court (1972): Commission on Revision of the Federal Court Appellate System, Structure and Internal Procedures: Recommendations for Change, *reprinted* in 67 F.R.D. 195 (1975): *and* Advisory Council for Appellate Justice Recommendations for Improving the Federal Intermediate Appellate System (1975). *See generally,* House Hearings on the State of the Judiciary, *Supra* note 3, at 220, 620. *See also* Friendly, Federal Jurisdiction: A General view (1973).

[n9] Footnote 9. For a discussion of appellate justice, see P. Carrington, D. Meador, M. Rosenberg, Justice on Appeal 7-13 (1976).

[n10] Footnote 10. *See* Commission on Revision of the Federal Court Appellate System, Structure and Internal Procedures: Recommendations for Change, 15, 144-57, 67 F.R.D. 195, 214, 361-76 (1975) (hereinafter "Hruska Commission Report"). The Hruska Commission was created by Public Law 92-489.

[n11] Footnote 11. *Id.* at 144-57, 67 F.R.D. at 361-76; *see also* letter from A. Leo Levin to Honorable Robert W. Kastenmeier (April 29, 1981) *reprinted* in Hearings on the Court of Appeals for the Federal Circuit Before the House Judiciary Subcommittee on Courts, Civil Liberties and the Administration of Justice 97th Cong., 1st Sess. 257 (1981) [hereinafter referred to as House Hearings on the Court of Appeals for the Federal Circuit].

[n12] Footnote 12. Hruska Commission Report, *supra* note 10 at 152, 67 F.RED. at 370. Conclusions of the Commission's consultants. Professor James B. Gambrell and Donald R. Dunner, Esq.

[n13] Footnote 13. *Id.* During the 96th Congress, on behalf of the American Patent Law Association, Mr. Dunner testified forcefully in favor of the creation of a new court. *See* House Hearings on Industrial Innovation and Patent and Copyright Law Amendments Before the House Judiciary Subcommittee on Courts, Civil Liberties and the Administration of Justice, 96th Cong., 2d Sess. 92 (1980) [hereinafter referred to as House Hearings on Industrial Innovation].

[n14] Footnote 14. House Hearings on Industrial Innovation, *supra* note 11. at 725; House Hearings on the Court of Appeals for the Federal Circuit, *supra* note 13, at 2.

[n15] Footnote 15. House Hearings on Industrial Innovation, *supra* note 11, at 707; House Hearings on the Court of Appeals for the Federal Circuit, *supra* note 13 at 15.

[n16] Footnote 16. House Hearings on the Court of Appeals for the Federal Circuit, *supra* note 13, at 2-47.

[n17] Footnote 17. House Hearings on Industrial Innovation, *supra* note 11, at 47.

[n18] Footnote 18. House bearings on Industrial Innovation, *supra* note 11, at 241, 272. (Statement of Eric E. Schellin, on behalf of the National Small Business Association, the Small Business Legislative Council, the American Society of Inventors and the National Patent Council).

[n19] Footnote 19. *Id.* at 625, 628. (Statement of Harry L. Manbeck, Jr., General Patent Counsel, General Electric Company, on behalf of the Committee for Economic Development)

[n20] Footnote 20. *Id.* at 2, 8. (Statement of Philip M. Klutznick).

[n21] Footnote 21. 125 *Cong Record* 11911 (daily ed., Feb. 27, 1979).

[n22] Footnote 22. House Hearings on the Court of Appeals for the Federal Circuit, *supra* note 13, at 182. (Statement of Richard C. Witte). Further, the committee has received favorable written comments and strong support from over one hundred important corporations. *See Id.* at 191 (statement of Pauline New- man, on behalf of the Ad Hoc Committee in Support of a Single Court of Appeals).

[n23] Footnote 23. In recent years, many patent appeals in the regional circuits have experienced intervals of more than two years from filing to decision. By contrast, the average interval in the CCPA is less than eight months. *See* 1979 Ann. Rep. Dir. A.O., Table G-2b, at A-122.

[n24] Footnote 24. *Id.* at 197 (statement of Pauline Newman).

[n25] Footnote 25. *See* Report of the Proceedings of the Judicial Conference of the United States, September 23-24. 1976, at 53.

[n26] Footnote 26. According to the statistics provided by the Administrative Office of U.S. Courts, the dockets of both existing courts are current. Set out below are tables showing the sources of cases for the proposed court:

Click here to view image.

[n27] Footnote 27. *See* House hearings on the court of Appeals for the Federal Circuit, *supra* note 13, at 158 (statement of Clarence T. Kippe and Steven C. Lambert on behalf of the Bar Association of the District of Columbia).

[n28] Footnote 28. *See* Brest. *The Conscientious Legislator's Guide to Constitutional Interpretation,* 27 Stan. L. Rev. 585(1975); M. Rep. No. 96-287 96th Cong., 1st Sess 1979).

[n29] Footnote 29. Article III. section 1, of the Constitution explicitly empowers the Congress to ordain and establish inferior courts. Consequently, the only questions concern the relation between the power of Congress, under Article I, section 8, cl. 18, of the Constitution to alter, enlarge, or restrict the functions of existing federal officers and the requirement of the Appointments Clause, Article II section 2, cl. 2, that appointments as officers of the United States be made in the manner prescribed by that clause. Stated differently, this involves a reconciliation of the Supreme Court's decisions in *Shoemaker v. United States*, 147 U.S. 282, 301 (1893), and *Buckley v. Valeo*, 424 U.S. 1, 118-36 (1976). The earlier case stated the principle that Congress may, by statute, confer new duties on officers of the United States, at least where the new duties are "germane" to their existing functions, without the necessity of reappointments under the Appointments Clause. The latter holds that Congress may not itself appoint officers of the United States.

The Committee has concluded that the five-year carryover of the trial commissioners into the Claims Court is a modification of an existing position rather than a legislative appointment to a new one, governed by *Buckley*. The bill merely would confer"germane" new duties and extend the tenure of the existing trial commissioners as permitted by *Shoemaker*, rather than create a new office.

[n30] Footnote 34. *See, e.g.*, House Hearings on Industrial Innovation, supra note II, at 173, 183 (statement of John Stedman); House Hearings on the Court of Appeals for the Federal Circuit, *supra* note 13, at 9 (statement of James W. Geriak).

[n31] Footnote 35. House Hearings on the Court of Appeals for the Federal Circuit, *supra note 13*, at 41, 42, 156.

*. The following are the texts of those portions of the House and Senate Judiciary Committee Reports relating to the creation of the Court of Appeals for the Federal Circuit and the exclusive jurisdiction granted to it over appeals in patent cases. Portions of the Reports dealing with the United States Claims Court and other matters are abbreviated.

House and Senate Reports on the Creation of the Court of Appeals for the Federal Circuit *

APPENDIX B

ADMINISTRATIVE OFFICE OF THE U.S. COURTS,
Washington, D.C., October 19, 1981

Hon. ROBERT DOLE,

Chairman, Subcommittee on Courts, Committee on the Judiciary,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Mr. Velde has asked me to respond to concerns which have been voiced in relation to the potential confusion of patent and antitrust issues in cases which would be appealable to the new United States Court of Appeals for the Federal Circuit. Apparently there is an apprehension that cases which involve primarily antitrust issues may be inappropriately appealed to the United States Court of Appeals of the Federal Circuit solely because a secondary issue involving patent law exists. When the Judicial Conference approved the concept embodied in Title I of S. 1700 it perceived not problem arising from the direction of appeals in cases wherein jurisdiction is based in whole or in part on section 1338 of title 28.

In general, the expressed concern will probably be addressed most effectively be counsel acting on behalf of their clients. Should a party file an appeal in a case in which patent issues are of secondary importance with the United States Court of Appeals of the Federal Circuit, opposing counsel, in most instances, can probably be relied upon to move for transfer of the appeal to the appropriate circuit court of appeals. Indeed, Part A of Title III of S. 1700 amending 28 U.S.C. § 1631 will facilitate the use of that remedy.

In a less generalized context certain specific problems may be anticipated but so too may their remedies. At the pleading stage, a defendant charged with patent infringement often includes a defense and counterclaim described as based on violation by the plaintiff patent-owner of the antitrust laws. That alleged violation is a court created gloss on the antitrust laws. It is of a particular nature, namely a "misuse" of the patent (enforcing a patent known to be invalid, obtained by fraud, etc.; requiring a patent licensee to accept unwanted obligation beyond expiration of the patent). Though couched in antitrust terms, the tissues are patent issues. They are not those involved in a suit based on the Sherman or Clayton Acts (relevant market; conspiracy to fix prices; refusal to deal; commercial favoritism).

Allegations of the patent-misuse type of antitrust violation do not change the nature of the case from on in which jurisdiction was based on section 1338 of title 28. Hence the presence of such issues at the appeal stage would not affect the appealability of such cases to the Court of Appeals for the Federal Circuit under section 1295(a)(1) of S. 1700. As indicated, the issues raised are patent issues merely couched in antitrust terms. No difficulty would occur int he appeal for those cases to the Court of Appeals for the Federal Circuit. Indeed, maximum achievement of a major goal of the bill, the provision of reliability and uniformity in the rules to be applied in patent cases, would require direction of the appeal in those cases to the Court of Appeals for the Federal Circuit.

Moreover, cases in which issues of patent-misuse survive the trial stage are rare. S. 1700 deals only with appeals.

Allegations of a patent misuse type of antitrust violation at the pleading stage provide a basis for discovery. A review of appellate decisions in patent cases indicates that discovery usually unearths no patent misuse, and such allegations fall out at the trial stage. Thus they are not present on appeal. Whether they were present at any earlier stage bears no relation to S. 1700.

It has been suggested that lawyers might inject purely sham issues of antitrust violations. Apart from the unlikelihood that many lawyers would so abuse the judicial process, the district courts can be relied upon to eliminate such issues at the trial stage, just as they do with other issues inserted for discovery purposes, sincerely or otherwise, and eliminated when found to be without basis in fact.

It is possible for one sued for patent infringement to file a permissive counterclaim against the plaintiff, which counterclaims might not involve any patent issues. Such permissive counterclaim might be based on a true antitrust claim under Sherman or Clayton Acts. It is also possible that a patent owner sued for a true antitrust violation might file a permissive counterclaim for infringement of its patent. In either instance, such a counterclaim would be a separate case, tried by the same district court and at the same time solely as a matter of convenience and economy. A district court which permitted such joinder, knowing that the patent case would be appealable to the Court of Appeals for the Federal Circuit and that the other case would be appealable to the local circuit, would have no difficulty in maintaining

a clear line of distinction at the trial level. That would be true whether the permissive counterclaim involving no patent issue sounded in contract. SEC law, or in true antitrust (Sherman Act; Clayton Act) law.

It is not possible, of course, to predict the parameters of every possible case that may arise in the future. If a now unforeseen case should arise in which, after trial, a question could properly be raised as to where the appeal should go, the courts can be relied upon to resole that single question, just as they have traditionally done in determining the nature of cases and in the interpretation of statutes and procedural matters over the years.

If there be any way in which we can be of further assistance, please let us know.

Sincerely,

WILLIAM JAMES WELLER
Legislative Affairs Office

ADDITIONAL VIEWS OF
SENATOR PATRICK J. LEAHY ON S. 1700

I support S. 1700 because I believe that patent law stands apart from virtually every other legal discipline both in its extreme focus on science and technology and its need for uniformity in decisionmaking. The court of appeals for the federal circuit will not solve any of the substantive problems with our patent laws, but it will not go a long way to diminishing forum shopping and reducing both the excessive cost and inconsistency in patent litigation. I am not convinced that there is any alternative approach that has a reasonable likelihood of success.

But I agree with the concerns expressed about the precedent of establishing specialty courts, which in general would be very detrimental to our tradition of diversity and independence on the bench. Senator Baucus argued forcefully before this Committee that proposals for other specialty courts have been made in areas like the environment, immigration, and taxation. I would be dismayed if the proponents of these ideas cited our action to justify additional specialty courts.

The uniqueness of the patent field is not its complexity, for many cases in a variety of areas are just as complex. Nor is the uniqueness simply the involvement of science and technology, which are an important element in much modern litigation. In patent cases, the court is almost always dealing with claims of innovation and weighing one body of technical evidence against another. In nearly all other litigation, science and technology, when relevant, are related to other human or social issues, and only a generalist court should ever hear such matters.

I would be very concerned if a specialty court were to hear environmental cases, for example deciding if a development should be built in a flood plain even though issues of hydrology were involved. And I should not like to see a specialty court deciding whether an airplane was airworthy, even though physics and engineering were involved. I would not want to see a specialty court deciding whether a defendant in a negligence case was driving while impaired, even though medicine and physiology were involved in testimony about his condition.

Tax laws frequently suffer from lack of uniform interpretation, but I would strongly oppose a specialty appeals court to hear all tax appeals. The risk of losing the vitality of different viewpoints in the circuits is too great, and tax matters are particularly good examples of cases involving the interaction of laws and people. Wherever government and its people are before the courts as litigants, the best guarantee of freedom from government excesses is a diverse and independent judiciary.

In short, I am aware of no likely candidate for an additional specialty court and wish to place in the record the considerations I believe justify distinguishing patent cases from other litigation.

PATRICK J. LEAHY.

ADDITIONAL VIEWS OF SENATOR MAX BAUCUS ON S. 1700--THE FEDERAL COURTS IMPROVEMENTS ACT OF 1981

There are many portions of S. 1700 that I support and endorse as needed improvements in our Federal judicial system. However, I cannot support that portion of the legislation which would remove the jurisdiction of all patent cases from the eleven Federal circuit court of appeals. I believe this provision will undermine the status of existing regional circuits, will lead to a proliferation of Federal specialty courts and will not solve the problems it is designed to address in the patent system.

Many of us in the Congress have been greatly disturbed by the growing trend toward centralizing decision making in Washington, D.C. Many of us have supported venue reform to ensure that cases are litigated in States, where the problems arise, rather than in the District of Columbia. Similarly, I believe that we must avoid centralized specialty courts.

In 1975, the Hruska Commission addressed this issue in its final report:

Giving a national court exclusive jurisdiction over appeals in a category of cases now heard by the circuit courts would ten to dilute or eliminate regional influence in the decision of those cases. Our nation is not yet so homogenous that the diversity of our people cannot be reflected to some advantage in the decisions of the regional courts. Excluding these courts from consideration of particular categories of cases would also contract the breadth of experience and knowledge which the circuit judges would bring to bear on other cases; the advantages of decision making by generalist judges diminish as the judge's exposure to varied areas of the law is lessened.

While the Commission was not addressing this proposal specifically, it was attempting to analyze the merits of a large group of proposals designed to create one kind of specialty appeals court or another.

Over the past several years, there have been proposals to create a tax court of appeals, a civil rights court of appeals, an environmental courts of appeals, and even an immigration court. In my view, the attempt to create these specialty courts represents a very disturbing trend. They are based on two assumptions. The first is that this country and our judicial system is better off if we break up our areas of jurisprudence into specialties. The second is that we should move away from our current reliance on generalist judges. I do not share either of those views.

However, I am fully cognizant of the need for further reform of the patent system. I agree that there is greater need for clarity and uniformity in our patent law. But the issue presented by this legislation is whether Congress should attempt first to address such problems by creating a specialized court or whether there are other avenues available that do not have the severe negative consequences presented by a specialized court.

Congress has not attempted a substantive clarification of patent law in over 25 years. If Congress is really interested in ensuring such clarity and uniformity, it should do so by rearticulating the standards that it would like to see a court utilize, not by "Passing the buck."

Furthermore, creating a specialty court will not remove ambiguity. The Supreme Court has addressed patent law in approximately 15 cases over the last 20 years, and the experts agree that their holdings have not adequately resolved existing ambiguity in the patent law area. The problem has not been the Supreme Court's unwillingness to hear cases, but rather than decisions it has made. If that is the case, then the appropriate Congressional response should be substantive reform rather than passing the issue on the new court.

The high level of forum shopping also has a problem in the patent area. This is not a problem unique to patent law. But, in my view, Congress should not respond to forum shopping problems with a specialized court. Here again there is an alternative. The Congress should first attempt to rewrite venue laws in the patent area. Such legislation would be a much more appropriate and narrow response to the real problem.

Finally, Public Law 96-517, which was enacted less than one year ago, will allow the Patent and Trademark Office to reexamine an issued patent. This is an important reform in our patent system. At the time it was enacted, it was argued that each such legislation would dramatically increase the predictability and lower the expense of patent litigation. We ought to give this legislation time to work.

In conclusion, it is my view that some of the problems presented by the patent system can be addressed by means other than a specialized court. I do not believe Congress should create such a court until it has exhausted its other alternatives. Congress should carefully consider whether the consequences of beginning a trend toward specialty courts is in the best interest of this country.

Both the American Bar Association and the American College of Trial Lawyers have actively opposed that portion of S. 1700 that would remove patent appeals jurisdiction from the eleven federal circuit courts of appeals. They share my concern that creating such a specialty court is not in the best interest of the legal system.

In my judgement, S. 100 heads us in a direction of dealing with problems in substantive areas of jurisdiction that we ought to avoid assiduously, I have opposed specialized judicial forums in the past, and I remain unyielding in my opposition today. The creation of a specialized court as a remedy to whatever ills beset the world of patent law is ill-

conceived and sets a disturbing precedent for the future centralization of appellate jurisdiction in other substantive areas of the law.

MAX BAUCUS.

*. The following are the texts of those portions of the House and Senate Judiciary Committee Reports relating to the creation of the Court of Appeals for the Federal Circuit and the exclusive jurisdiction granted to it over appeals in patent cases. Portions of the Reports dealing with the United States Claims Court and other matters are abbreviated.