PATENT OFFICE FEES

HEARING

BEFORE THE

SUBCOMMITTEE ON PATENTS, TRADEMARKS, AND COPYRIGHTS

OF THE

COMMITTEE ON THE JUDICIARY UNITED STATES SENATE

EIGHTY-NINTH CONGRESS

FIRST SESSION

PURSUANT TO S. RES. 48

ON

S. 729, S. 730, and S. 1228

MARCH 3, 1965

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PATENT OFFICE FEES

WEDNESDAY, MARCH 3, 1965

U.S. SENATE,
SUBCOMMITTEE ON PATENTS, TRADEMARKS, AND COPYRIGHTS
OF THE COMMITTEE ON THE JUDICIARY,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room 3302, New Senate Office Building, Senator John L. McClellan presiding.

Present: Senators McClellan, Burdick, and Fong.

Also present: Thomas C. Brennan, chief counsel; Edd N. Williams, assistant counsel; and Stephen G. Haaser, chief clerk, Subcommittee on Patents, Trademarks, and Copyrights; George S. Green, professional staff member, Committee on the Judiciary; and Horace L. Flurry, assistant staff director and chief counsel, Senate Subcommittee on Antitrust and Monopoly, on behalf of Senator Hart.

Senator MCCLELLAN. The committee will come to order.

This hearing by the Subcommittee on Patents, Trademarks, and Copyrights has been called for the consideration of three bills to fix the fees payable to the Patent Office. These bills are: S. 729 (Senator Dodd); S. 730 (introduced by myself at the request of the Secretary of Commerce); and S. 1228 (Senator Tydings by request).

This subcommittee conducted extensive hearings on this subject during the 87th and 88th Congresses. I am going to direct, with the approval of the subcommittee, that the prior hearings be made a part of this record by reference. To the extent that it is relevant, this earlier testimony will be considered by the subcommittee when it proceeds to act on the bills now pending before us.

I am hopeful that the record we have built up will enable us to shorten these hearings and expedite the processing of these bills.

While it is the desire of the subcommittee to give all interested parties an opportunity to be heard, in view of the earlier hearings, it is expected that witnesses will be able to present their oral testimony in summary form, together with the filing of a prepared statement for the record.

While I cannot speak for the other members of the subcommittee, I believe that the earlier hearings have clearly established the need for legislation to raise Patent Office fees. My principal interest now is to determine which of the three fee schedules presented for our consideration or what combination thereof, if any, will raise fees in the most equitable manner without impairing the incentive to invent.

It may very well be, after a thorough study of these measures, and after the testimony we shall hear from competent witnesses, and after considering their recommendations, that some features, or some provisions, of each of the three bills might very well be enacted. Any-

way, the time, I think, is at hand for legislation, and it is the purpose of these hearings to proceed to the consideration of a measure to accomplish the result of increasing revenues in the Patent Office.

Very well, Mr. Counsel, who is our first witness?

Mr. BRENNAN. I would like to offer, Mr. Chairman, a few matters for insertion in the record.

Senator MCCLELLAN. Very well.

Mr. BRENNAN. First, the notice of the hearings which appeared in the Congressional Record of February 17, 1965.

Senator MCCLELLAN. That may be inserted in the record.

(The matter referred to follows:)

[From the Congressional Record, Feb. 17, 1965]

NOTICE OF PUBLIC HEARING ON PATENT OFFICE FEES

Mr. MCCLELLAN. Mr. President, as chairman of the standing Subcommittee on Patents, Trademarks, and Copyrights of the Committee on the Judiciary, I wish to announce that the subcommittee has scheduled a public hearing on S. 729 and S. 730, bills to fix the fees payable to the Patent Office. The hearing will commence on Wednesday, March 3, 1965, at 10 a.m., in room 3302, New Senate Office Building.

The subcommittee conducted extensive hearings on this subject during the 87th and 88th Congresses and it is anticipated that the record of those proceedings will be adopted as part of the record of the pending bills. Anyone who wishes to testify briefly or file a statement for the record should communicate immediately with the office of the subcommittee, room 349A, Senate Office Building, Washington, D.C., telephone 225-2268, or Government code 180, extension 2268.

The subcommittee consists of the Senator from South Carolina [Mr. Johnston], the Senator from Michigan [Mr. Hart], the Senator from North Dakota [Mr. Burdick], the Senator from Pennsylvania [Mr. Scott], the Senator from Hawaii [Mr. Fong], and myself.

Mr. BRENNAN. And notice of hearings on S. 1228, which likewise appeared in the Congressional Record.

Senator MCCLELLAN. Very well.

(The matter referred to follows:)

[From the Congressional Record, Feb. 24, 1965]

NOTICE OF PUBLIC HEARING ON S. 1228

Mr. MCCLELLAN. Mr. President, as chairman of the standing Subcommittee on Patents, Trademarks, and Copyrights of the Committee on the Judiciary, I have previously announced that the subcommittee will conduct a public hearing on bills pending before the subcommittee to fix the fees payable to the Patent Office. Subsequent to this announcement, Senator Joseph D. Tydings, introduced S. 1228, which likewise fixes Patent Office fees.

I wish to announce that S. 1228 will be included as part of the subcommittee hearing which will commence on Wednesday, March 3, 1965, at 10 a.m., in room 3302, New Senate Office Building.

The subcommittee consists of the Senator from South Carolina [Mr. Johnston], the Senator from Michigan [Mr. Hart], the Senator from North Dakota [Mr. Burdick], the Senator from Pennsylvania [Mr. Scott], the Senator from Hawaii [Mr. Fong], and myself.

Mr. BRENNAN. The text of the three bills before the subcommittee today, S. 729, S. 730, and S. 1228.

Senator MCCLELLAN. Let the bills be printed in the record in the order that I referred to them in my opening statement.

(The bills referred to follow:)

[S. 729, 89th Cong., 1st sess.]

A BILL To fix certain fees payable to the Commissioner of Patents, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) the items numbered 1 through 11 in subsection (a) of section 41 of title 35 of the United States Code are amended to read as follows:

"1. On filing each application for an original patent except in design cases, $70 and $5 for each claim in excess of ten filed originally or pending and under consideration at any other time during prosecution.

"2. On issuing each original patent, except in design cases, [*$150*] and $10 for each claim in excess of ten.

"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 every application for the reissue of a patent, $70, and $5 for each claim over and above the number of claims in the original patent.

"5. On filing each disclaimer, $15.

"6. On filing an appeal from the examiner to the Board of Appeals, $25; on filing a brief in connection with an appeal to the Board of Appeals, $25; and where an oral hearing is requested and not withdrawn, $25 at least thirty days before the scheduled date of hearing of the appeal.

"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. For uncertified printed copies of specifications and drawings of patents (except design patents), 50 cents per copy; for design patents, 20 cents per copy; special rates for libraries specified in section 13 of this title, $100 for patents issued in one year.

"10. For recording every assignment, agreement, or other paper, $20; for each additional patent or application included in one writing, where more than one is so included, $3 additional.

"11. For each certificate, $2."

(b) Subsection (a) of such section 41 is further amended by adding at the end thereof the following additional numbered items:

"12. On the filing of every petition for the institution of public use proceedings, $100.

"13. After the motion period has expired and the times for taking testimony have been set, each applicant to an interference shall pay a fee of $100.

"14. Upon filing every brief on final hearings before the Board of Patents Interference Examiners except a reply brief, $100."

(c) Section 41, title 35, United States Code, is amended by adding at the end thereof the following new subsection:

"(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."

SEC. 2. Section 31 of the Act entitled "An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes", approved July 5, 1946 (60 Stat. 437, as amended; 15 U.S.C. 1113), is amended to read as follows:

"SEC. 31. (a) The following fees shall be paid to the Commissioner of Patents under this Act:

"(1) On filing in each class each original application for registration and each application for renewal, $60; on filing in each class each application for renewal after expiration of a registration, an additional fee of $5.

"(2) Before issuing each registration of a mark in each class, $25.

"(3) On filing an affidavit under section 8(a) or section 8(b), $10.

"(4) On filing each petition for the revival of an abandoned application, $15.

"(5) On filing notice of opposition or application for cancellation, $50.

"(6) On appeal from an examiner in charge of the registration of marks to the Trademark Trial and Appeal Board, $50.

"(7) For issuance of a new certificate of registration following change of ownership of a mark or correction of a registrant's mistake, $15.

"(8) For certificate of correction of registrant's mistake or amendment after registration, $15.

"(9) For certifying in any case, $2.

"(10) For filing each disclaimer after registration, $15.

"(11) For printed copy of registered mark, 20 cents.

"(12) For recording every assignment or other paper, $20; for each additional registration or application included, or involved in one writing where more than one is so included or involved, $3 additional.

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

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

"(c) The Commissioner may refund any sum paid by mistake or in excess."

SEC. 3. (a) Section 266 of title 35 of the United States Code is repealed.

(b) The table of sections at the beginning of chapter 27 of such title is amended by striking out the following item:

"266. Issue of patents without fees to Government employees."

SEC. 4. (a) Except as provided in the succeeding subsections of this section, the amendments and repeal made by this Act shall take effect three months after the date of enactment of this Act.

(b) The amendments to items 1, 3, and 4 of section 41(a) of title 35 of the United States Code shall not apply as to proceedings taken after the effective date of such amendments with respect to applications filed before the effective date of such amendments.

(c) The amendments to items 2 and 3(b) of such section 41(a) shall not apply as to any case in which the application has been allowed, or in which a patent was issued, prior to the effective date of such amendments.

(d) The fee prescribed in paragraph 13 of section 31(a) of the Act of July 5, 1946 (60 Stat. 437, as amended; 15 U.S.C. 1113), as amended by this Act, shall apply only in the case of registrations issued and registrations published under the provisions of section 12(c) of that Act (15 U.S.C. 1062(c)) on or after the effective date of the amendment made by this Act.

[S. 730, 89th Cong., 1st sess.]

A BILL To fix the fees payable to the Patent Office, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the items numbered 1, 2, 3, 4, 5, 6, 7, 8, 9, and 10, respectively, in subsection (a) of section 41, title 35, United States Code, are amended to read as follows:

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

"2. For issuing each original or reissue patent, except in design cases, $75; in addition, $10 for each page (or portion thereof) of specification as printed, and $2 for each sheet of drawings.

"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, $50; in addition, on filing or on presentation at any other time, $10 for each claim in independent form which is in excess of the number of independent claims of the original patent, and $2 for each claim (whether independent or dependent) which is in excess of ten and also in excess of the number of claims of the original patent. Errors in payment of the additional fees may be rectified in accordance with regulations of the Commissioner.

"5. On filing each disclaimer, $15.

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

"7. On filing each petition for the revival of an abandoned application for a patent or for the delayed payment of the fee for issuing each patent, $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."

SEC. 2. Section 41 of title 35, United States Code is further amended by adding the following subsection:

"(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."

SEC. 3. Section 31 of the Act approved July 5, 1946 (ch. 540, 60 Stat. 427; U.S.C. title 15, sec. 1113), as amended, is amended to read as follows:

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

"1. On filing each original application for registration of a mark in each class, $35.

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

"3. On filing an affidavit under section 8(a) or section 8(b) for each class, $10.

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

"5. On filing opposition or application for cancellation for each class, $25.

"6. On appeal from the examiner in charge of the registration of marks to the Trademark Trial and Appeal Board for each class, $25.

"7. For issuance of a new certificate of registration following change of ownership of a mark or correction of a registrant's mistake, $15.

'8. For certificate of correction of registrant's mistake or amendment after registration, $15.

"9. For certifying in any case, $1.

"10. For filing each disclaimer after registration, $15.

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

"12. For recording every assignment, agreement, or other paper relating to the property in a registration or application, $20; where the document relates to more than one application or registration, $3 for each additional item.

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

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

"(c) The Commissioner may refund any sum paid by mistake or in excess."

SEC. 4. Section 151 of title 35, United States Code, is amended to read as follows:

"§ 151. Issue of patent

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

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

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

"If any payment required by this section is not timely made, but is submitted with the fee for delayed payment within three months after the due date and

sufficient cause is shown for the late payment, it may be accepted by the Commissioner as though no abandonment or lapse had ever occurred."

SEC. 5. Section 154 of title 35, United States Code, is amended by inserting the words "subject to the payment of issue and maintenance fees as provided for in this title," after the words "seventeen years,".

SEC. 6. Title 35, United States Code, is amended by adding the following new section after section 154:

"§ 155. Maintenance fees

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

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

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

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

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

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

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

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

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

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

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

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

SEC. 7. The analysis of chapter 14 of title 35, United States Code, immediately preceding section 151, is amended to read as follows:

Sec.
"151. Issue of patent.
"152. Issue of patent to assignee.
"153. How issued.
"154. Contents and term of patent.
"155. Maintenance fees."

SEC. 8. Subsection (a) of section 41 of title 35, United States Code, is further amended by adding the following:

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

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

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

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

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

SEC. 9. (a) This Act shall take effect three months after its enactment.

(b) Items 1, 3, and 4 of section 41(a) of title 35, United States Code, as amended by section 1 of this Act, do not apply in further proceedings in applications filed prior to the effective date of this Act.

(c) Item 2 of section 41(a), as amended by section 1 of this Act, and sections 4, 6, and 8 of this Act do not apply in cases in which the notice of allowance of the application was sent, or in which a patent issued, prior to the effective date; and, in such cases, the fee due is the fee specified in this title prior to the effective date of this Act.

(d) Item 3 of section 31 of the Trademark Act, as amended by section 3 of this Act, applies only in the case of registrations issued and registrations published under the provisions of section 12(c) of the Trademark Act on or after the effective date of this Act.

SEC. 10. Section 266 of title 35, United States Code, is repealed.

The chapter analysis of chapter 27 of title 35, United States Code, is amended by striking out the following items:

"266. Issue of patents without fees to Government employees."

SEC. 11. Section 112 of title 35, United States Code, is amended by adding to the second paragraph thereof the following sentence: "A claim may be written in independent or dependent form, and if in dependent form it shall be construed to include all the limitations of the claim incorporated by reference into the dependent claim."

SEC. 12. Section 282 of title 35, United States Code, is amended by deletion of the first paragraph thereof and substituting therefor following paragraph:

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

[S. 1228, 89th Cong., 1st sess.]

A BILL To fix certain fees payable to the Patent Office, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the items numbered 1 through 11 in subsection (a) of section 41, title 35, United States Code, are respectively amended to read as follows:

"1. On filing each appplication for an original patent, except in design cases, $75; in addition, on filing or on presentation at any other time, $10 for each claim which is in excess of ten.

"2. (a) For issuing each original patent, except in design cases, $100; in addition, $10 for each claim which is in excess of ten.

"(b) For issuing each reissue patent, $100; in addition, $10 for each claim which is in excess of ten and also in excess of the number of claims of the original patent.

"3. In design cases:

"a. On filing each design application, $40.

"b. On issuing each design patent: For three years and six months, $10; for seven years, $20; and for fourteen years, $40.

"4. On filing each application for the reissue of a patent, $75; in addition, on filing or on presentation at any other time, $10 for each claim which is in excess of ten and also in excess of the number of claims of the original patent.

"5. On filing each disclaimer, $20.

"6. On an appeal for the first time from the Examiner to the Board of Appeals, $50. 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, $20.

"8. For certificate under section 255 or under section 256 of this title, $20.

"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.

"10. For recording every assignment, agreement or other paper relating to the property in a patent or application, $10; when the document relates to more than one patent or application; $3 for each additional item.

"11. For each certificate, $2."

SEC. 2. Section 41 of title 35, United States Code, is further amended by adding the following subsections:

"(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.

"(d) Errors in payment of the above fees may be rectified in accordance with regulations of the Commissioner."

SEC. 3. Section 31 of the Act of July 5, 1946, entitled "An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes" (15 U.S.C. 1113) is amended to read as follows:

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

"1. On filing each original application for registration of a mark in each class, $45.

"2. On filing each application for renewal in each class, $25; and on filing each application for renewal in each class after expiration of the registration, an additional fee of $10.

"3. On filing each petition for the revival of an abandoned application, $15.

"4. On filing notice of opposition or application for cancellation, $50.

"5. On appeal from an examiner in charge of the registration of marks to the Trademark Trial and Appeal Board, $50.

"6. For issuance of a new certificate of registration following change of ownership of a mark or correction of a registrant's mistake, $20.

"7. For certificate of correction of registrant's mistake, $20.

"8. For certifying in any case, $2.

"9. For filing each disclaimer after registration, $20.

"10. For printed copy of registered mark, 15 cents.

"11. For recording every assignment, agreement, or other paper relating to the property in a registration or application, $10; where the document relates to more than one application or registration, $3 for each additional item.

"12. On filing notice of claim of benefits of this Act for a mark to be published under section 12(c) hereof, $20.

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

"(c) The Commissioner may refund any sum paid by mistake or in excess."

SEC. 4. (a) Section 266 of title 35, United States Code, is repealed.

(b) The chapter analysis of chapter 27 of title 35, United States Code, is amended by striking out the following item:

"266. Issue of patents without fees to Government employees."

SEC. 5. (a) This Act shall take effect three months after its enactment.

(b) Items 1, 3, and 4 of section 41(a) of title 35, United States Code, as amended by section 1 of this Act, do not apply in further proceedings in applications filed prior to the effective date of this Act.

(c) Item 2 of section 41(a), as amended by section 1 of this Act, does not apply in cases in which the notice of allowance of the application was sent prior to the effective date; and, in such cases, the fee due is the fee specified in this title prior to the effective date of this Act.

Mr. BRENNAN. At the request of Senator Tydings, a statement by Senator Tydings.

Senator MCCLELLAN. Senator Tydings has requested that the statement he made on the floor of the Senate at the time of the introduction of his bill, S. 1228, be inserted in the record of these hearings. Without objection, it is so ordered.

(The statement referred to follows:)

[From the Congressional Record, Feb. 19, 1965]

REVISION OF FEES PAYABLE TO COMMISSIONER OF PATENTS

Mr. TYDINGS. Mr. President, I introduce, for appropriate reference, a bill to revise the schedule of fees payable to the Commissioner of Patents in connection with patent and trademark matters.

This bill is endorsed both by the American Bar Association and the American Patent Law Association. Its objective is substantially to increase the revenue of the Patent Office to the point where a reasonable proportion of the costs of operation of that office will be paid by those who directly employ its services. A further purpose of the bill is to obtain the desired increased revenue immediately, without causing material changes in the patent system, pending the study of that system now being undertaken by the Patents, Trademarks, and Copyrights Subcommittee of the Judiciary Committee, under the able leadership of Senator McClellan. Further, the bill is intended to provide this added revenue with as little administrative complexity and expense as possible.

The most striking difference between this bill and the bill drafted by the Patent Office and introduced at administration request by Senator McClellan, S. 730, is that this bill would avoid the adoption of the controversial maintenance fee system by which the lives of the majority of U.S. patents would be materially shortened. Moreover, since this bill would not depend upon collection of maintenance fees a number of years hence, it would produce more revenue immediately.

I do not purport to be an expert in patent matters, and do not now take sides between the proponents of the maintenance fee system and the proponents of the fixed fee system. My investigation of this matter convinces me, however, that this bill has the support of a significant segment of our patent bar. It should, in my judgment, be considered along with the administration proposal embodied in S. 730.

I would hope that this bill would receive consideration, along with the bill introduced by the Senator from Arkansas [Mr. McClellan] at the hearings recently announced by Senator McClellan's subcommittee for March 3.

Mr. BRENNAN. The letter of January 11, 1965, from the Secretary of Commerce, enclosing a draft of a bill and supporting information.

Senator MCCLELLAN. Without objection, the letter and supporting material is ordered printed at this point in the record.

(The letter referred to follows:)

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

PRESIDENT OF THE SENATE,
U.S. Senate, Washington, D.C.

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

This legislation implements the administration's policy of charging appropriate fees for special benefits or privileges provided to users and beneficiaries of Federal programs. We are convinced that the substantial benefits derived by pat-

entees from the operation of the patent system clearly justify the changes proposed.

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

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

Sincerely yours,

LUTHER H. HODGES,
Secretary of Commerce.

ESTIMATED INCOME UNDER PROPOSED LEGISLATION

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

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

[Dollar amounts in thousands]

Fee	Income under present fees	Income under proposed fees
Initial, patent	$2,647	$6,586
Issue, patent	1,633	5,692
Reissue, issue of		23
Initial, design	100	100
Issue, design		84
Initial, reissue	6	13
Disclaimer, patent	1	1
Appeal, patent filing	350	350
Appeal, patent brief		350
Petition to revive	7	11
Petition to delay	2	3
Certificate, patent	4	6
Copies, patent	1,618	3,236
Copies, trademark	34	68
Recording assignments, patents	233	1,260
Recording assignments, trademarks		96
Filing, trademark	650	910
Affidavit, trademark		120
Petition to revive, trademark		2
Certificate, trademark	2	3
Certificate correction, trademark	2	3
Disclaimer, trademark	[1]	[1]
Fees not changed	1,611	1,611
Total	8,900	20,528
Maintenance fees		3,589
Total		24,117
Costs of operation	31,570	31,570
Percentage of costs	28.2	76.4

[1] Income less than $500.

ASSUMPTIONS PROVIDING BASES FOR ESTIMATED INCOME FROM PROPOSED FEES IN 1965

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

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

Design filing: 5,000 applications.

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

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

Patent copies: $1,618,000.

Trademark copies: $34,000.

Recording assignments: This fee, based on 80,000 patent items and 13,200 trademark items, has been estimated on the same basis as that used by pro-

ponents of S. 2547 (88th Congress) since the modification adopted in the present proposal parallels the provision of that bill.

Applications for trademarks—26,000.

Affidavits for trademarks—12,000.

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

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

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

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

RELATION OF THE PROPOSED BILL, TO FIX CERTAIN FEES PAYABLE TO THE PATENT OFFICE, TO H.R. 8190, AS PASSED BY THE HOUSE OF REPRESENTATIVES, 88TH CONGRESS, JANUARY 22, 1964

There follows a listing of changes in H.R. 8190, the bill to increase certain fees, established by statue, payable to the Commissioner of Patents, together with summary reasons for the changes. The new language is italic and deletions are put in brackets.

This change in section 1 takes into account comments during the hearing held by the Subcommittee on Patents, Trademarks, and Copyrights of the Senate Committee on the Judiciary which were critical of the size of the proposed fee for appeals to the Board of Appeals, and also of the special fee for an oral hearing:

SECTION 1 (6). On [an] appeal for the first time from the examiner to the Board of Appeals, *$25* [$100.] *; in addition, on filing a brief in support of the appeal, $50.* [If an oral hearing is not requested prior to any consideration by the Board, $50 of the $100 fee will be refunded; or, alternatively, if the appeal is withdrawn prior to any consideration by the Board, all of the fee over $25 will be refunded.]

These changes in section 1 are made in the price charged for copies of patents to reflect more nearly the cost of producing the copies. S. 2547 provided for such increases. A second change in the section is made to enable the Commissioner to provide applicants with copies of cited patents without charge, thus expediting the prosecution of the application for patent:

SECTION 1 (9). * * * * copies of specifications and drawings of patents (except design patents), *50* [25] cents per copy; for design patents, *20* [10] cents per copy; * * * $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.*

This change in section 1 is made to take into account certain criticisms at the hearing on H.R. 8190 concerning the fees to be charged for recording assignments of applications and patents. These comments indicated preference for provisions for this purpose found in S. 2547. This latter provision allows recordings of multiple listings at a considerably lower rate. The principle of this provision is adopted as follows:

SECTION 1 (10). For recording *every assignment, agreement, or other paper relating to the property in a patent or application, $20; where the documents relates to more than one patent or application, $3 for each additional item.*" [each assignment of an application or a patent, $20; for recording any other paper, $20."]

These changes in section 3 are made to conform the language to the Trademark Act of 1946, as amended:

SEC. 3(a)(3). On filing an affidavit under section 8(a) or 8(b) *for each class*, $10.

SEC. 3(a)(5). On filing [notice of] opposition or application for cancellation *for each class*, $25.

SEC. 3(a)(6). On appeal from [an] *the* examiner in charge of the registration of marks to the Trademark Trial and Appeal Board *for each class*, $25.

In addition, the following changes in section 3 are made for reasons which parallel similar changes in the patent fees. These are changes in the charges for copies of trademarks and for recording assignments of trademarks. The language follows:

SEC. 3(11). For printed copy of registered mark, *20* [10] cents.

SEC. 3(12). For recording *every assignment, agreement, or other paper relating to the property in a registration or application, $20; where the document relates to more than one application or registration, $3 for each additional item.* [each assignment of a registration, $20; for recording any other paper, $20.]

These changes are made in section 6 to provide for a second notice to a patentee if a maintenance fee is not paid on the due date. Such a notice was recommended during the hearing.

SEC. 6. Section 155(b) * * * *When a response is not received to the notice provided by subsection (e) of this section, a subsequent notice shall be sent approximately sixty days after the due date of any maintenance fee.*

SEC. 6. Section 155(e) * * * Approximately thirty days before a maintenance fee is due, the Commissioner shall send [a separate] *an initial* notice thereof to the patentee and all other parties having an interest of record at the addresses last furnished to the Patent Office. Irrespective of any other provision of this section, a maintenance fee may be paid within thirty days after the date of such [separate] *initial* notice.

These changes are made in section 6 to eliminate the requirement of an oath in connection with the statement of the inventor regarding his failure to benefit from the patent. By eliminating the oath, it is hoped that the expense to the inventor could be minimized. The previous use of the word "total" in describing these benefits was characterized as ambiguous so the word "gross" has been substituted:

SEC. 6. Section 155 (f) * * * fifth anniversary of the issue date of the patent [(by a statement under oath)] *by a statement to the Commissioner* request deferment of the first maintenance fee if the [total] *gross* benefit received * * * ninth anniversary of the issue date of the patent [(by a statement under oath)] *by a statement to the Commissioner* request deferment of the second maintenance fee * * * if the [total] *gross* benefit received by the inventor * * * in accordance with the provisions of this section.

Section 6(g) would be added to provide an alternative for successful applicants who prefer a single payment on issue to the maintenance fees. The added provision reads as follows:

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

During the hearings on H.R. 8190, held by the Senate Subcommittee in February 1964, concern was expressed that courts in adjudicating validity of patents might find dependent claims invalid merely because the independent claim to which they relate is declared invalid. The following language, intended to avoid this difficulty, was suggested to the Committee and is included in the proposal as a new section 12.

SEC. *12. Section 282 of title 35, United States Code, is amended by deletion of the first paragraph thereof and substituting therefor the following paragraph:*

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

STATEMENT OF PURPOSE OF AND NEED FOR PROPOSED LEGISLATION TO FIX CERTAIN FEES PAYABLE TO THE PATENT OFFICE AND FOR OTHER PURPOSES

The enclosed draft legislation has for its purpose the modification of certain fees, fixed by statute, which are payable to the Commissioner of Patents in connection with the processing of applications for patents and with the registration of trademarks

The last significant changes in these statutory fees were made in 1932. When these changes became effective on a full-year basis, the income therefrom amounted substantially to costs of operation of the Office, a situation which prevailed generally in earlier years.

Draft legislation for this purpose (H.R. 8190) was approved by the House of Representatives of the 88th Congress on January 22, 1964, and was pending before the Subcommittee on Patents, Trademarks, and Copyrights of the Committee on the Judiciary of the Senate at the end of that Congress. A similar bill (S. 2225) was reported by the latter committee on September 27, 1962, during the 87th Congress.

Rising costs of operation due in the main to increased costs of personal services, increased numbers of applications for patents, increased complexity of such applications, and increased hirings in an effort to offset these latter factors and to handle the greater number of more complex applications, resulted in the ratio between income and costs dropping to around three-fourths in 1942 and even lower thereafter. In 1947 legislation was introduced to increase these fees and beginning with the 83d Congress proposals have been introduced for this purpose but none has been enacted.

The costs have continued to rise and, since 1952, income is approximately one-third of costs. For fiscal 1964 approximately 30 percent of costs were recovered.

The legislation here proposed is estimated to effect approximately three-fourths recovery of costs when in full force. This estimate of recovery is based on present costs and income from maintenance fees to be paid at the 5th, 9th, and 13th years, respectively, of the term of patents issued after enactment of the proposal would not be forthcoming immediately on enactment of the measure.

Special consideration has been given to those aspects of the bill (H.R. 8190) which appeared to provide the most difficulty in passage by the House and in the hearings by the Senate committee. It was clear that the proposed adoptions of maintenance fees, as a source of income, gave rise to most of the opposition to the bill. For this reason, we have modified that version to allow a successful applicant to elect, at the time of issue of the patent, whether he pays an extra fee of $75 at that time or pays maintenance fees at the 5th, 9th, and 13th years in the amounts of $50, $100, and $150, respectively, to prevent the patent from lapsing. We believe that inclusion of such an alternative will make the measure much more acceptable to those who were concerned about use of maintenance fees and it will also avoid the postponement of significant income to the Office.

Another aspect of H.R. 8190 which gave difficulty was the proposed increase in the fees to be charged on recording assignments of rights in patents and trademarks. Another measure for the same purpose (S. 2547), pending before the subcommittee along with H.R. 8190, contained provisions regarding assignment fees which appeared to meet with greater acceptance. These would allow recordings of more than one transfer to be made at a considerably lower cost. The enclosed proposal adopts this technique of S. 2547.

Another provision of S. 2547 would increase the price of copies of patents from 25 to 50 cents and of trademarks from 10 to 20 cents. The reexamination of appropriate allocations of costs shows that these documents were not meeting their share of costs. The resulting income is also needed to offset rising costs of operation as a result of increases in personnel compensation enacted by the 88th Congress.

Consideration was also given to objections raised, during the hearings on H.R. 8190, to the fees charged on appeal to the Board of Appeals in the Office. Objection was taken to the size of the proposed fee and to the specific charge for an oral hearing. The enclosed proposal would reduce that fee from $100 to $75 and provide for its payment at two stages: $25 at notice of appeal, and $50 on filing a brief in support thereof.

These proposed changes have been described in some detail. The provisions of the bill generally follow H.R. 8190 which, because of earlier congressional actions on legislation for this purpose, are not new to those interested in the matter.

The fees proposed are designed to reflect costs of the Office in the processing of an application. Applications which are more demanding on the Office and more

complex as measured by the size of the applications and by the number and type of claims would be assessed fees accordingly. This is particularly true in the case of the issue fee where the applicant, when deciding whether to pay such a fee, is aware that he has patentable matter in his application and has had an opportunity to make an evaluation of the commercial interest, potential or otherwise, in the invention. Because printing the specifications of the issued patent is quite expensive, a major portion of the fee charged on issuance is directly keyed to the number of pages of specification. Such a graduated charge also favors the inventor of simpler discoveries.

The fee paid on filing an application has been kept relatively low to encourage inventors to seek out an examination of their discovery to determine if, in fact. there is invention which is patentable. To effect this purpose, maintenance fees due at the 5th, 9th, and 13th years of the term of the patent have been introduced to provide necessary income to the Office and to avoid the need for filing and issue fees which might be criticized as excessive. In addition, as an encouragement to an inventor who has not been able to exploit his invention, these fees may be deferred until the 13th year when the income from the patented invention has not amounted to the maintenance fees due at the earlier due dates.

The proposed measure also attacks the problem of increasingly complex applications by providing an incentive of lower charges when dependent claims are used which may be analyzed more expeditiously in the Office. The proposal also undertakes to expedite the issuance of allowed patents by decreasing from 6 to 3 months the present period allowed for payment of the issue fee.

A number of minor modifications to the language of H.R. 8190 are included in the proposed draft to accommodate certain other suggestions made during and after the hearings held by the Senate subcommittee. A second notification of maintenance fees due would be sent after a due date is passed; the language relating to trademark fee increases is modified to reflect the language of the Trademark Act of 1946, as amended; the oath requirement in connection with the inventor's request for deferment of maintenance fees is deleted, and a section—section 12—clarifying the validity of dependent claims is added.

We urge the early enactment of this proposed measure. We believe the fees proposed to effect a recovery of approximately three-fourths the costs of operation reflect a reasonable relationship between the general benefits which accrue to the public and the special benefits which accrue to those who would pay the increased fees. The proposal is in accord with the directive of Congress to relate fees charged to benefits received, as found in 5 U.S.C. 140, and, in our opinion, it should be passed in the interest of responsible fiscal management.

Section-by-Section Analysis and Explanation of Legislation

To fix the fees payable to the Patent Office, and for other purposes.

SECTION 1

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

The first change in this section is to raise the fee payable on applying for a patent from $30 to $50, with the further payment of a charge of $2, instead of $1, for each claim presented in excess of 10, rather than 20 (item 1 of sec. 1) and a new fee of $10 for each independent claim presented at any time in excess of 1. This application filing fee is the most important fee payable in the Patent Office and accounts for 32 percent of the receipts of the Patent Office. The different treatment accorded independent claims as compared to the total number of claims is to encourage applicants to use the dependent form of claim which, because it is easier to examine, will reduce examination time.

The second change in fees in this section is the raising of the fee payable for issue of a patent from $30 to $75, and the addition of a charge of $10 for each page of specification as printed and $2 for each sheet of drawing (item 2 of sec. 1). The issue fee, which is the second most important of the Patent Office fees and accounts for 19 percent of the receipts of the Patent Office, is also extended to cover reissue patents. This new type of issue fee is designed to establish a relationship between the size of a patent, the cost of examining and issuing it, and the charge made on issue.

The fees payable in design patent cases are changed from $10, $15, and $30, for design patents of terms of 3½, 7, and 14 years, respectively, to a filing fee of $20, and issue fees of $10, $20, and $30 for terms of 3½, 7, and 14 years, respectively (item 3 of sec. 1). The design patent fees account for less than 2 percent of Patent Office receipts and the increases here are of about the same order proportionately as the increases in the other patent application fees. The form of the fees has been changed to parallel the filing and issue fees for other types of patent applications. A fee which parallels the issue fee for original patent has been added for issue of a reissue patent.

The fee for filing for a reissue is changed to parallel the fee charged for original applications (item 4 of sec. 1).

The fee on appeal to the Board of Appeals is increased from $25 to $75 (item 6, of sec. 1) payable $25 with notice of appeal and $50 on filing the brief. This appeal fee accounts for less than 4 percent of Patent Office receipts.

The fee for filing a disclaimer (item 5 of sec. 1) or for petitioning to revive an abandoned application or for the delayed payment of an issue fee is increased from $10 to $15 (item 7 of sec. 1).

The fee for recording each assignment of an application, patent, or legal paper is increased to $20, instead of $3 with $1 for each two pages over six and 50 cents for each additional item in one writing (item 10 of sec. 1). Provision is made for a lesser charge of $3 for each additional item when more than one are involved.

The price of patent copies is increased from 10 cents to 20 cents for design patents, and from 25 cents to 50 cents for most other patents.

A few adjustments in other fees are also made by this section.

Patent fees of a new type and a new concept of paying the issue fee are provided in section 4, 6, and 8.

SECTION 2

Section 2 of the bill provides that Government departments and agencies shall pay the same fees as are paid in the Patent Office by others, except as otherwise provided.

SECTION 3

Section 3 of the bill makes various changes in fees payable in the Patent Office in trademark cases. This section is in the form of a complete rewriting of section 31 of the Trademark Act providing for fees. The items have been tabulated and numbered for convenience of reference and a few minor fees have been omitted from the act to be included in the group of fees fixed administratively by the Commissioner.

Three major changes in trademark fees are made. First, the fee on filing an application to register a mark is raised from $25 to $35 (item 1, of sec. 3). Second, a fee of $10 is made payable at the time that an affidavit to maintain the registration in force must be filed (item 3, of sec. 3). This fee is made applicable only in the case of registrations issued after the effective date of the legislation if enacted (sec. 9(d)). Third, the fee for recording an assignment of a trademark registration or any other paper is increased to $20 (item 12 of sec. 3) with a lesser charge of $3 for each additional item when more than one are involved.

A few adjustments in other fees have also been made. For the first time, a fee is made payable on the filing of a petition to revive an abandoned trademark application (item 4 of sec. 3). Also, the fee ($10) for the filing by a registrant of an application to cancel or surrender registration issued to him has been dropped. The additional revenue which would be received in trademark cases under this revised schedule of fees would make the function of examining and issuing trademark registrations and related activities of the Patent Office substantially self-supporting when considered separately.

SECTION 4

This section provides that a notice of allowance of a patent shall specify a sum constituting the issue fee, or portion thereof, which shall be paid within 3 months thereafter. If paid, the patent issues. If not paid, the application is abandoned. Any remaining portion of the fee is to be paid within 3 months of a notice thereof or the patent shall lapse. As an additional precaution, however, within 3 months after the due date of such issue fee or fees, the Commissioner may, on showing of sufficient cause, accept late payment and thus avoid abandonment or lapse.

SECTIONS 5, 6, 7, AND 8

Sections 5 to 8 introduce a maintenance fee in patent cases. After a patent is issued, the patentee is required to pay a fee of $50 at the expiration of the 5th year, a second fee of $100 at the expiration of the 9th year, and a third fee of $150 at the expiration of the 13th year, from the date of the patent. These fees are required to maintain the patent in force, and failure to pay them results in a lapse of the patent rights. A period of grace of 6 months is provided, and a deferment provision allows an inventor who still owns the patent to defer payment if he has not made any money from the patent, and notice requirements are imposed both before a maintenance fee is due, and 60 days after such a due date.

A successful applicant may, on issue, elect to pay a single fee of $75 in lieu of all maintenance fees.

SECTION 9

By this section, the issue fee, as provided for in item 2 of section 1 of this act, is made applicable only to applications which have not had a notice of allowance mailed prior to the effective date of this act, if enacted, and the maintenance fees, as provided for in sections 5 through 8 of this act, are made applicable only to patents issued after the effective date of this act.

SECTION 10

Section 10 repeals section 266 of title 35, United States Code, relating to fees in certain Government cases, in view of the provisions of section 2 of the bill.

SECTION 11

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

SECTION 12

This section is added to the earlier version of this proposal which was passed by the House of Representatives of the 88th Congress. During hearings by the Senate subcommittee on this measure, concern was expressed regarding the attitude courts might take in adjudicating dependent claims. The language of this section is intended to fortify the language of section 11 in this regard to assure that dependent claims are considered on their merits.

Senator McCLELLAN. Any thing further?

Mr. BRENNAN. That is all, Mr. Chairman.

Senator McCLELLAN. Call your first witness.

Mr. BRENNAN. Secretary Hollomon.

Senator McCLELLAN. Mr. Secretary come around please.

Mr. Secretary, the committee is glad to welcome you this morning. we know of your very great interest in the objective of these bills that the committee is considering and we are very glad to have you make a statement. I see you have a prepared statement. Do you wish to read it?

Mr. HOLLOMON. Yes, sir; I have a very brief prepared statement.

Senator McCLELLAN. You may proceed.

Mr. HOLLOMON. Thank you.

STATEMENT OF J. HERBERT HOLLOMON, ASSISTANT SECRETARY OF COMMERCE FOR SCIENCE AND TECHNOLOGY; ACCOMPANIED BY EDWARD J. BRENNER, COMMISSIONER OF PATENTS, AND KENNETH F. McCLURE, DIRECTOR OF OFFICE OF LEGISLATIVE PLANNING

Mr. HOLLOMON. I am pleased to have this opportunity to urge, once again, that this subcommittee take favorable action on legislation to increase the fees charged by the Patent Office for the processing of patent applications and the registration of trademarks.

These fees have not been changed in over 30 years, although the costs of operating the Patent Office have increased significantly in that period. At the present time, less than one-third of the operating costs are covered by fees. In my view, it is important that we take steps now to provide for greater recovery of costs. We have studied all the proposed bills before this subcommittee, in terms of their relative contribution toward recovering the costs of operating the Patent System. The schedule of fees proposed by S. 730 would permit recovery of close to three-quarters of the operating costs for processing patent applications and registering trademarks.

In the consideration of previous bills much of the criticism centered on the principle of maintenance fees.

As a result of suggestions by leaders of the patent bar, a special meeting was held with representatives of industry, inventors, and members of the patent bar. At this meeting some people opposed the maintenance fee principle while others favored maintenance fees. It was the unanimous recommendation of those attending the meeting that an optional arrangement for maintenance fees should be included in the proposed legislation. S. 730 provides such an arrangement.

One of the most important feaures of S. 730 is that the filing fee is relatively low, and the inventor is not required to make a decision on further investment until he learns that a patent will in fact be issued. At this point, the applicant is in a better position to evaluate the potential value of the patent.

At the time of issue, the deferred maintenance fee provision offers a further option to the applicant. He may choose to make additional payments at later dates, when the commercial value of his invention is more apparent. Or, he can elect to make a single, smaller payment at the time of issue, in lieu of the deferred maintenance fees. In my view, this concept is very important because it introduces an appropriate relationship between the payment of fees and the potential benefit to be obtained.

There have been some suggestions that we should not introduce a new type of fee at this time, because of the possibility of changes being made in the patent system in near future. I feel that this possibility is not adequate justification for postponing introduction of mainte-

nance fees into our system. There is no assurance that any future changes in the patent system would affect maintenance fees. And even if this did occur, the maintenance fee structure could always be changed at any time in the future.

The argument for recovering a greater portion of the costs of operating the Patent Office is too strong, and the principle of maintenance fees is too important to delay action on the basis of future changes which might or might not occur.

I believe that revision of the schedule of fees is overdue, and I strongly urge that the schedule proposed in S. 730 be enacted now.

Thank you.

Senator McCLELLAN. Thank you, Mr. Secretary.

I notice that you say this legislation, S. 730, would bring the revenues up to about 75 percent of the cost of operating the Patent Office; is that correct?

Mr. HOLLOMON. Yes, sir.

Senator McCLELLAN. What percentage do the revenues reach now?

Mr. HOLLOMON. Approximately 30 percent, sir.

Senator McCLELLAN. Approximately 30 percent?

Mr. HOLLOMON. Yes, sir

Senator McCLELLAN. Then, to achieve your goal, and that is your goal, I assume, 75 percent, to achieve that goal, you have got to increase revenues by 150 percent; is that correct?

Mr. HOLLOMON. That is correct, sir.

Senator McCLELLAN. Will the fees that S. 730 provides do that? Have you calculated that pretty accurately and are you satisfied that these fees would produce about 75 percent of the cost of operation?

Mr. HOLLOMON. Yes, sir, we are.

Senator McCLELLAN. Then we get down to the maintenance fee question. When we considered this matter in previous hearings we did not have an optional provision in the bill, did we?

Mr. HOLLOMON. No, sir, we did not.

Senator McCLELLAN. This is an innovation of thought, so to speak, is it?

Mr. HOLLOMON. Yes, sir.

Senator McCLELLAN. This providing a choice to the inventor at the time the patent is issued?

Mr. HOLLOMON. Yes, sir. As a result of the hearings, and after numerous meetings that we have held with both industry and patent bar members, there is an honest difference of opinion as to the desirability and the utility of maintenance fees. As a consequence of that difference of opinion we felt that, consistent with the kind of system of free choice that we have in this country, that those who are in favor of the use of maintenance fees should have a different option open to them, and those who are not in favor could have that option open to them. It is our position that maintenance fees are a desirable addition to the fee structure of the Patent Office, and we believe that time will prove that maintenance fees have utility and will be used as a mechanism of deferring payment. As a consequence, the administration has proposed to you, sir, and this committee, and the Congress, that you leave that option open.

Senator McCLELLAN. Now, there are those who oppose a maintenance fee altogether?

Mr. HOLLOMON. Yes, sir.

Senator MCCLELLAN. The minimum that you propose here, if they exercise the option to pay at the time the patent is granted, together with the other fees as provided in S. 730, would produce the 75-percent goal you seek. Is that correct?

Mr. HOLLOMON. Yes, sir; it would.

Senator MCCLELLAN. Now, there is a counterproposal in one of these measures, I believe, or it has been suggested to me in conversations by some who are interested in this legislation, that instead of injecting in here the issue, or the problem, with respect to a maintenance fee, that you simply make a flat charge at the time the patent is issued, a charge that would produce the equivalent in revenues for the patent office. What is your comment about that?

Mr. HOLLOMON. The option that we provide in the bill, S. 730, does in fact do that. If the inventor, or his agent, elects to pay a flat fee, then the amount of money recovered from him would be the same as the amount of money that would be recovered otherwise—roughly the same.

Senator MCCLELLAN. If you just made it a flat fee all the way through?

Mr. HOLLOMON. Yes, sir. We tried to work out the equivalent income, if everyone chose to go to the deferred payment route, as if everyone preferred to go the flat fee route.

Senator MCCLELLAN. In other words, their position is why not just make it a fee at the time of the issuing of the patent plus the minimum that you propose on maintenance fee, that would just settle the whole thing and eliminate completely this maintenance proposal?

Mr. HOLLOMON. Yes, sir. It is our position—which Commissioner Brenner will discuss in more detail—it is our position that a fairer practice is that after it has been determined that the patent has value, then it would be possible for the payment to be made. Payment would be deferred until such time as that determination is made. If at that time the patent is judged not to have sufficient worth, sufficient for the payment of the fee, the patent then comes into the public domain. That provision we think is an important alternate which we believe should be open to the inventor if he desires it.

There are many people, in industry, particularly, not the patent bar, but in industry, who favor that kind of system.

Senator MCCLELLAN. Some from industry have indicated to me that they favor just paying one fee—the flat fee, because, they say, the maintenance requirement would cost them so much each installment period, they would have to make evaluations, and it would be expensive, and time would be consumed in making these repeated decisions they would have to make in order to determine whether their patent was worth continuing, or whether to abandon it, and they also pointed out there would be additional bookkeeping entailed on the part of the Patent Office.

What is your comment about that?

Mr. HOLLOMON. For those people, sir, who feel that strongly, and wish to take that route, that option is open to them.

Senator MCCLELLAN. They have the option?

Mr. HOLLOMON. They have the option.

Senator McCLELLAN. You have given them the opportunity to do it?

Mr. HOLLOMON. Yes, sir.

Senator McCLELLAN. So they can make the choice under S. 730?

Mr. HOLLOMON. That is correct.

Senator McCLELLAN. They can make the choice?

Mr. HOLLOMON. That is correct. If it turns out, in a matter of 2 or 3 years, that everyone adopts the system of the flat fee, then it will be perfectly clear to the Congress that is the system which has the greater utility.

On the other hand, if there is a substantial number of people who prefer to defer the payments with respect to their invention until the value is determined, then we would have demonstrated the utility of that system. We will not force a person to take either route.

Senator McCLELLAN. And, as I see it, under the option provided in the bill there is no burden, no burden of any consequence, say, placed on the Patent Office if they choose to pay just the flat fee at the time?

Mr. HOLLOMON. No burden at all.

Senator McCLELLAN. The only burden that you will have is in those cases where they defer that final decision and choose to pay the maintenance fee?

Mr. HOLLOMON. Yes, sir.

Senator McCLELLAN. You will have to keep books on that and, of course, I guess, send out notices, reminders, that the patent will lapse unless they do so and so?

Mr. HOLLOMON. Yes, sir.

Senator McCLELLAN. That does place an extra burden of work on the Patent Office?

Mr. HOLLOMON. Yes, sir; we believe that that extra burden will be small compared to the advantages that would be gained from the fact that the patent would no longer be in the system.

Senator McCLELLAN. Do you really think that most of them will choose to pay, particularly industry, will choose to just pay the flat fee at the beginning?

Mr. HOLLOMON. I have talked to a large number of people, Senator, and I get different views from different people.

Senator McCLELLAN. You are not sure about that?

Mr. HOLLOMON. I am not sure.

Senator McCLELLAN. You have no fixed opinion?

Mr. HOLLOMON. I have no fixed opinion, Senator.

Senator McCLELLAN. This optional thing does serve, and I suppose it primarily is intended to serve, the individual inventor, largely, because he may make an invention and secure a patent and may not have marketed it, and he doesn't know whether it is going to be a success, and, therefore, he doesn't want to spend any more money than necessary. Is this primarily to accommodate that type of inventor?

Mr. HOLLOMON. I think it will accommodate him. I have talked to people from very large companies. It would also accommodate the people from large companies, who have a large portfolio and wish to reduce it and have less of a patent portfolio to manage, and it is to their interest as well.

Senator McCLELLAN. Let me ask you: Would this apply retroactively, would it be retroactive to patents heretofore issued?

Mr. HOLLOMON. No, sir.

Senator MCCLELLAN. It only applies to patents granted in the future?

Mr. HOLLOMON. Following the passage of this bill and signature by the President.

Senator MCCLELLAN. Very well. Is there anything further you have in mind?

Mr. HOLLOMON. No, sir.

Senator MCCLELLAN. I will ask counsel if he has any questions, but before I do so, may I suggest to you that you follow these hearings, follow the testimony, we may have some good suggestions from others who are vitally interested in this legislation, and we would be glad for you to weigh it and from time to time, or at an appropriate time, submit any further statement that you wish for the information of the committee.

Mr. HOLLOMON. I appreciate that opportunity.

Senator MCCLELLAN. We would be glad to have your views at all times.

Mr. HOLLOMON. Thank you, Mr. Chairman.

Senator MCCLELLAN. Mr. Counsel?

Mr. BRENNAN. I have no questions, Senator, for the Secretary. Our next witness is the Commissioner of Patents.

Senator MCCLELLAN. Thank you very much. Give my regards to Secretary Conner.

Mr. HOLLOMON. Thank you.

Senator MCCLELLAN. Commissioner, you have a prepared statement this morning?

Mr. BRENNER. Yes, I do. I would like to read it, if it is agreeable with you. It is a brief statement summarizing the highlights of our views on S. 730, S. 729, and S. 1228.

Senator MCCLELLAN. We welcome you here this morning and appreciate your interest and your counsel, so you may proceed with your statement.

May the record show who it was that appeared with Secretary Hollomon?

Mr. BRENNER. I appeared with him, as well as Mr. McClure, Director of Legislative Planning for the Patent Office.

Senator MCCLELLAN. I wanted the record to show who appeared. Very well, Mr. Commissioner.

(Subsequently the following was made a part of the record by order of the chairman:)

THE ASSISTANT SECRETARY OF COMMERCE,
Washington, D.C.

Hon. JOHN L. MCCELLAN,
Chairman, Subcommittee on Patents, Trademarks, and Copyrights, Committee on the Judiciary, U.S. Senate, Washington, D.C.

DEAR SENATOR MCCLELLAN: Since the hearings by your Subcommittee on Patents, Trademarks, and Copyrights, with respect to S. 729, S. 730, and S. 1228, on March 3, 1965, we have had an opportunity to cosider further the views of those who appeared after us. In accordance with your suggestion, we have prepared comments on those points of interest which we have not covered in our earlier statements.

The comments are enclosed.

Sincerely yours,

J. HERBERT HOLLOMON.

FURTHER VIEWS OF THE DEPARTMENT OF COMMERCE ON LEGISLATION TO MODIFY CERTAIN FEES CHARGED BY THE PATENT OFFICE

MAINTENANCE FEES

S. 730 provides an alternative fee of $75, to be paid on allowance of the application, in lieu of all maintenance fees. It was our hope that this discretionary alternative would eliminate the concern previously shown regarding the inclusion of maintenance fees. Concern, however, continues to be shown on this subject.

This concern was directed during the hearings mainly to the uncertainty that will result from questions as to whether the patent has lapsed from failure to pay maintenance fees.

We recognize that under this procedure the Patent Office will have a responsibility to inform those interested as to the status of the patent. This situation is no different than in the great majority of other developed countries which have the same procedure, although we have tried to show that by mechanizing this operation we can do probably an even better job than is done elsewhere.

With respect to each due date, the patentee has a grace period of 6 months to pay the fee on the payment of a penalty of $15. This is not a unique provision. The Paris Convention for the Protection of Industrial Property, which is subscribed to by over 60 countries, includes a provision for such a grace period and is the general rule of practice in this area.

The chairman of the subcommittee asked a number of witnesses if the maintenance fees have for their purpose anything other than production of additional income. We agree with those who stated that production of additional income is the primary purpose of these fees and we believe these fees will be effective for that purpose. There is no question that a flat fee would have the benefit of increased certainty and that the lapsing of patents for failure to pay introduces for the United States certain administrative problems which are not, however, unique to the patent systems of the world. We recognize that flat fees are more easily administered. However, to keep the filing and issue fees lower, and to enable the owner to contribute or not depending on his long-term evaluation of the worth of his patent, we want patent owners to have the right to select maintenance fees. The amendment proposed by proponents of S. 729, to increase the issue fee from $70 to $150 on a flat basis, makes most clear the magnitude of increases needed to bring in the desired income in lieu of maintenance fees.

S. 1228 is estimated by the spokesman for that bill, Mr. William E. Schuyler, to bring in $22,139,000 the first year of operation, approximately 70 percent of the 1965 cost. S. 730 would bring in approximately $20.4 million, about 65 percent of the 1965 cost. The latter bill would build up the income over the years as it becomes fully effective, with the receipt of an estimated additional $3.6 million annually. There would be no such differential increase under S. 1228 other than that attendant upon increased applications, an aspect which is common to both bills.

In summary, we urge inclusion of the alternative of maintenance fees as a needed income producer, tailored to fit the value of the invention produced, and not different from fees found acceptable by the great majority of other patent systems.

ISSUE FEE

The issue fee of S. 730 proposes, by the additional charge of $10 per page of specification and $2 for each sheet of drawings, to recover some or all of the costs of printing which presently are $18.75 for a page of specification and about $1.85 for a sheet of drawings. This fee has been criticized as unwarranted because the printing is solely for the benefit of the public and does not further the interest of the patentee, as undersirable because of the possible lapse of the patent from failure to pay any "remaining balance" of this issue fee creates an uncertainty as to whether an issued patent is in effect, and because of the related problem of the administrative difficulty in fixing exactly the fee to be charged which gives rise to the "remaining balance."

A fundamental basis for establishing the schedule of fees proposed by S. 730 is that one-fourth of the cost of the Patent Office would be borne by the general public. Having established a level of recovery to be obtained from those who benefit more directly from the operations of the Office, with the balance to be provided from general tax revenues reflecting the public interest, fees have been proposed in S. 730, on as fair a basis as we believe to be possible, to achieve

a three-fourths recovery of current cost. In accordance with this principle, if the printing fee were deleted, the bill should provide other fees in equivalent amounts payable by those directly benefiting from the Office activities.

Under S. 730 the estimate of the first fee charged on issue will be calculated from the application which will include deletions and amendments. The "remaining balance," if any, is based on the specification as printed. (Sheets of drawings offer no problem.)

A flat issue fee with minor variations is proposed by other bills. Such a fee would benefit the prolix applicant and the inventor of the complex discovery at the expense of one who describes his discovery succinctly, or the inventor who makes a simpler more easily described invention. There would not be the motivation to undertake to be precise in the application—a benefit to the overworked examiner. Also, the relation of the charge made to the work done, as measured by the size of the application, would be lost. We believe all but a few percent of the second fees of "remaining balance," to use the terms of S. 730, could be eliminated if refunds or charges were made only when the "remaining balance" represents more than a page, one way or the other. To the extent that this second fee is not used administrative cost of the Office will decline and the uncertainty regarding lapses for failure to pay a second fee will be minimized. We urge inclusion of either a sentence in the enactment (at line 9, p. 6 of S. 730), or a paragraph in the report of the committee recognizing the suggested leeway of a page one way or the other.

LEVEL OF RECOVERY

The question of the level of recovery was raised during the hearing. One witness suggested one-half to two-thirds recovery. We urged three-fourths recovery. During last year's hearing it was clear that H.R. 8190, calculated as it was on 1962 operating cost, would not, if fully effective, recover 75 percent of the estimated 1965 cost of operation. Estimated income for the first year under S. 730 would amount to $20,408,000 or 64.9 percent of cost of operation in fiscal 1965 ($31,451,000). This would not include income attributable to the use affidavit ($120,000) for trademarks, nor to maintenance fees which would not result in income for 5 years. We do estimate that when maintenance fees become completely effective the income, based on 1965 assumptions and cost of operation, would result in 76.7 percent recovery. We do not, however, expect that this percentage will be accomplished, say, in 1978 because the cost of operation may vary. We have not included in this estimate of income in the year after enactment any income from the payment of the $75 fee as an alternate to maintenance fees. There was no basis to estimate the proportion of successful applicants who would use this technique.

Based on the testimony of those appearing before the subcommittee it is clear that the $75 alternative would be quite popular. Using the figure of 55,000 allowances, less 10 percent forfeitures, this would amount to $1.86 million annually if only 50 percent used this fee. With this included, S. 730 would effect a recovery of slightly over 70 percent of the 1965 cost figure in the first year of operation.

The percentage recovery under S. 730, therefore, should be satisfactory to those who are concerned with an unreasonably high figure and also to those who are anxious to approach the 75-percent figure knowing that further increases in the statutory fees are certainly for some time in the future.

SUBSTANTIVE CHANGES OF PATENT LAW IN A FEE BILL

A final criticism of S. 730 centered on the charges intended to encourage the use of dependent claims and the shortening of the period for consideration of the allowance notice from 6 months to 3 months. Inclusion of these items in a bill to increase fees was contended to be inappropriate. We suggest that both these matters have been amply discussed before the subcommittees of both Houses of Congress which are concerned with patent legislation generally.

The encouragement of the use of dependent claims is based in S. 730 on the variations in fees to be charged on filing an application. The amendment proposed by the spokesman for the American Patent Law Association to S. 1228 for the purpose of encouraging dependent claim use recognizes the appropriateness of such an item at this time in a fee bill.

Discussions of the fees and detailed procedures attendant upon the issue of the patent (see sec. 6, S. 730) seems to have been the proper occasion for bringing to the attention of this subcommittee the benefits to the Patent Office of earlier decisions on whether or not the issue fee would be paid.

STATEMENT OF EDWARD J. BRENNER, COMMISSIONER OF PATENTS; ACCOMPANIED BY KENNETH F. McCLURE, DIRECTOR, OFFICE OF LEGISLATIVE PLANNING, U.S. PATENT OFFICE

Mr. BRENNER. Mr. Chairman, I am glad to have this opportunity to present the views of the Department of Commerce in detail with respect to S. 729, S. 730, and S. 1228, bills to fix certain fees payable to the Patent Office in the Department of Commerce.

S. 730, introduced by the chairman of this subcommittee at the request of the Secretary of Commerce, is essentially the same bill as H.R. 8190 considered by this subcommittee in February of last year after its passage by the House. We are advised that those hearings are to be incorporated into the present record. I will not, therefore, burden the record with repetitive matter, but I will point out those items which are different in S. 730 from H.R. 8190; point out those aspects of S. 729 and S. 1228 which we do not favor; indicate certain changes in circumstances, and refer briefly to certain fundamental reasons for urging enactment of this measure.

Assistant Secretary Hollomon has described in some detail our efforts to work out a bill that would avoid some of the difficulties brought out in last year's consideration of H.R. 8190. There is now, I believe, rather general acceptance of the overall proposal to recover more of the cost of the operations of the Patent Office. We are presently recovering less than 30 percent of such costs, and we would like to recover about 75 percent. Such a recovery would be less than the complete recovery which was the general rule during the period 1910–41.

The Congress is certainly aware of the increased costs of doing business since 1932 when the Congress provided the last significant increase in these fees. The operating cost of the Patent Office in 1962 used as a base for presenting calculations on the fee bill last year was $24,390,640. For fiscal 1963, the cost was $26,913,000, and for 1964 the cost was $27,909,000. In fiscal 1965, the year used as a basis for present calculations, the estimated cost of operations is $31,451,000 and we have introduced some adjustment of fees upward in order that the schedule will, at the time of enactment, approach the desired percentage of recovery.

Dr. Hollomon has mentioned the alternative to the maintenance fee which would be available to successful applicants upon notice of allowance of their applications.

Taking into consideration comments made at last year's hearing which were critical of the size of the fee to be charged on appeal and of the special fee for an oral hearing, changes have been made. H.R. 8190 provided for a charge of $100 with a refund of $50 in the event no oral hearing was requested. We now propose a charge of $25 on notice of appeal and $50 more on filing a brief in support of the appeal.

The charge for copies of patents and trademarks has been doubled—from 25 and 10 cents to 50 and 20 cents. We believe that users of these end products of the Office might well contribute more to defray-

ing the costs of copies of patents and trademarks. This is an increase over H.R. 8190 which we have included to offset increased costs of operation arising since 1962 from the recent pay raises provided Government personnel. This increase in costs of copies is also proposed by S. 729 and appeared to be viewed generally as an acceptable source of income during the hearing in February 1964.

The Commissioner of Patents would also be authorized, as a matter of convenience to applicants, to transmit with a rejection because of prior art, copies of patents relied on for the rejection, without charge, and at the same time as the rejection to enable the applicant to consider the rejection and respond promptly.

The fee to be charged by H.R. 8190 for recording assignments of property rights in patents and trademarks was characterized in the hearing as being out of line with costs of service, particularly as to its impact on an assignee recording transfer of a number of items in one document. S. 730 adopts the charges and techniques proposed in S. 729 to which exception was not taken at the past hearing. Additional items would be recorded at the rate of $3 rather than $20 as proposed in H.R. 8190, when the assignor and assignee involved are identical for each of the applications or patents assigned.

During the course of the hearing, the chairman suggested that an additional notice when a patentee had not paid a maintenance fee would appear appropriate to make certain that he could take advantage of the grace period of 6 months when his failure to pay was based on inadvertence. Such a provision is included in 730 as well as a provision for the filing of a mere declaration rather than an oath when the inventor requests a deferment of the first or second maintenance fee.

S. 729

This subcommittee is also considering S. 729 for the purpose of increasing the fees charged by the Office. This bill is very simliar to S. 2547 in the last Congress which, like S. 729, was introduced by Senator Dodd.

If we do not take into account income from maintenance fees of $3.5 million, the estimated income from S. 730 is $20,528,000 and from S. 729 is $20,249,000, a difference of $279,000, a little over 1-percent difference.

The impact of the different fees of S. 729 are very important, and deserve rather detailed examination:

First, S. 729 would recover $455,000 more on the patent filing fee. The average filing fee under S. 729 is slightly over $79, using the figures for the same fee submitted by those favoring the bill last year. This is based on a flat fee of $70 plus $5 for each claim in excess of 10. The average fee under S. 730 is estimated at $74. This difference is not particularly significant but what is most important is that the minimum charge which would enable an inventor to obtain an examination to determine if the discovery is patentable is $50 under S. 730 and $70 under S. 729. We believe that, under both bills, the majority of independent inventors could describe their invention for this minimum fee. We therefore urge most strongly that our goal of keeping this examination fee to a minimum in the interest of the smaller, less affluent inventor is overriding and dictates the approach of S. 730 rather than S. 729.

Second, there is the issue fee of S. 730 which is estimated to provide an income of $1.7 million in excess of that provided by S. 729. The flat charges on issuance are close, $75 in S. 730 and $70 in S. 729. The major difference is the additional charge for printing imposed by S. 730. This is $10 per page for specifications and $2 for each sheet of drawings. The out-of-pocket costs for this work are presently $18.75 for printing a page of specification and about $1.85 for a sheet of drawings. Here, again in the interest of the inventor who is able to describe his invention in a relatively brief manner, we would fix this charge on a page-unit basis rather than an average or flat-fee basis so that the amount of charge more closely reflects the amount of work and costs incurred by the Office.

Third, the increases in certain fees for trademark activities of the Office would be raised considerably higher by S. 729 than by S. 730.

That this operation should be self-sustaining is generally accepted. Total costs of the trademark operation were $1.28 million and $1.40 million in fiscal years 1963 and 1964, with recovery of $820,000 and $860,000 from trademark receipts.

Estimated major increases in this area proposed by S. 730 are $260,000 from an increase in the filing fee from $25 to $35; a new fee of $10 for an affidavit of use is expected to bring in an additional $120,000; an increase in the charge for a copy of a mark is to bring in an additional $34,000, and an additional $85,000 is estimated for recording assignments of trademarks. Other increases are not significant. These major increases will result in an increase of approximately $500,000. In light of the deficits of $460,000 and $540,000 in 1963 and 1964, this operation should be reasonably self-supporting if the charges of S. 730 are enacted.

S. 729, however, would, by increasing the trademark filing fee from the present $25 to $60, result in an increase over that from our proposal of $650,000. It would establish a new issue fee of $25 estimated to produce $504,000; and by increasing the fee for an opposition or cancellation action from $25 to $50, produce $30,000 for a total of $1,184,000 in excess of that which we seek to make the operation self-supporting. There is simply no reason to call upon those who benefit from the trademark activities of the Office to provide a subsidy of the patent activities to this extent.

Fourth, S. 729 would provide for each applicant to an interference to pay $100, and then there would be an additional charge of $100 "upon filing each brief on final hearings" except a reply brief. We have no such fee presently.

Applicants are put into interference by the examiner; patentees are in effect put into interference by applicants and to require from these parties two fees of $100 each to defend their position does not seem appropriate. Interference procedure has been the target of much criticism and the creation of this requisite of a substantial added fee is not justified. Further, it would not bring in much income in light of the small number that go to interference—about 1 percent—and because of the number that are terminated before the second fee would be paid.

Fifth, and last, a new fee of $100 would be established in connection with the institution of public use proceedings. It should be pointed out here that there are only about 10 of these proceedings a year and,

therefore, the income from the fee would be negligible. These proceedings are intended to show that a pending application should not be issued because the invention claimed has been on sale or in public use 1 year before the application is filed. The actions may be said to be in the nature of pro bono publico, to avoid burdening the economy with an undeserved restriction on the making, using, or sale of the claimed invention. We do not believe that this is an appropriate instance for charging a fee.

There are two administrative aspects of S. 730 which are not found in S. 729 which are very important, in my opinion, in improving the administration of the Office. I refer to the provisions of the filing fee of S. 730 which would encourage the use of dependent claims by the applicant in distinctly pointing out his discovery, and to the provisions to shorten from 6 months to 3 months the period allowed the successful inventor or his assignee to decide if the patent is to issue.

Because I believe extensive use of dependent claims will be of such a great help to the overburdened examiner in his analysis of an application, I recently considered taking certain administrative steps to limit the number of independent claims permitted in an application. After considering the matter and also seeking the views of practitioners, I decided that this matter could best be handled by legislation, as set forth in S. 730 where an additional fee is charged for additional independent claims. Concern was also expressed over the possible treatment of dependent claims by the courts in the event a claim on which they depend is found invalid. With the help of this subcommittee special language has been inserted in S. 730 to resolve this concern.

Last year, at the hearings on this matter, you asked for my view on the proposals. I had just been nominated as Commissioner of Patents. I advised you then that the provisions for the encouragement of the use of dependent claims were desirable. After a year as Commissioner, it is my view that enactment of these provisions would be a very important help in the administration of the Office and I urge their inclusion and enactment.

I believe, further, that inclusion of the provision to shorten the time for decision from 6 months to 3 months after notice of allowance is adequate. The applicant who follows closely the prosecution of the application will have a good idea of what is forthcoming. The shortened period will reduce the amount of work on examiners in the interference search and it is estimated will put the disclosures of the patent in the hands of the scientific community an average of about 2 months earlier than presently.

S. 1228 is estimated to bring in income of slightly over $22 million. S. 730 is estimated to bring in $24,117,000 when fully effective. This includes $3,589,000 from maintenance fees which are due in part after 5 years; and $120,000 from use affidavits for trademarks due after 5 years from enactment. Income from the fees of S. 730 would, therefore, lag behind those of S. 1228 during the first 5 years by about $1.5 million. For the next 4 years income would be approximately the same and from then on, the income under S. 730 would be larger with the maximum after 13 years.

Other significant differences between the two bills and our views thereon are:

1. S. 1228 does not provide the incentive for use of dependent claims; the importance of which I have stressed above. Neither does it provide for early issue, also described above.

2. The minimum charge for filing under S. 730 would be $50 and $75 under S. 1228. This difference is important when one remembers our aim to keep the filing fee as low as possible to enable the inventor to get a decision on patentability of his invention. We have deliberately avoided a high filing fee, favoring instead the use of maintenance fees borne by the successful inventor or the alternate fee of $75 due upon issuance when the inventor or assignee is in a position to evaluate his patent rights with greater certainty. The average filing fee is calculated at $74 under S. 730 and $95 under S. 1228.

3. Income from the issue fees of the two bills are of the same magnitude: $5.5 million under S. 1228 and $5.7 million under S. 730. The average is approximately the same: $110 and $115, respectively. S. 730 sacrifices the ease of administration of the S. 1228 issue fee in the interest of increasing the fee on the more complex applications as measured by length of specifications and sheets of drawings.

4. Filing fees for applications for design patents would be double those charged under S. 730 ($40 and $20). These fees are not an important source of income, based as they are on approximately 5,000 applications per year.

5. Appeal fees in patent cases under S. 1228 would total $100, divided $50 on notice and $50 on filing brief. To meet objections voiced at the hearing, we lowered the fee in S. 730, using the same formula, to $25 on notice and $50 on filing brief for a total of $75. We would not object, however, to adopting the appeal fee provisions of S. 1228.

6. Aside from recording fees for assignment of trademarks, which are later treated together with the same fees for patents, the income from trademark fees is not far apart in the two bills. The major difference arises from the filing fee of $45 instead of $35 in S. 730 for a difference of income of approximately $260,000.

7. S. 730 adopts the formula of the bills introduced by Senator Dodd for the recording of assignments of the property in patents and trademarks. That formula—$20 for recording an assignment plus $3 for additional items mentioned in the deed—appeared to be acceptable to those appearing at the hearing in February 1964. S. 1228 would modify this formula by reducing the $20 fee to $10. Calculations of income from this source is difficult. We have used the figure proposed by the proponents of the Dodd bill—$1,356,000 for both patents and trademarks and divided this in half for the S. 1228 fee for this purpose.

We urge the enactment of S. 730, preferring its lower filing fee, its filing and issue fees which reflect demands on the Office more sensitively, its maintenance fees (or alternative) which are borne by the inventor or assignee who decides to pay them after notice of allowance with knowledge of exactly what has been determined to be patentable, the changes in procedure which would be encouraged by the proposed fees, and the earlier issue of the patent.

Thank you, Senator.

Senator McCLELLAN. Thank you, Mr. Commissioner. I don't know that I can question you about all of these different conflicts here in the separate bills. As I recall last year, we were trying to raise about 66⅔ percent of the total cost of operating the Office, is that not correct, rather than the 75 percent?

Mr. BRENNER. We were speaking in terms of a fair level of recovery being between, about two-thirds and three-quarters, I believe.

Senator McCLELLAN. I had the two-thirds in mind somehow, and someone advocated that, or we discussed it at the time of the other hearings. I am not objecting to the 75 percent. It is simply that, if we did discuss the 66⅔ percent, I would like some statement as to why now you think we should raise at least 75 percent.

Mr. BRENNER. Well, we, like I said, felt that a recovery in this range of two-thirds to three-quarters would be appropriate. I believe our bill last year, based on the figures we had, would recover about 70 percent, based on last year's figure. The figures differ a bit, Senator, from year to year.

Senator McCLELLAN. Then, what we were seeking last year was substantially the same as you seek this year, anywhere from two-thirds to three-fourths of the cost of operating the Office?

Mr. BRENNER. Yes, sir.

Senator McCLELLAN. And your bill, as submitted now, S. 730, you think would raise about 75 percent?

Mr. BRENNER. Yes, sir; approximately 75 percent, based on 1965 costs of operations and level of operation of the Patent Office.

Senator McCLELLAN. Any reduction in the fees proposed then in that bill, or the striking of any provision that would raise fees, or increase fees, would simply reduce it something below the estimated 75 percent, in your judgment?

Mr. BRENNER. Yes, sir.

Senator McCLELLAN. Just thinking out loud, I don't think that 75 percent is too high. Something in that general range I think may be desirable.

You noted here the increase of the Patent Office by about a million dollars in the case of operating it from 1963, I believe, and fiscal 1964—is that right, about a million?

Mr. BRENNER. That is correct, Senator.

Senator McCLELLAN. About a million dollars, is that what it is?

Mr. BRENNER. Approximately that; yes, sir.

Senator McCLELLAN. $1 million.

Mr. BRENNER. Yes, sir; the principal increase resulted from the increase in Government salaries enacted by Congress last year.

Senator McCLELLAN. That is the principal increase, the increase in the cost of operation, is it?

Mr. BRENNER. Yes.

Senator McCLELLAN. Government salaries?

Mr. BRENNER. Yes, sir.

Senator McCLELLAN. On page 3 you say the charge for copies of patents and trademarks has been doubled, from 25 cents and 10 cents to 50 cents and 20 cents. I think you say this is an increase over H.R. 8190 which we have included to offset increased costs of operation arising since 1962. Those small increases in fees, or the doubling of those fees, would not offset, would it, the cost of operating the department, the increased cost of operating the department?

Mr. BRENNER. Yes, sir; it will match that very closely. The doubling will increase the level by about $1.6 million.

Senator MCCLELLAN. So that you intend to take care of the increase that way with this provision in the bill, is that correct?

Mr. BRENNER. Yes, sir.

Senator MCCLELLAN. Increasing these fees?

Mr. BRENNER. Yes, sir.

Senator MCCLELLAN. I will have to reread your statement to get a further understanding of all the differences in these bills and why you favor S. 730 over the others. But with respect to the maintenance fees, we heard some discussion of that by Secretary Holloman. You heard that discussion, did you not?

Mr. BRENNER. Yes, sir.

Senator MCCLELLAN. What is your view with respect to it, as to whether to increase the fee at the time of issuing the patent sufficiently to raise the revenue you want, rather than to complicate the matter by having these alternatives and providing for a maintenance fee and the alternative as proposed in this bill S. 730? Some feel that you should go ahead and make the fee whatever is necessary and let it go at that, and it would eliminate a lot of problems on the part of industry, particularly in connection with their patent portfolio, and it would also eliminate bookkeeping expense, and so forth, on the part of the Patent Office.

Give us your comments about that, please, sir.

Mr. BRENNER. Well, I believe, Senator, that those are the comments that were made in particular last year against H.R. 8190, which provided no alternative.

Now, in the case of the Patent Office, we estimate that the cost of administration of maintenance fees would not amount to more than 2 percent of the income brought in by these fees.

So this would not be, as I look at it, an excessive burden on the Patent Office. The primary reason that we have the alternative in here is to give the patentee an option. In other words, if he feels it is to his advantage to go the maintenance fee route, this is available to him. On the other hand, if he does not like that route, for any number of reasons, including the administrative aspects of it, he has available to him the option of paying a flat fee of $75 in lieu of the maintenance fees.

So it seems to me that it is important that we keep in mind the fact that this option is now available for those that don't like one particular route, and that they have the other route open to them, and that we do not come to any conclusion that maintenance fees are being forced on anyone who has any objections to them.

Senator MCCLELLAN. To raise the revenues that you will need, and hope to raise by increasing the fees, you have to place the additional fee at the time of issuing the patent at $75, would you have to fix the fee that high, or would you have to fix it higher to raise the same amount of revenue?

Mr. BRENNER. The bill provides for a flat fee of $75 payable at the time of issue, which would then relieve the patentee of any obligation to pay maintenance fees. The amount of recovery on the part of the Patent Office is equivalent for either of these two routes.

Senator McCLELLAN. In other words the alternative that you have provided in S. 730, takes care of those who want to simply pay at the time the patent is granted and end the matter?

Mr. BRENNER. Yes, sir.

Sentaor McCLELLAN. It offers the opportunity for the individual inventor who may wish to defer payment until he can determine the value of his patent, whether it will be marketable and whether it will be profitable.

Mr. BRENNER. Yes, sir.

Senator McCLELLAN. I will be interested to know what objection can be made to providing this alternative to folks who want to make payment at the time that the patent is issued. They don't have to worry about a maintenance fee if they wish to pay what you would normally require to raise the revenue if you don't provide this alternative.

Mr. BRENNER. Yes, sir. I would be interested in such comments myself. When we discussed this question with representatives of the patent bar and industry, and incidentally the alternative arrangement was proposed initially by a representative of or members of the patent bar. The general feeling was that this eliminated, really, the basic objections to maintenance fees, because the applicant had a freedom of choice here.

Senator McCLELLAN. You thought this would eliminate the objection?

Mr. BRENNER. Yes, sir; I believe that was the general feeling of those we talked with, that in providing the alternate we eliminated any basic objections to alternate fees, because for those that would see advantages in the maintenance fee route, that route was open, and for those that had objections or reservations; they could select, at their option, the other route.

Senator McCLELLAN. On page 6 you discuss the issuance fee and $10 per page for specification and $2 for each sheet of drawings.

Mr. BRENNER. Yes, sir.

Senator McCLELLAN. That is provided for in S. 730?

Mr. BRENNER. Yes, sir.

Senator McCLELLAN. I wish you would elaborate on that a little. There was some issue with respect to these fees, was there not, in the three bills?

Mr. BRENNER. Yes, sir; I believe there is. On the one hand, people point out that this introduces some possible administrative complications in that a different fee has to be calculated for different patents. We do not feel, however, that this will impose on the Patent Office any significant administrative burden, but we feel more important than this, is that a fee of the type we provided in S. 730 of $10 per page of specifications and $2 per sheet of drawings is more directly related to the amount of work and costs incurred by the Office and, furthermore, makes it possible for a person with a relatively simple application to pay a lesser fee than those that have more complicated or complex applications.

Senator McCLELLAN. Very well. I see Senator Dodd has come into the hearing room. He has some pressing matters and would like to be heard as soon as possible. Before Senator Dodd testifies, let me ask you: There is provided in his bill, I believe, what is an

excess amount of trademark fees, the amount of revenue that fees in his bill would provide are in excess of the amount of revenue required to operate the trademark section of your office. Is that correct?

Mr. BRENNER. That is correct.

Senator MCCLELLAN. I wish you would comment on that, since Senator Dodd is here, so that if he cares to he may have the benefit of your thinking about it before he makes a presentation in support of his bill.

Mr. BRENNER. Yes, sir.

Our bill, S. 730, is designed to bring the recovery of trademark costs up to approximately 100 percent so that this operation would be self-sustaining.

In the case of S. 729, the fees charged would result in recovering $1 million, or slightly over $1 million, more than the cost of our total trademark operations costs.

It is our feeling that this operation should be self-sustaining, but we do not feel that it is particularly fair to the trademark side of our operations to recover more than the cost there which would result, in effect, in the trademark operations subsidizing our Patent Office operations to the extent of about $1 million.

Senator MCCLELLAN. Well, you do provide in the trademark section of the bill fees which will provide enough revenues to pay the costs of administering this division?

Mr. BRENNER. Yes, that is correct. S. 730 would provide fees equal to the cost of that operation.

Senator MCCLELLAN. Senator Dodd's bill will bring in revenues of a million dollars in excess of that cost is your estimate?

Mr. BRENNER. That is correct, Senator, as we calculated it.

Senator MCCLELLAN. If Senator Dodd's bill was adopted, or if that provision in his bill is enacted, then you will be getting from your trademark customers a million dollars to apply on the operation of the cost of operating the Patent Office?

Mr. BRENNER. Yes, sir; that would be, in effect, what would happen.

Senator MCCLELLAN. Very well.

Senator Burdick, do you have any questions of the Commissioner?

Senator BURDICK. I really had only one question. In this alternative arrangement for fees, when does the patentee have to make his election?

Mr. BRENNER. He would make an election at the time that his application was allowed, just prior to issuance as a patent, at the time that the final fee would become due. He would then elect either one of these two routes.

Senator BURDICK. In other words, no decision is made at the time of the initial filing, and not until the final patent fee is to be paid?

Mr. BRENNER. That is correct, Senator.

Senator BURDICK. That is all I have.

Senator MCCLELLAN. I understood, Mr. Commissioner, from some large industries, that they would generally know at the time of allowance whether they felt a patent was worth anything to them, and that they just simply preferred to pay the fee at one time, get it over with, and forget about it, and not have to keep books, so to speak, on when it might expire, and continually evaluate it, they just preferred to do it that way. But while they might prefer to do it that way, an individ-

ual inventor may finally succeed in getting a patent, and he can't know whether it is going to be a success or whether there is going to be a market for it, whether it is going to be profitable and that inventor might prefer to wait and see.

In other words, undertake to market this invention, get it in production, and so forth, he might very well prefer to wait, and if he has no success in the first 5 years, he might conclude to abandon it.

So it seems to me that this alternative has some merit in it—I am just thinking out loud about it now—from both sides, from the standpoint of those who prefer to pay and get it over with, and then have no further concern about whether it is in force for 17 years, or whether they want to experiment with it a while and see what they can do with it, and then abandon it or maintain it.

If you have any further comments about it, we will be glad to have them, or any further comments on the legislation.

Mr. BRENNER. I will just make this comment. I think your summary of the possibilities under this alternative approach is accurate. In other words, for some applicants, or patentees, one route would be most desirable, and for others, the other route would be most desirable.

They actually have the choice now, which I think is an improvement in our present bill.

I believe it was mentioned that fees under S. 729 with the recently proposed amendment would amount to about $250. This would mean that, say, an independent inventor, who at the time of issuance of his patent was not too certain about his future, he would have paid about $250, whereas under S. 730, with the alternates available, he would have to pay a $50 filing fee, somewhat over $75 upon issuance, for a total somewhat over $120, and then go the maintenance fee route, and if he didn't make any appreciable income from his patent, the 5-year maintenance fee would be waived, and the 9-year fee would be waived, so that he could continue until the 13th year for a price of somewhat over $120, as compared with the flat fee approach of $250.

So in other words, what I am saying is, I think there is provided in S. 730 a substantial degree of flexibility, for a wide variety of applicants, and gives them a choice of selecting what seems to be best for them.

Senator MCCLELLAN. In other words, can it be said that the alternative approach that you have made to it accommodates both viewpoints without doing violence or injury to the other?

Mr. BRENNER. Yes, sir.

Senator MCCLELLAN. In other words, those who want to pay all of it have the opportunity to do so, and those who feel that they do not, that there would be advantage to wait and see, they can take that route?

Mr. BRENNER. Yes, sir.

Senator MCCLELLAN. Neither does any violence to the other, and you raise substantially the same amount of money?

Mr. BRENNER. Yes, sir; that is correct.

Senator MCCLELLAN. That sounds good. We may hear something that won't sound so good about it later, but at the moment, on the face of it, it sounds pretty good.

Senator Burdick, do you have any further questions?

Senator BURDICK. No further questions.

Senator MCCLELLAN. Senator Fong.

Senator FONG. I have one question.

Would any group be benefited by one option as opposed to taking the other option?

Mr. BRENNER. I find it difficult to be able to categorize one group here that would obviously go one way and another group that would obviously go the other way. In my discussions with large corporations, or with individual inventors, I have heard differences of opinion in both of these groups. In other words, some industry people feel they might want to follow one route, others would go the other route. The same way with the individual inventor. I don't think it could be classified as a class legislative approach, but rather offering each individual applicant, or patentee, the choice that seems to be best for him. I think you will find quite a variation from applicant to applicant or patentee to patentee.

Senator FONG. This option, would it provide any detriment, or any difficulties, as far as administration is concerned?

Mr. BRENNER. No, sir. There would be a certain amount of additional administrative effort on our part, but it would be relatively small. We have estimated it would not exceed more than 2 percent of the total income that would be brought in by the maintenance fees if people were going to take that particular route.

Senator FONG. Thank you.

Senator MCCLELLAN. Counsel, do you have any questions?

Mr. BRENNER. No questions, Mr. Chairman.

Senator MCCLELLAN. Very well. Thank you. I will suggest to you what I said to Secretary Hollomon, follow these hearings closely, and, as ideas are presented, weigh them, and then feel free to let us have an additional statement from you, or comments, or recommendations, as these hearings proceed. This is not a closed corporation; we have open minds here, and we are trying to find the best solution to this problem. So we will welcome any further comments you have.

Mr. BRENNER. Thank you very much, Mr. Chairman.

Senator MCCLELLAN. Thank you kindly.

Senator Dodd, come around, please, sir.

We are glad to have you here in support of your bill.

Senator DODD. Thank you, sir.

STATEMENT OF HON. THOMAS J. DODD, A U.S. SENATOR FROM THE STATE OF CONNECTICUT

Senator DODD. Mr. Chairman, members of the committee, I welcome the opportunity to appear before the Subcommittee on Patents, Trademarks, and Copyrights in support of my patent fees bill, S. 729. First, I would like to submit an amendment to my bill to change from $70 to $150 the final or issuance fee on patents. This figure would appear on page 1, section 1, paragraph 2, line 11.

Senator MCCLELLAN. Let the amendment be received, Mr. Clerk, and have it attached to the bill.

Very well, Senator.

Senator DODD. I propose this change most reluctantly, and solely with the intention of increasing the revenue produced by my bill to approximately $23.5 million. This would comprise 75 percent of the current budget of the Patent Office, the same amount that S. 730, the

administration bill, would provide. What I am trying to do is present the subcommittee with a true alternative to S. 730, to make the Patent Office substantially self-supporting, without the need for resorting to the controversial maintenance fee and complicated formulas for determining patent filing and issuance fees.

Under my bill, S. 729, as amended, the total fee will be about $240, while under S. 730 the fees will be anywhere from $400 to $600 over a period of years. My bill is the legislation which will enable the Patent Office to become substantially self-sustaining, which all of us want to see accomplished, and yet will not greatly affect the total costs of applying for a patent.

There have been strong objections to one section of the administration bill, and this opposition has been rather uniform among patent attorneys and businessmen representing both large and small enterprises.

This section would institute a new fee, the maintenance fee, which would be charged over a period of years. The holder of a patent would have to make these payments in order to retain his rights. Should he miss a payment, his patent would lapse.

To start to charge a maintenance fee would be to make a substantial change in our patent procedures, and I do not think that such an important step should be undertaken as a part of a bill the primary purpose of which is to revise the Patent Office fee schedule. I opposed this maintenance fee last year, as the chairman will recall, and I hope this year we can work out an agreement to approve a patent fees bill without this particular feature in it.

And now, Mr. Chairman, it is with great pleasure that I introduce to the subcommittee members Mr. Anthony P. DeLio, a patent lawyer from New Haven, Conn., who has been very helpful to me in drafting S. 729, and on other measures pertaining to the patent system. As chairman of the Legislative Committee of the Patent, Trademark & Copyright Section of the Connecticut Bar Association, and as chairman of the Legislative Committee of the Connecticut Patent Law Association, Mr. DeLio is an expert of the first order on patent matters.

I know that Mr. DeLio's testimony will be extremely valuable to the committee, and I commend it to your attention.

Senator McCLELLAN. Very well, thank you, Senator.

Let me ask you, Senator: In view of the alternative for maintenance fees as now provided in S. 730, does that remove, to any extent, your objections to the maintenance fees—since an alternative is provided that they may pay an additional flat fee at the time the patent is issued in lieu of maintenance fees?

Senator DODD. Yes; to some extent it certainly is better.

Senator McCLELLAN. We appreciate having your bill before us, because this is a field in which there could be honest differences of opinion.

Senator DODD. Yes.

Senator McCLELLAN. And the best way, as we are doing, is actually to solicit the views of all who are interested, so that the committee can weigh the different proposals, and as a result of that come to conclusions, and some changes have been made since we last held hearings.

Senator DODD. Yes.

Senator McCLELLAN. So, we appreciate your bill, and your appearance here, and your testimony, and the committee will surely give every consideration to your suggestions.

Senator DODD. I am very grateful.

Senator McCLELLAN. Are there any questions, Senator Burdick?

Senator BURDICK. Senator Dodd, do you have any comment on the fees to be charged in the Trademark section of your bill?

Senator McCLELLAN. I forgot to ask you that question.

Senator DODD. I heard, of course, the testimony here this morning on some of that. I point out that the trademark situation is a very special one. The many privileges acquired when a trademark is granted make a great difference, I think.

Senator McCLELLAN. I asked the Commissioner about that so you would have an opportunity to comment on it, and then I forgot to ask you about it specifically. Thank you, Senator Burdick.

Senator DODD. I see nothing wrong with trying to make the Patent Office substantially self-supporting. It doesn't seem to me there would be any real hardship created by the fees in S. 729.

Senator McCLELLAN. Thank you very much, Senator.

Senator DODD. Thank you, Mr. Chairman.

Senator McCLELLAN. Mr. DeLio, will you come around, please. Do you have a prepared statement?

Mr. DELIO. Yes, sir; I do, Mr. Chairman.

Senator McCLELLAN. You are the gentleman Senator Dodd just referred to, who had assisted him in drafting his bill?

Mr. DELIO. Yes, sir; I am.

Senator McCLELLAN. I assume you appear then primarily in support of S. 729?

Mr. DELIO. That is correct.

Senator McCLELLAN. You may proceed.

STATEMENT OF ANTHONY P. DeLIO, NEW HAVEN, CONN.

Mr. DELIO. I am Anthony P. DeLio, I am a patent lawyer, in private practice, from New Haven, Conn.

I welcome the opportunity and privilege to speak before this committee in connection with this particular legislation.

I believe that some of my qualifications are set forth on page 51 of the hearings in the 88th Congress on S. 2547 and H.R. 1890, and I won't belabor the point before this committee.

Senator McCLELLAN. I have made those hearings a part of the record by reference.

Mr. DELIO. I should like to supplement those by saying that currently I am legislative chairman of the Patent, Trademark, and Copyright Section of the Connecticut Bar Association, and I am legislative chairman of the Connecticut Patent Law Association, and I am here representing these associations as well as Senator Dodd.

In addition, I am a member of the Special Committee Studying Patent Office Fees of the National Council of Patent Law Associations and chairman of Subcommittee No. 5 (Patent Office Fees) of the Committee 103 of the Patent, Trademark, and Copyright Section of the American Bar Association.

The other day I had occasion to attend a conference on the U.S. patent system which was conducted by the Department of Commerce in the Patent Office, and after listening to a distinguished group of gentlemen, including legislators, individual inventors, corporate patent owners, members of the judiciary and patent attorneys, one thing I came away from the conference with was the fact that the U.S. patent system in this country is operating very well. The Patent Office was doing a good job when compared to the Patent Offices of Japan, Germany, Great Britain, et cetera, and almost everyone to a man, I think, including Commissioner Brenner and the Secretary of Commerce, Mr. Connor, agreed that, if anything, the patent system in this country needed a face lifting, but no radical surgery at this point.

I think that, since much was made of the maintenance fee situation, that we might deal with that particular item first.

Polling the various individuals that I have come in contact with, and giant corporations are included here, the consensus is that they are against maintenance fees.

The option under S. 730 is an option but it is still breaking ground in a new area. It is still radical surgery.

Senator McCLELLAN. Let me ask you at this point—I don't want to interrupt your train of thought—but you say the majority of those you talked with are opposed to maintenance fees. If they are given the alternatives of paying a flat fee, why would their opposition continue as against, possibly, the individual inventor, who might prefer to achieve the alternative of paying a maintenance fee providing his patent proves successful, why would they continue their opposition to that?

Mr. DELIO. I think you have to look at the situation. You really don't have an option, in essence, if you have to maintain your patents. This option or deferral only applies to the individual inventor who has the right of deferring the payment of the first two maintenance fees at the fifth and ninth anniversary. The deferral does not apply to one that does assign the patent to a corporation, even though it may be a family-owned corporation, and even though it may not be any better able to afford it as compared to a large corporation. If it is assigned to a corporation, it must pay. He doesn't have the deferral.

What must the individual do? He must prepare a statement, go through his records, to see what the income was on a particular patent and then go to a lawyer and prepare an affidavit and file it in the Patent Office to defer payment of the maintenance fee.

I would say this, that if any client came to me, whether it be a corporation or individual inventor, I would tell the client that it would be cheaper in the long run and (more) advisable for him to pay the $75 at the time of paying the final fee. And that is the reason why, in conferring with Senator Dodd we have decided that we could take a lead from the S. 730 change—as such we made the final fee under S. 729 a flat $150, because if you add the two final fees together under S. 730 you get just about that sum. On the other hand, the original $80 under S. 729 and the additional $75 of the new route under S. 730—comes to $155. We cut it down to $150. Senator Dodd likes round numbers a little better.

Senator McCLELLAN. You say you would advise any client, whether a corporation or the individual, to go ahead and pay the $75 and get it over with?

Mr. DELIO. Yes. Then he doesn't have to keep any records. And, in addition to that, let's face it, it works the same as on foreign patents. There is a charge made by attorneys for keeping the maintenance lists and entering them under a docket system. So I would say that if the individual went the maintenance fee route, from the practical standpoint, not the theoretical standpoint and deferred payment, he would get into an overall cost at least equalling the first two maintenance fees which are about $150 overall.

But the most important thing is S. 730 breaks new ground. What these people are against in the maintenance fee schedule is, that the next time we need an increase to reach 75 percent of the Patent Office budget, say in 1969, we have a builtin vehicle for instituting new maintenance fees after the third, the seventh, and the 15th years. Finally, we will degenerate to the bane of patent systems around the world, the yearly payment of a maintenance fee, which in most countries are now sizable. Even in Great Britain, which is one of the cheaper countries, I think, if you pay all of the maintenance fees, you end up with a "tab" of about $600 or $800. I haven't seen the new schedule. They have a new schedule of fees coming out.

You really don't have an alternative from the practical standpoint. At the time of paying the final fee, that is the time to get the money from the people, because they are getting a patent. If it has been worth anything all along, the extra $75 is not going to deter them.

But what do we have in exchange? We are breaking ground on a new (maintenance) fee, and it is the opinion of practitioners that this is exactly what the Patent Office wants. This opening into a new area and a new field, is sought so that when 75 percent of a higher budget becomes a greater fixed-dollar amount they can proceed with an escalation of fees accordingly.

Senator McCLELLAN. Wouldn't they have an escalation of the $75 flat fee if it comes to a point where they would have to increase it again?

Mr. DELIO. I would say yes, if they came before the Congress and if they said we are no longer 75-percent self-sustaining. When we say self-sustaining, as Senator Dodd mentioned we mean substantially self-sustaining. We are shooting for this 75 percent figure because this is the figure that has been bandied about both in the previous hearings before this committee and over on the House side before Chairman Willis. When we started these hearings the 75-percent figure was a lesser dollar amount.

Senator McCLELLAN. But you are saying—I am trying to follow you—they might have to come back here in 10 years and say, now fees are not producing 75 percent of the cost of operation because of the inflated economy or something and therefore, we have got to raise more revenue and we need to make the maintenance fee higher. But don't you think that Congress would weigh that and not go up any higher on the maintenance fee proportionately than it would be on the others, to keep a balance?

Mr. DeLio. Well, like income taxes, since the income tax was put in, it has had some jogs downward, but the trend over the long haul has been upward.

I would say that probably the next time they came in, they would probably raise the alternative under section 6(g) of the bill on page 9 to $150 and then ask for three other fees of, say, $50 each.

Senator McClellan. That increase then as now is going to come out of the inventor, that is the source they are going to get it from, one way or the other; is that right?

Mr. DeLio. Yes, sir, it is coming out of the inventor.

Senator McClellan. The increase we are seeking here now in revenue will come out of the inventor, and it is a question of whether you do it with a flat fee or whether you give a choice of flat fee or maintenance fee, and if a maintenance fee is adopted now, if that is enacted, as you say, it becomes built in, and I would assume at that time in the future when the Congress feels the necessity of raising all revenues toward the support of the office, that it would weigh equitably an increase in the maintenance fee.

Mr. DeLio. The only point is that it seems that the Patent Office is bent on breaking new ground, because many countries have maintenance fees.

The people that deal in these matters, those practitioners in the foreign countries find that the bane of their system is the maintenance fee. Here we are breaking ground for the new fee which is not, let's say, the best feature of the foreign system. I think we could adopt some other changes from their systems and which would be much better. Certainly one of them is not the maintenance fee.

Senator McClellan. I didn't mean to interrupt. Senator Burdick, did you have a question?

Senator Burdick. No.

Senator McClellan. I will not prevent you from presenting your statement, but at this point I thought it might be well to ask those questions.

Mr. DeLio. Perfectly acceptable.

Senator McClellan. Senator Burdick?

Senator Burdick. I was just wondering about the complexity. If the client is told by the lawyer that he can go either route and make his decision, what is complicated about that?

Mr. DeLio. The procedure itself, except for one thing—I can't speak for every single individual. But there are some people who hold a dollar a little closer than others and even though they have the alternative, they will elect to go the full route which initially is cheaper.

As to the procedure I disagree wholeheartedly and 100 percent with the statement made by the Commissioner that it will only cost 2 percent to administer this program because——

Senator Burdick. Let me ask you, what is there complicated about it, you tell the client that he can go either route, here is what will happen if you go this route, and this is what happens if you take the other. He then makes the decision.

Mr. DeLio. He makes the decision. As to that particular patent, he is certain of what he has done. But as to other patents, he doesn't

know what other individuals have done. Right now you can pick up a patent, add 17 years to its issue date, and know that it is a subsisting patent, or that it has lapsed, or expired. There is no maintenance fee, so it just expires after 17 years. With this new system you will have to obtain a status report from the Patent Office as to the particular patent that the individual is interested in.

Now, just recently, we were involved in a situation where there was an infringement on a cable patent, an electrical cable patent. I would say there are about 15 other corporations and maybe 10 other individuals who are also interested in the same patent. Under the new system they would all have to send in inquiries to the Patent Office and ask if the maintenance fee had been paid. The Patent Office wouldn't necessarily write back immediately, under all circumstances because there is a deferral period of time, under the schedule and assuming extenuating circumstances, if the inquiry is made during this period of grace, the Patent Office would write back and say that at the present time this particular patent has neither lapsed nor is it continued for the next period of time, pending the payment of the maintenance fee or lack of the payment by the particular individual.

In other words, S. 730, as presented, has uncertainty built into it. It isn't one thing or the other. All I am saying is there may be some people who will not take my advice, or the advice of most attorneys, and elect to string out this situation over the full 13 years. Here is the uncertainty, the very thing we are trying to avoid. So this is why we prevailed upon and talked to Senator Dodd to raise the final fee and keep the system the way it is now under present law.

The formulas in the Dodd bill are like the formulas of the present law. The dollars have been increased from $30 to $80; $30 to $70, I should say. But there is no underlying change. We don't have (a) let's say, a complicated and ambivalent maintenance fee schedule which creates a lot of uncertainty. It costs a lot of money to maintain a patent. We figured it out in our office that it costs the attorney in records, in sending out of notices, and obtaining status information from the foreign government, $15 to $20. This is over and above the maintenance fee payment itself, therefore it just makes a lot of useless work necessary.

Canada has never adopted the maintenance fee schedule. They follow the U.S. practice as it is now.

Senator McCLELLAN. Any questions, Senator Fong?

Senator FONG. Yes.

You are expressing the feeling that we, as members of the committee and Members of Congress, would not be prone to increase the initial fee, say $75 to $150, and we would be willing to increase the maintenance fee a little at a time?

Mr. DELIO. Yes, sir.

Senator FONG. In other words, if we took several bites we could reach there, and we may want to take the several bites, but if we are to take one big bite, we might not take as big a bite.

Mr. DELIO. Yes, sir. I think that is precisely my point.

Senator FONG. I think you have something there.

Senator McCLELLAN. Thank you. Do you want to proceed with your statement?

Mr. DELIO. Yes, sir.

As such, I think that the maintenance fee is radical surgery and should not be adopted. But there are two other features to the bill which I think should be discussed.

Senator McCLELLAN. Let us have an understanding. If you are going to do it orally, we will have your statement printed in the record in full at this point.

(Prepared statement of Mr. Anthony P. DeLio is as follows:)

This is the prepared statement of Anthony P. DeLio, patent lawyer from New Haven, Conn., and partner in the firm of DeLio & Montgomery.

Anthony DeLio is the chairman of the Legislative Committee of the Patent, Trademark, and Copyright Section of the Connecticut Bar Association as well as the chairman of the Legislative Committee of the Connecticut Patent Law Association, and is speaking and appearing here on behalf of both associations, not to mention various and sundry inventors and corporate patent owners.

In addition, Anthony DeLio is a member of the special committee studying Patent Office fees, of the National Council of Patent Law Associations and chairman of Subcommittee No. 5 (Patent Office Fees) of the Committee 103 of the Patent, Trademark, and Copyright Section of the American Bar Association.

This statement has been prepared and is submitted as a supplement to the statement and testimony of Anthony P. DeLio before this Senate Judiciary Subcommittee during the 88th Congress in connection with S. 2547 and H.R. 8190. It is submitted to this committee in keeping with the rules for an appearance for the purposes of submitting testimony in connection with fees payable to the U.S. Patent Office and other matters relating to patents and trademarks.

With full realization of the accomplishments of this Senate subcommittee in the previous Congress, with a realization of the objectives of this subcommittee, the Bureau of the Budget, the Department of Commerce, and the Patent Office and with the realization of the necessity and desirability of making the Patent Office more self-sustaining, I should like to submit some comments concerning Patent Office fees, S. 729, S. 730, and S. 1228.

Recently I had occasion to hear a distinguished speaker at the annual meeting of the Greater New Haven Chamber of Commerce. This speaker is well known to most members of this committee, having served as Chairman of the Committee on Atmospheric Sciences of the National Academy of Science, as a member of the Advisory Panel on Science and Technology to the Committee on Science and Astronautics of the U.S. House of Repersentatives and as a member of the Science and Information Counsel of the National Science Foundation, among other things. The speaker was Dr. Thomas F. Malone, chairman of the board of the Travelers Research Center, Inc., and a vice president of Travelers Insurance Co.

The title of Dr. Maline's talk was "Strategy for Change" and in his talk Dr. Malone categorized the innovative entrepreneurs as those individuals and groups of individuals upon whom much of our long-range future depends. Dr. Malone pointed out that science and technology are only the catalysts and not the prime movers in creating new jobs. It is important that businessmen find ways to put science to work so as to meet the challenge that lies ahead. For example, Dr. Malone stated that 50 percent (50 percent) of the children now in grades 1 through 6 in this country will follow careers and occupations which do not exist at the present time. To keep pace, the personal income of Connecticut residents, for example, must reach $13 billion by 1975. In order to attain and reach this goal, 120,000 new jobs must be created in Connecticut during the next 10-year period. The increase in new jobs across the country is much more critical and significant.

Innovative entrepreneurs are needed to create these jobs and the industrial property rights are some of the tools upon which they must heavily rely. As against the giants of industry and the well-entrenched competition, the newcomer must pit his ingenuity and inventiveness. Without easy access to patent and trademark protection, in particular, there can be little or no incentive for venture capital in new fields of technology. Hence the importance of a strong patent and trademark system in our strategy for change.

It is within this context that the present dialog on Patent Office fee legislation must be viewed. Our so-called strategy for change must not disregard or impair those factors which will make our future secure. Accordingly, the

legislation to which this hearing is directed must be carefully analyzed to be sure that it will not impair the proper climate for the innovative entrepreneur.

We in Connecticut and others throughout the country have carefully reviewed the legislation that has been proposed in this Congress and in the 88th Congress and in our judgment feel that the Patent Office bill, S. 730, contains several obnoxious sections which will impair the proper climate for the innovative entrepreneur. These obnoxious sections are the sections directed to the following:

1. Maintenance fees (secs. 5, 6, and 8).
2. Filing fee formula (sec. I, par. 1).
3. Final fee formula (sec. I, pars. 2 and 4).

In comparing S. 730 with its forerunner H.R. 8190, several changes are evident. On page 3, paragraph 9, the patent copy formula of the Dodd bill (S. 729) is adopted in S. 730. On page 3, paragraph 10, the formula of the Dodd bill for recording patent assignments is also adopted. On page 5, paragraph 11, S. 730 adopts the Dodd bill's formula for printed trademark copies. In paragraph 12, the Dodd bill's trademark assignment recording fee schedule is likewise adopted. These changes are all well and good but they do not meet the principal objections to H.R. 8190, now S. 730.

The so-called big change in the Patent Office bill, S. 730, is the change on page 9, subparagraph g, where the applicant has the option of paying a higher final fee in exchange for the payment of maintenance fees over the life of the patent. While this is sure to make more patent owners keep their patents in force, it will do so at the expense of a final fee of $200 or more. The reason is that the final fee formula under S. 730 will be $75 plus an additional $44 (at the very least) for printing costs, plus $75 for the so-called one-shot maintenance fee. The alternative will be for the applicant to pay at the very least $119 in addition to $300 in maintenance fees. These are exceptionally high increases from about $30 under the present schedule, without maintenance fees, to well over $200 and $400 under S. 730. More importantly, the entire maintenance fee procedure as outlined in S. 730 is ambivalent and will result in confusion not only for the inventor and his attorney but for the Patent Office as well.

In order to find out if a patent is in full force and effect for purposes of determining infringement risk questions, inquiry upon inquiry will be directed to the Patent Office on a single patent. The Patent Office must render status reports and maintain a special (new) register on all patents 17 years of age and younger. Assuming the present issuance rate of 50,000 patents per year, this amounts to a total of 850,000 patents.

While lapsed patents; that is, those for which no maintenance fees are paid, can be dropped from the list of currently subsisting patents, they must still be maintained as active references against future applications for patent. The maintenance fee therefore does not unclutter the art, either within or without the Patent Office, but it does make a lot of useless work necessary.

Finally, this particular fee, the maintenance fee, does not result in an immediate increase in income to the Patent Office. A reading of the maintenance fee sections of S. 730 on pages 6, 7, 8, and 9, as well as sections 8 and 9, will illustrate that it will take several years to reach the recovery forecast by the Patent Office. As presently advised by the Patent Office, the so-called one-shot maintenance fee; that is, the payment of $75 at the time of paying the final fee, will hopefully account for $4 million in revenue. The Patent Office has theorized that in following the $300 maintenance fee route, it is expected that $4 million worth of revenue would be eventually obtained each year, once the maintenance fees come into full force and effect, although during the hearings before this committee in the previous Congress it was indicated that the maintenance fee recovery would be no more than $2,877,000.

As such, there is great uncertainty concerning the recovery by the maintenance fee route and there is also great uncertainty as to the cost of administering this program in the Patent Office. Nevertheless, the Patent Office is willing to gamble the proper climate for the innovative entrepreneur on a reprehensible scheme for maintaining patents. It is suggested that the maintenance fee device of S. 730 promises too little for the sake of too much.

The effect of such a drastic fee increase by way of either the $300 maintenance route or the so-called one-shot maintenance fee ($75) will surely decrease the protection sought for inventions by those individuals and small companies who rely most heavily upon the patent system. More importantly, only the large corporations will be able to keep pace with the complications of the maintenance fee schedule.

Besides the maintenance fees, S. 730 prescribes a new filing fee formula, which, as mentioned during my previous testimony before this committee, is like the iceberg. It is significant not for what can be seen but for that which is unseen. To begin with, it is an attempted substantive law change under the guise of a fee bill. This is readily evident by reference to the bill itself; viz., sections 11 and 12 on pages 11 and 12 of the bill wherein the proponents of the bill have tried to raise the stature of the dependent claim. This is necessary because the filing fee formula of S. 730 penalizes the applicant $10 for each independent claim over one. As calculated by many practitioners, the filing fee will average at least $150, which means that the independent claim penalty is more significant than the base $50 fee.

During the course of the testimony before this committee in the 88th Congress, figures were submitted by the Patent Office to the effect that the average filing fee under H.R. 8190, now S. 730, would amount to $74. This estimate by the Patent Office is not based upon the practice as it now stands but upon what the practice may be in the future. Even by modest estimates the filing fee under S. 730 will exceed $150, based upon the practice as it now stands.

Be that as it may, a significant criticism of the filing fee formula of S. 730 centers around the confusion in figuring out what the precise filing fee is, both for the attorney and the Patent Office. Instead of just looking at the total number of claims and taking the excess over a fixed amount, more highly trained personnel must add up the number of dependent claims and the number of independent claims and then carry out the multiplication, using two separate bases, $10 for each independent claim over 1 and $2 for each independent or dependent claim over 10. In fact, the proponents of S. 730 have anticipated some problems in this connection; viz., the last sentence of paragraph 1, section I of the bill, which reads as follows:

"Errors in payment of additional fees may be rectified in accordance with regulations of the Commissioner."

Finally, S. 730 sets forth a new and controversial final fee formula which is set forth in paragraph 2, section I, and section 6g on page 9 of the bill. Again the final or issuance fee under S. 730 is not significant for what you can see, but for what is unseen. With technology becoming more and more complex and sophisticated, the Patent Office is becoming increasingly aware of the need to strictly enforce title 35 U.S.C., section 112, which prescribes that the patentee or applicant make a full, clear, and concise disclosure so as to enable any person skilled in the art to make and use the invention. On the other hand, paragraph 2, section I of S. 730 penalizes one who makes a full and clear and concise disclosure because for every printed page of the specification the applicant is surcharged $10 for each page. In addition, $2 is also surcharged for each sheet of drawing. As such, by many private surveys, the final fee, not including the so-called one-shot maintenance fee, will be around $175 for the most part, under S. 730. This contrasts with the survey made by the Patent Office wherein it is stated that the final fee will amount to only $119. This is hardly a proper estimate in view of the burgeoning increase in the size of disclosures submitted to the Patent Office in this day and age of technology.

In contrast to S. 730, Senator Dodd has (again) filed S. 729, which in the judgment of many practitioners, individuals and Congressmen, is a well-balanced bill. Senator Dodd's bill has no maintenance fees, a filing fee which is easy to calculate and which averages out to about $80 and a final fee which is easy to calculate and which also averages out to about $80. Senator Dodd's bill puts in several new fees in an effort to spread the burden of the increase over a wide range.

More importantly, however, Senator Dodd's bill raises the fees commensurate with the benefits obtained. For example, in connection with trademark fees, they have been increased to $85. This is certainly commensurate with the 20 years of positive protection by way of Federal registration.

Generally, trademarks are only applied for after they have been used in interstate commerce. Before applying for registration, a mark is cleared, checked, and after a considerable amount of artwork and advertising costs have been made in most instances, the trademark is launched. In the estimation of most trademark owners, the fees for registering a trademark are a "drop in the bucket" when compared with the advertising costs, etc., that are incurred in launching a new trademark. Hence the ability (and willingness) of the trademark proprietor to pay is much greater than in the case of a patentee.

More importantly, however, the benefits gained by Federal trademark registration are formidable. The trademark owner enjoys a greater privilege and obtains more of a special benefit by way of incontestable rights, as set forth in the Trademark Act, and therefore should be placed in a position to pay more money. Finally, the trademark owner is able to gain access to the Federal courts by Federal trademark registration and has the right to renew the trademark for additional 20-year periods, ad infinitum.

These are but some of the changes suggested to the present law by the Dodd bill, S. 729. All the changes have been carefully scrutinized and analyzed by Senator Dodd and his staff and by the Connecticut Bar Association and the Connecticut Patent Law Association, not to mention individual inventors and attorneys throughout the State and country. This bill is the result of the careful judgment on the part of all concerned to initiate changes which will not impair the climate for the innovative entrepreneur or to reduce the protection for invention in this country by those who rely most heavily upon such protection.

Accordingly, the fee recovery is gleaned from a wide range of fees but more importantly the fee recovery is immediate, and not tied to controversial and complicated schedules and formulas.

In checking over the various figures in connection with Patent Office fee recoveries, and especially those as appear on pages 50, 57, and 58 of the subcommittee hearings in the 88th Congress on S. 2547 and H.R. 8190, it became evident that there were some controversies in connection with the recovery of the Dodd bill. This was occasioned by the fact that, while the Patent Office dispensed 11,436,000 patent copies, it only received payment for 6,116,000 patent copies. Accordingly, the recovery under the Dodd bill as outlined on page 57 of the hearings before this committee in the 88th Congress must be corrected to a lower figure by $2,660,000. As such, the recovery under S. 2547, now S. 729 amounts to about $19,400,000.

Assuming the volume assumptions submitted by the Patent Office officials during the hearings on S. 2547 and H.R. 8190 in the 88th Congress, the changes in S. 730 would have the effect of raising the recovery of S. 730 over and above the recovery of its forerunner, H.R. 8190.

The change in patent and trademark assignment fees would reduce the income of S. 730 by a little over $500,000. However, the increase in the patent and trademark copy fees would add over $1,500,000 to S. 730, so that the net change in these fee changes alone would produce an additional $1 million in fee income under S. 730.

Assuming that the net recovery for the maintenance fees under the $300 maintenance fee route is anywhere from $2,877,000 to $4 million as calculated by the Patent Office, or that $4 million will be recovered through the payment of the so-called one-shot maintenance fee of $75, the net increase for S. 730 over H.R. 8190 would range anywhere from about $3,877,000 to about $5 million, bringing the recovery level under S. 730 anywhere from $22,300,000 to $23,400,000. This figures out to just about 75 percent of the Patent Office budget for 1965, which is close to $31,400,000.

Assuming that any alternative (bill) must meet the income level of S. 730, the suggested amendment proposed by Senator Dodd would amount to an immediate increase in the fee recovery under S. 729 of about $4,150,000, thus raising the fee income recovery under Senator Dodd's bill to over $23,500,000. This increase under S. 729 in the final fee to about $150 is still considerably lower than the combined maintenanec fee and final fee under S. 730, assuming either maintenance fee route. More importantly, however, it avoids the cumbersome and complicated maintenance fee procedures as outlined in S. 730.

As far as S. 1228 is concerned, which is the bill filed by Senator Tydings (by request), this particular bill is much like the bill of Senator Dodd, except that it does not spread the recovery over a wide range of fees. The patent fees are substantially increased with hardly any new fees interjected into the schedule. More importantly, the trademark fees under S. 1228 are increased very slightly in spite of the special benefits obtained by the trademark proprietors. In this sense the trademark fees of $45 under S. 1228 are too low.

It is hard to believe that the keeping of records, not to mention the processing of trademark applications, especially those where amendments are filed, as well as opposition, the sending out of the notice of allowance, the publication of the mark in the Official Gazette (for opposition), the republishing of the mark after it has been allowed, the sending out of notices in connection with section

8 affidavits and all of the various and sundry matters in connection with the processing of trademark applications, does not exceed $35, as prescribed by S. 730 or $45 as prescribed by S. 1228.

In any event, in reviewing S. 1228 and relating it to the volume assumptions on pages 50, 57, and 58 of the hearings on S. 2547 and H.R. 8190 in the 88th Congress, the recovery under S. 1228 only approximates the recovery under the Dodd bill (unamended), that is, about $19,500,000.

In conclusion it is submitted that what the Congress does in connection with Patent Office fee legislation is most important to the economic well-being of the country. Those innovative entrepreneurs who have the foresight to invest capital and employ labor in new industries must not be discouraged because of ill-advised and oppressive (patent) fee legislation. The tax dollars realized from the new industries far outweigh the fee recovery under a Patent Office fee bill. All over the world economists are finally realizing the importance of the patent system in the economics and well-being of a nation, the Soviet included. It is shocking to think that a country with a $100 billion budget should accept any bill which is not sound and in keeping with this country's strategy for change.

Accordingly, it is respectfully submitted that this committee approve and favorably report to the Senate of the United States the bill of the Honorable Senator Dodd. S. 729.

Senator McCLELLAN. Very well, you may proceed.

Mr. DELIO. The other two obnoxious features of S. 730 are the filing fee formula which is section 1, paragraph 1, and the final fee formula which is section 1, paragraph 2. Both, in essence, are underlying substantive law changes under the guise of a fee bill. Here again this is radical surgery.

At the conference of the Department of Commerce it was said that there are many things that must be done and that they are going to proceed with a facelifting of the patent system. I think it is premature at this time, especially since we are not developing enough of the dialog, to go ahead and make these two changes.

Senator McCLELLAN. Point them out to us, the two you are speaking of.

Mr. DELIO. S. 730, section 1, pargaraphs 1 and 2.

Senator McCLELLAN. Very well.

Mr. DELIO. The first is the formula which is based upon $10 for each independent claim in excess of $1 and $2 for each independent or dependent claim over 10.

To begin with, it will increase the administrative cost in the Patent Office. No longer will an individual who is just a clerk, or one who is not familiar with the difference between independent and dependent claims, be able to look at the application as filed, observe the numbered paragraphs (claims) at the end, therefore, and quickly determine the filing fee. Say, as in the present law, there are 24 claims in the application, there is merely one surcharge for every claim over 20—under S. 730 he must make a determination and tabulation of independent claims on the one hand and the total number of claims on the other hand, and then apply a different dollar schedule.

My secretary pretty much figures the filing fee, because it now is so easy; she can add as well as I can. Under S. 730 I don't think I would leave that to her and this is a most serious thing, because if you fail to pay the correct fee you can put your filing date in jeopardy and if your filing date is in jeopardy at the end of the statutory period you might even lose your patent rights.

The proponents of S. 730, the Patent Office, have even anticipated that errors would be made and have put in the last sentence of para-

graph 1 the statement, and I quote, "such errors in payment of the additional fees may be rectified in accordance with regulations of the Commissioner."

Senator McClellan. Would you suggest, for each claim, no matter whether independent or otherwise, just a flat fee?

Mr. DeLio. Just like the schedule in Senator Dodd's bill. Here we have a fixed charge of $70, and that is why it is a little higher than the $50 charge under S. 730, and then for each claim in excess of 10, we have a surcharge of $5. All we have done in S. 729 is to up the rates, but not the underlying formula.

We have an entirely new formula under S. 730, which is not uncomplicated.

In addition, as I have testified in the hearings last year, there is some question about the worth of the dependent claims. I think it is a good idea eventually to go to the use of more dependent claims, but this will require a little more development of the dialog in connection with claim drafting and claim interpretation techniques. I think that unless this is spelled out in a substantive law bill where the issues would be really pointed out, the courts would not have enough dialog to know the intent of the Congress. I think it is bad to just dump things in the hopper and radically change things. This is radical surgery under the guise of a fee bill, and in support of this proposition I say that the Patent Office has put in two sections to clarify the point. I think one of them is new in S. 730, I don't know which one, I haven't compared the bills exactly, without belaboring the point, they know there is a problem. On pages 11 and 12 of S. 730 there are two sections, sections 11 and 12, which is an attempt to upgrade the dependent claim in the eyes of the courts by putting in substantive law changes into the patent statute at section 112.

But there is one other thing that is sort of radical surgery in connection with this bill, which I think your committee should be aware of, and that is, section 1, paragraph 2 of the bill, S. 730, the issuance fee. Here the fee is $75 in addition to $10 for each page of specification and $2 for each page of drawings. By the estimates of the Patent Office, which are very modest and which do not jibe with some other individual and private estimates, the final fee, or issuance fee will run around $115—by other figures it runs anywhere from $150 to $175. With disclosures becoming more lengthy, this figure will go up as we go along. In other words, there will probably be a surcharge of at least $70 or $80 in the future, so that the final fee of and by itself under S. 370 more realistically is in the $150 category right now.

This is another underlying substantive law change because under one section of the present statute, I believe this section is 35 U.S.C 112, the inventor must make a full, clear, and concise disclosure. If he makes it too full and too concise he will be penalized. As such there would be a tendency to make the disclosure as small as possible but this would put the patentee in the position of taking a chance of not disclosing enough or being surcharged for so doing.

This is a very important point because of the underlying basis of our patent system, which is that one make a full disclosure so that one skilled in the art in reading the patent can practice the particular invention. Here I think is another underlying substantive change and I don't think it should come under a fee bill as it is here.

In contrast, in Senator Dodd's bill as amended, we produce at least $23½ million according to the figures from the Patent Office. Their estimate is a little higher than ours. We are using the old basis volume assumptions as appear in the record of the hearings before this committee in the last session of Congress. This is a much more modest estimate.

In any event, under Senator Dodd's bill, S. 729, we don't have maintenance fees nor do we have any complicated filing or final fee formulas. It is straightforward, it is not going to add any administrative expense or uncertainty into our patent system. It is just a straight increase and it is not breaking new ground.

Finally, I should like to state that there has been much said about the trademark features of the Dodd bill. Certain groups have been against it, and this has been unfortunate. The Dodd bill trademark fees in toto are $85. I think that Senator Dodd touched upon this. The benefits that the trademark owner obtains are much more substantial and much more positive than those obtained by patent owners.

The patent owner only gets the right to exclude others from making, use and selling his invention. He doesn't get the right to make his own invention or sell it or use it himself. He gets a negative right. Whereas, once you go through the Patent Office, with your trademark application, you get some pretty positive rights. After 5 years, by the filing of a suitable affidavit, these rights become incontestable, and cannot be challenged on certain grounds.

There is a much greater benefit given to the trademark owner. In addition a trademark registration is renewable. In 17 years a patent is finished regardless of whether you have made money or lost it, you have had it.

In addition, and I think more importantly, a trademark is launched in connection with a going business. Before you can obtain a Federal registration you must apply the trademark to the goods—to this loud speaker [pointing], if you will—and ship it in interstate commerce. After you have done this you can then apply for Federal registration. The filing of a trademark application is not very difficult and attorney's fees are rather slight in comparison. Utilizing the trademark, the cheapest way, by putting it on a carton, one my spend $1,000 or $2,000 in art work for the trademark. If you weren't serious about the whole thing you wouldn't even be attempting to go to all this trouble, so I say that since you are getting a much more positive benefit and since those who are seeking it have a greater ability to pay, and are willing to pay, they should pay, I think it is one of the biggest bargains they get out of the Patent Office. I don't think that the Congress should be beclouded by statements which say that this operation cost so much and we should not subsidize this or that. Everything is subsidized today.

I can't believe it takes just $35 to process a trademark application. Last year, as you remember, Mr. Chairman, I pointed out that I thought that the cost of patent copies was much in excess of 25 cents. At the time, and it is in the testimony, people from the Patent Office said this is not true, that the 25 cents covered the cost. Now they have had a little revaluation, and have done a little rechecking and a little more careful looking (since the point was raised) and we find that 50 cents is fine, and it just so happens it makes up for the increase

in the salaries given to the Federal employees—which I am for. Is it just coincidence here?

Senator McCLELLAN. Let me ask you this, just flatly—and I think it is something that can be dealt with directly—do you favor making the trademark fees more than is necessary for supporting the trademark division of the office and using the surplus to defray the expenses of the patent operation of the office?

Mr. DELIO. Yes, I do, and the reason is, by doing so, you are not going to affect the protection of trademarks, but if you go up just a little too high in connection with these patent fees, you are going to discourage the protection of inventions in this country. It is not only important that invention take place, as some of the economists who appeared before the aforementioned conference pointed out, it is also important that the invention be protected. We must make sure we protect the most we can, because as one individual pointed out even the Russians are interested in the protection of inventions in this country. I don't think we should do anything which will discourage our local people from inventing because they are not being subsidized as they are in the Soviet Union.

On this point I would say that the real problem in connection with this whole matter, is that eventually there will be greater appropriations for the Patent Office because they have a terrible backlog. The backlog is running, from what I hear, 220,000 patent applications. There are many reasons for it. Disclosures are becoming more lengthy, technology is more complicated, more sophisticated, and this requires longer times to examine applications. In any event in an effort to obtain more funds we see nothing wrong with surcharging the trademark operation, to prevent patent fees from getting too high.

I think that everybody agrees that fees should be increased, there have been increased costs, but we shouldn't go about it in such a way as to really making underlying changes in the law. The Patent Office has some problems, and they think that S. 730 will solve their administrative problems. It is not merely more dollars. Probably a 50-percent increase in examiners, and a cutting down of the turnover of the examiners which is 20 percent in the mechanical arts and 50 percent in the more complicated and the "hot" arts, would do more. These are the things that will help them. This bill involving the independent claim change is not going to help them out.

Finally, from the figures that were given at the conference, the Patent Office is keeping pace with the applications filed by U.S. citizens, but what has put the Patent Office deeper and deeper "in the hole" on this backlog has been increased filing of applications in this country by foreign entities. I think last year 17,000 foreign applications were filed by the Commissioner's figures.

While this backlog is important to some extent, it is not the only thing. As you know we have an examination system in this country, which all of the people who appeared at the conference felt was important and necessary. With it there is a certain minimum amount of backlog that is built into the system automatically. You cannot issue applications, by the Commissioner's own statements at the conference, much earlier than 18 months to 2 years under any examination system.

Senator McCLELLAN. What has that to do with the charge for trademarks? You have talked about foreign patent applications. What does that have to do with the trademark fees being excessive so as to apply them to the patent operation?

Mr. DELIO. There will be a growing burden to recapture more in those areas like trademark fees because the costs in the patent area, Mr. Chairman, are going to continue to go up. I mean, there are many pressures on this upward trend.

Senator McCLELLAN. I think that may be true, perhaps they will continue to go up, but I am still trying to find the logical reason why the increased cost of patents should be assessed against trademarks.

Mr. DELIO. Well, because the benefits that are obtained by trademark registration have to be termed "special benefits," whereas the benefits obtained under the patent laws which are administered by the same agency are just plain benefits, period. You get access to the Federal courts when you obtain a trademark registration. This is one great reason why many people take out a Federal registration even though they obtain State registrations. They get more leverage. In addition, as far as is possible, you put everybody on notice in the United States and anyone who adopts your mark after it has been published and registered on the register has a tough road to hoe if he later adopts the same mark. You get some very special benefits by having your mark on the register under the Trademark Act.

Senator McCLELLAN. You think they should be charged something in excess of the cost to the Government because you say they get some special benefits?

Mr. DELIO. Yes, sir.

Senator McCLELLAN. You are proposing to charge them a fee in excess of the cost of providing them the service, because, you say, they get a special benefit; is that correct?

Mr. DELIO. Well, yes, in other words the benefit that they are getting by reason of the Trademark Act is a much different benefit than that gotten by one who obtains a patent, and the trademark proprietor has the ability to pay. It is just like your graduated income tax. I think that supports my proposition. Those who make $5,000 pay 20 percent and those who make more pay more.

Senator McCLELLAN. I don't know if it is analogous to the income tax. If it were put on the basis that the more he makes out of a patent, the more he would pay, that would be analogous to the income tax. But to say that because a fellow gets something out of the trademark, some greater benefit out of the trademark, he ought to be taxed to help pay for the patent issued, where the patentee gets his benefit. I don't quite follow that.

Mr. DELIO. Well, I will just say this, that as I read some of the statements, the underlying basis for increasing these fees, as far as the President's statement in his message to the Congress is concerned, is that those people who get special benefits should bear a greater burden of the cost. All I am trying to say is that in the trademark area they are getting a very special benefit and they ought to pay a greater share of the cost.

To separate the trademark operation out of the patent operation, is like trying to divorce the budget of the District of Columbia from the Federal budget—it is all part of the same thing. You can break it down, and there are some things where you make money and others where you don't but it is still part of the same budget.

Additionally, they—the Patent Office—have not made any statement about the assignment cost. The assignment cost, even under S. 730, far outweighs the cost of that particular service. So they haven't been consistent there.

Senator McCLELLAN. There may be lots wrong with the amendment, or the manner in which either of these bills attempts to raise the money on patents, there may be some inequities, and there may be grounds for argument. The principle involved, however, is in assessing trademark applicants a fee in excess of the cost to the Government, so that this excess may be applied to the cost of operating the Patent Department. That is the thing that raises the question.

Mr. DELIO. I understand.

Senator McCLELLAN. I wanted your explanation—what you have to say in support of that position.

Mr. DELIO. There is no difference in subsidizing some other part of the operation by heavy trademark and patent assignment charges of S. 730. I mean, it is the same principle. What I am saying is, that in this same bill, S. 730, while the Commissioner made much of the point about subsidizing the patent side by way of higher trademark fee, he has failed to point out that subsidizing is going on under another section of this same bill, S. 730. I don't understand.

Senator McCLELLAN. He hasn't raised the question with me. I am rasing the question with you.

Mr. DELIO. In summary, I would say that the Dodd bill is straightforward, it is a facelifting of the fees, there are no attempted substantive law changes being made, it "ups" the fees on an average from the $60 level under the current law to around $240, whereas under S. 730, by modest estimates it is over $400, taking the section 6–G option, and close to $600 going the $300 maintenance fee route, with a lot of complications in the formulas for filing, issuance, and maintaining.

Hopefully, and respectfully, I urge the committee to give careful consideration here to the alternative S. 729 introduced by Senator Dodd because it produces the same level of income, 75 percent, and, perhaps, even greater, by Patent Office records. We don't have to wait 9, or 13 years, by the testimony of the Commissioner. It, S. 729, gives us the recovery immediately and it does it in a way which is not radical surgery, as I say, but straight facelifting.

Thank you very much, gentlemen.

Senator McCLELLAN. Thank you, very kindly.

The Chair would like to run another 15 or 20 minutes. Maybe we can take another witness.

The next witness is Mr. Schuyler. Come around, Mr. Schuyler, please, and identify yourself for the record.

STATEMENT OF WILLIAM E. SCHUYLER, JR., ON BEHALF OF THE AMERICAN BAR ASSOCIATION, WASHINGTON, D.C.; ACCOMPANIED BY JAMES TOOMEY, OAKLAND, CALIF.

Mr. SCHUYLER. Mr. Chairman, I am William E. Schuyler, Jr., of Washington, D.C. I am representing at this hearing the American Bar Association. Mr. Arnold, the chairman of the section of patent, trademark, an copyright law, was in Washington yesterday but had to return to Houston to be in court there this morning.

Sitting beside me is the chairman-elect of that section, Mr. James Toomey, of Oakland, Calif.

Senator MCCLELLAN. Very well. The committee is glad to have you gentlement appear before us. Do you have a prepared statement?

Mr. SCHUYLER. Mr. Chairman, we have a statement we would like to submit for the record.

Senator MCCLELLAN. The statement will be received and printed in the record at this point. You may highlight it and make any comment you wish.

(The prepared statement of William E. Schuyler is as follows:)

STATEMENT OF WILLIAM E. SCHUYLER, JR., ON BEHALF OF THE AMERICAN BAR ASSOCIATION WITH RESPECT TO S. 730 AND S. 1228 TO FIX FEES PAYABLE TO THE PATENT OFFICE, MARCH 3, 1965.

Mr. Chairman and members of the subcommittee, my name is William E. Schuyler, Jr., of Washington, D.C., a partner in the law firm of Browne, Schuyler & Beveridge, having offices in the Federal Bar Building. I appear before this subcommittee on behalf of the American Bar Association and am a former chairman of its section of patent, trademark, and copyright law. At the present time the American Bar Assiociation has over 118,000 members.

Positions of the American Bar Association concerning Patent Office fees were presented to this subcommittee on September 4, 1962, with respect to S. 2225, 87th Congress, and on February 27 and 28, 1964, with respect to S. 2547 and H.R. 8190, 88th Congress. Official resolutions adopted by the House of Delegates of the American Bar Association concerning Patent Office fees are set forth in the statement submitted with respect to S. 2225, 87th Congress.

The American Bar Association endorses S. 1228, introduced by Senator Tydings, because S. 1228 is consonant with the official positions adhered to by the American Bar Association for several years. Enactment of S. 1228 will produce more income to the Patent Office during at least the next 10 years than either S. 729 or S. 730. S.1228 will produce the revenue by continuing tested methods of computing Patent Office fees.

Two major differences between S. 730 and S. 1228 are:

(1) The method of computing Patent issue fees, and (2) maintenance fees.

Problems inherent in these two innovations in methods of computing fees are emphasized by the extension amendments to the patent statutes as set forth in sections 4, 5, 6, and 8 (pp. 5–10) of S. 730. Contrasted with the complexities of S. 730, S. 1228 will initially provide more income by simple amendment of the fee schedules in the statutes.

ISSUE FEES

The American Bar Association opposes computation of issue fees on the basis of counting the number of pages of the patent because it provides an unwieldy system by which the Patent Office must first, estimate the issue fee, second, collect that estimated issue fee from the applicant, third, compute the exact issue fee after the patent is printed, and fourth, collect the balance of the issue fee from the applicant, all as set forth in sec. 4 of S. 730 which revises section 151

of title 35, United States Code. Contrasted with this cumbersome and expensive scheme for computing fees, S. 1228 provides an increase in established issue fees which the executive branch now desires to change.

MAINTENANCE FEES

While S. 730 gives the applicant the option of paying an additional $75 issue fee instead of maintenance fees spread over the life of his patent, the American Bar Association objects to the inclusion of maintenance fees for two major reasons.

First, extensive amendment of title 35, United States Code as set forth in section 6 of S. 730 will introduce innovations in the patent laws at a time when the entire patent statute is under careful study by the Legislature, the executive branch, and private interests with the probability that extensive revisions will be made in a few years. Two proposals under active consideration which would obsolete maintenance fees are:

(1) A deferred examination system which would delay the issuance of some patents for more than 7 years and shorten the remaining term, would no accommodate maintenance fees payable on the 5th, 9th, and 13th year.

(2) Computation of the term of a patent from its filing date would likewise nullify the proposed 5th, 9th, and 13th year fees.

To introduce maintenance fees into the law while studying proposals that may obsolete the fees before any of them are collected will needlessly complicate the system.

Second, the option of paying a $75 issue fee is negotiable. Maintenance fees paid over a period of 13 years will amount to $3,589,000 per year after the 13th year; if everyone paid the proposed $75 option income would be $3,712,500 beginning the 1st year. Hence S. 730 penalizes those who desire to pay the $75 optional fee. A more equitable optional fee would be $60 to $65 to produce about the same estimated income considering that it is paid as much as 13 years in advance.

COMPARISON OF ESTIMATED INCOME S. 730 AND S. 1228

Attached to this statement is a tabulation of the estimated income under S. 730 compared to the estimated income under S. 1228. During the first year, the Patent Office estimates an income under S. 730 of $20,528,000. At the end of 13 years estimated income from maintenance fees will increase the annual income to $24,117,000. Under S. 1228, the estimated income the first year and every year is $22,139,000. If S. 1228 were amended to provide the same fees for trademark affidavits and for copies of trademark registrations as is provided in S. 730, section 3, items 3 and 11, the estimated income each year under S. 1228 would be $22,276,000. Assuming a uniform increase in the fees collected under S. 730 from $20,528,000 in 1966 to $24,117,000 in 1979, it will be 1973 before the annual income under S. 730 equals the annual income under S. 1228 and it will be 1979 before the total income accumulated under S. 730 equals the total income accumulated under S. 1228.

S. 1228 provides what is considered a reasonable fee of $10 for recording each assignment, whereas S. 730 would charge $20. This represents a difference in income of about $500,000 a year. If these fees were made equal in the two bills, it would take several more years before the collections under S. 730 would equal collections under S. 1228.

CONCLUSION

In conclusion, the American Bar Association recommends enactment of S. 1228 to continue the present methods of collecting fees during this period while the entire patent system is being scrutinized and substantial changes are being contemplated which will themselves affect the methods of collecting fees. Alternatively, the American Bar Association recommends amendment of S. 730 to eliminate the cumbersome method of computing issue fees and to eliminate maintenance fees which are actually taxes on the issued patent.

Comparison of estimated income under S. 730 and S. 1228

[In thousands of dollars]

Fee	S. 730	S. 1228
Initial, patent	$6,586	$8,455
Issue, patent	5,692	5,455
Reissue	23	23
Initial, design	100	200
Issue, design	84	110
Initial reissue	13	17
Disclaimer, patent	1	1
Affidavit patent:		
Filing	350	700
Brief	350	350
Petition to reissue	11	15
Petition to delay fee	3	4
Certificate, patent	6	8
Copies:		
Patent	3,236	3,236
Trademark	68	51
Recording assignments:		
Patents	1,260	660
Trademarks	96	63
Initial, trademark	910	1,170
Affidavit, trademark	120	
Petition to reissue trademark	2	2
Certificate trademark	3	4
Certificate of correction trademark	3	4
Disclaimer trademark (less than $500)		
Fees not changed	1,611	1,611
Total	20,528	22,139
Maintenance fees (after 13 years)	3,589	
Total	24,117	

Mr. SCHUYLER. To be very brief, Senator, because the subcommittee has our testimony in hearings during the 87th and 88th Congresses——

Senator MCCLELLAN. Your testimony there has been made a part of this record by reference and will be available for committee consideration.

Mr. SCHUYLER. At that time the Amerian Bar Association was not endorsing any legislation because we felt it was the province of Congress to decide how much revenue should be collected and during, particularly, the hearing in the last Congress, it appeared that something of the order of two-thirds of the cost of operating the Patent Office would be a reasonable total amount of fees to be collected.

Senator MCCLELLAN. That two-thirds, that is what I had in mind this morning. We did have that before us when we had the hearings before.

Mr. SCHUYLER. I think the record would reflect, Senator, that you referred to two-thirds in the previous hearings.

Senator MCCLELLAN. I know I had it in my mind this morning.

Mr. SCHUYLER. There was talk with due respect to the Commissioner, Mr. Benner, there was talk of 75 percent also, but we did specify two-thirds, as I recall, at some stage. Having that two-thirds in mind, the American Bar Association submitted proposed legislation to Senator Tydings, which he has introduced at the request of the American Bar Association and is before the subcommittee as S. 1228.

The American Bar Association endorses S. 1228 because it will raise something of the order of two-thirds, we believe a little more than two-thirds, of present costs. It will raise immediately $2 million more than the proposal of S. 730. It will raise during the next 10 or 12 years a total accumulated amount more than S. 730, the reason being

that the full realization of the fees proposed by S. 730 will not be accomplished until 13 years from the time it is enacted.

S. 1228, we believe, satisfies almost everyone who has appeared before this committee except representatives of the executive branch. It is much in line with Senator Dodd's proposal, but does not make an additional charge in the trademark operations.

Senator McClellan. I would like for you to comment on that. You don't favor that? That is, you are not recommending that at this time, at least?

Mr. Schuyler. We believe that the fees collected by the Patent Office—at least, we support the administration to the extent that fees collected by the Patent Office should be apportioned among those who are using the service in some proportion to the service rendered.

For that same reason we believe that those who apply for a patent should bear a little more of the cost than S. 730 would propose.

But the trademark fees, and the patent fees, proposed by S. 1228, Senator Tydings' bill, in all respects are designed to charge those who use the services of the Patent Office something which is in proportion to the services that are rendered by the Patent Office.

Senator McClellan. Would you favor then the increasing of trademark fees to a point where it would produce revenues in excess of the amounts of the cost of providing the service?

Mr. Schuyler. No; that is contrary to our position.

Senator McClellan. That has been one of the questions raised so far.

Mr. Schuyler. Yes, sir.

Senator McClellan. Go ahead and comment on the other advantages of S. 1228.

Mr. Schuyler. Well, S. 1228 has been criticized this morning by previous witnesses in only two respects. First it would charge every applicant before the Patent Office when he files his application about $20 more than S. 730 would charge him.

The theory of S. 730 seems to be that a larger proportion of the cost of the service rendered should be paid by those who are successful in obtaining a patent as compared to those who apply for a patent and fail to obtain it.

Senator McClellan. Which bill takes that theory now?

Mr. Schuyler. S. 730, I believe.

Senator McClellan. Would charge more for those who are successful than for those who apply and fail?

Mr. Schuyler. Yes. We would suggest increasing filing fees above the average cost of S. 730. Under S. 730 the average applicant would pay something like $74, according to Mr. Brenner's testimony this morning.

Senator McClellan. An increase of that much?

Mr. Schuyler. No; this would be the total. When you apply for a patent, S. 730 provides for a basic fee of $50, plus some special fees for claims, and Mr. Brenner's statement indicated that the average applicant, using this formula, would pay $74 when he applies for his patent. Using the same basis of computation the average applicant, following the fee proposed by Senator Tydings, S. 1228, would pay $95. That is the difference in filing fees of $20, and that has been criticized this morning as penalizing the smaller inventor.

We don't think that $20 difference in today's economy is that kind of penalty, and we would favor charging all applicants most of whom can well afford to pay for it, this additional $20 rather than charging the successful ones something of the order of $50 or $75.

Senator McCLELLAN. Do you know what percentage of the applicants are rejected?

Mr. SCHUYLER. I think the figures are something like 80,000 or 85,000 applications and I think it is about 50,000 patents issued—but I am sure the Patent Office people sitting in the room could say.

Senator McCLELLAN. Do we have someone here representing the Patent Office who would supply that right now?

Mr. McCLURE. The figures supplied by Mr. Schuyler are essentially accurate. We estimate with respect to fiscal 1965 it will be in the order of 89,000 applications as against 55,000 allowances, Mr. Chairman.

Senator McCLELLAN. Thank you. I thought we might put it in the record at this point. Go ahead.

Mr. SCHUYLER. The only other criticism of S. 1228 that I heard was that it did not include the changes in the substantive law which are in S. 730 and which Senator Dodd has objected to. S. 730 includes sections 4 through 7 running from page 5 to page 10 which either change or add to the present substantive patent statute.

One of these changes is in the way in which a patent is issued. Mr. DeLio expounded upon that. I would only suggest that under S. 730, when a patent is ready to issue, the Patent Office notifies the applicant, and in so doing it must estimate the approximate issue fee which the applicant will owe. The applicant in step No. 2 must then pay that estimated fee, and after he pays it his patent is printed and delivered to him, and then the Patent Office must compute the second time an exact issue fee according to the complicated formula of item two in section 1 of S. 730, and further, the Patent Office must notify the applicant of this second computation and collect the difference between what he pays the first time and what he paid the second time.

Senator McCLELLAN. Or reimburse him for the overestimate?

Mr. SCHUYLER. If they should overestimate it; yes, sir.

Senator BURDICK. May I ask a question?

Senator McCLELLAN. Senator Burdick.

Senator BURDICK. You referred to it as a complicated formula.

Mr. SCHUYLER. As compared to the present fee. I refer to item 2 of section 1, which is on page 2 of S. 730, and it provides that on issuing a patent, except in designs, $75, and then in addition, $10 for each page of the specifications of the patent, and $2 for each sheet of the drawing.

Senator BURDICK. Is that complicated?

Mr. SCHUYLER. As compared to today as Mr. DeLio pointed out, today the Patent Office really doesn't make any computation, they send a form letter to the applicants which says that the applicant must pay $30 as a final fee, and if he has more than 20 claims he must pay, I forget whether it is $1 or $2 for each claim in excess of 20, and the applicant makes that computation himself and remits the amount.

As compared to that I think the proposal is complicated, Senator Burdick; yes, sir.

Senator BURDICK. I am surprised, because we are both lawyers, and we pay everything by the folio and page, briefs, records, depositions, everything, that is not unusual.

Mr. SCHUYLER. Well, there is, however, a bill sent to us, and we pay the bill. Under this formula we would pay an estimated bill and then it would be recomputed because in printing the number of pages may change and it would cause a change in the estimate.

Senator BURDICK. I don't think that is major.

Mr. SCHUYLER. I don't think it is too much, it is going to be peanuts insofar as money is concerned, but I think it is a difficulty that will be included here.

As one other feature to the issue fee, and Mr. Brenner made special reference to it, that the proposal, the proposed change in the way the patent is issued, would shorten the time that an applicant has from the time his patent application is allowed until he can pay this fee.

I explained this in the testimony last year, that there is now a 6-month period that is available to the applicant, and he uses that to determine several things. One, should he pay his fee at all, and get his patent; second, are there any related patents which he must take action on before issuing; and third, divisional or continuing applications—and this gets into technicalities of patent law—but these decisions are crucial, and to reduce the time that he has to make them is a change in the law which we think should be taken up as a change in the law and not a change in the fee bill.

The other section that I have—I have deferred this to the end—that would change the substantive law, is the matter of paying maintenance fees, or optionally paying $75. The position with respect to maintenance fees is unchanged. Those of us who are exposed to this see difficulties if anyone issues a patent under the maintenance fee structure. Those of us who are concerned about issued patents of other people will be burdened to find out whether or not the patent is still alive.

This sounds easy, but to go and look up every time, we might have 50 patents in a situation, and to ascertain the exact term with respect to each one of them, will afford difficulties. This is complicated by the very equitable provision of the statute to permit the person who is impoverished to defer payment of the fee.

We don't take issue with the intention, but the result is to place an extreme burden on the person who is concerned about the patent. He must make a careful examination of some original records in the Patent Office to ascertain whether or not that patent is still alive in order to determine whether or not he infringes that, and I can conceive of a situation where a new product may be coming on the market and is deferred from coming on because the manufacturer is going to wait for the patent owner to let his patent, perhaps, lapse for failure to pay a fee.

If it has 6 months to run, we might well advise your client to wait 6 months rather than to negotiate a license.

So we believe that, for those reasons, those major reasons, and others, that the maintenance fees should not be brought into the statute at this time, particularly where this committee, and the imminent appointment of a Presidential commission, may be reviewing changes in the substantive law and maybe recommending such changes.

It is our feeling that a change which maintenance fees incorporate should be considered in conjunction with other changes.

So I personally—and I depart from the American Bar Association position because they have not had an opportunity in their mechanisms to consider the option of the $75—I personally think that that is a fair compromise. I think that to adopt it at this present time might be the wrong thing to do, because it could be incorporated in other substantive changes; but the approach made by Secretary Hollomon in proposing the option seems a fair thing to do.

We think it still will give us headaches, not with respect to our own clients in deciding which fee to pay, but with respect to our clients who are concerned about whether a patent is still alive or not, because of the complications brought in by the maintenance fee.

Senator McCLELLAN. With respect to this maintenance fee, you think, generally, in theory, that the alternative approach is fair and equitable, but you do feel that even then there will still be a burden placed upon those who find it necessary to ascertain whether a patent is still in force?

Mr. SCHUYLER. I think that will still be a major problem; yes, sir.

Senator McCLELLAN. And that is the big problem, as you see it?

Mr. SCHUYLER. That and the question of the timing. I question the timing of introducing maintenance fees into the statute when other changes——

Senator McCLELLAN. I understand, you think it should be done in another bill and not in a fee bill?

Mr. SCHUYLER. Yes.

Senator McCLELLAN. But generally the proposal you think is fair and equitable, except that you do foresee a burden placed upon those, particularly, who find it necessary to ascertain whether a patent is still in effect?

Mr. SCHUYLER. This was my personal feeling, Mr. Senator. The American Bar Association hadn't considered that alternative.

Senator McCLELLAN. I understand that. I respect your opinion.

Mr. SCHUYLER. Thank you.

Senator McCLELLAN. You have something to contribute, you have an interest, and I wanted to get your opinion. I am uncommitted on all this. I just want to get the best information that is available to us from people who are experienced and competent.

Very well. Senator Burdick?

Senator BURDICK. Apparently your solution is simply to raise the present fees?

Mr. SCHUYLER. That is right, Mr. Senator.

Senator BURDICK. Make the bill a little larger for the inventor?

Mr. SCHUYLER. Well, any change is going to make the bill larger for the people that are getting the patent.

Senator BURDICK. There seems to be two types of inventors, those who have support from business, and who have considerable assets behind them, and then there is the small man, that I am more familiar with, call him a one-legged inventor, where a fee means something.

Mr. SCHUYLER. Many of our clients are in that category, Mr. Senator.

Senator BURDICK. I am sure that was the story behind the alternative proposal of the alternative of taking the straight fee or taking the maintenance fee route. I think that was the reason for it.

Mr. SCHUYLER. Well, this has been expressed as the theory, but only by the Government representatives. We are representing the American Bar Association and the patent lawyers are the only people that have been here who have voiced an opinion for the small inventor, I believe, because they are our clients. True, we represent industry too, but I would like to suggest——

Senator BURDICK. Who speaks for that small inventor that is out in the hayloft on the farm in North Dakota?

Mr. SCHUYLER. I think only his lawyer can. I believe what we propose is more acceptable to him in the long run than the other proposal.

Senator MCCLELLAN. Thank you, gentlemen, very much.

The committee will stand in recess until 2:15.

(Whereupon, at 12:15 p.m., the committee was recessed, to reconvene at 2:15 p.m. on the same day.)

(Subsequently the following was received and by order of the chairman inserted at this point:)

BROWNE, SCHUYLER & BEVERIDGE,
Washington, D.C., March 8, 1965.

Re S. 720 and S. 1228.

Hon. JOHN L. MCCLELLAN,
Chairman, Subcommittee on Patents, Trademarks, and Copyrights, Committee on the Judiciary, U.S. Senate, Washington, D.C.

DEAR SENATOR MCCLELLAN: In my testimony before the subcommittee on March 3, 1965, I indicated that in my personal opinion the optional payment of $75 or maintenance fees totaling $300 as proposed in S. 730 is a fair compromise. This statement was intended to refer to the optional payment of a fixed fee as a matter of principle, but not to agree that the fee of $75 is a fair option.

In my prepared statement I pointed out that if all applicants elected to pay the fee of $75 instead of maintenance fees, the fees collected would exceed by $150,000 the estimated collections of maintenance fees. Moreover, the fees collected would be collected immediately and not over a period of 13 years. Hence, S. 730 would collect more from those who elected to pay the fee in advance. To state it another way, S. 730 seems designed to encourage people to pay maintenance fees rather than a fixed fee at the time the patent issues.

If the optional fee were changed from $75 to $60, the optional fee provision of S. 730 would then, in my personal opinion, be a fair compromise as a matter of principle and also with respect to the dollar amounts involved.

Respectfully,

WILLIAM E. SCHUYLER, JR.

AFTERNOON SESSION

Senator MCCLELLAN. The hearing will be in order.

Mr. BRENNAN. Mr. Chairman, our first witness is Mr. W. Brown Morton, Jr., president of the American Patent Law Association.

Senator MCCLELLAN. Come around, please, sir.

All right, Mr. Morton, I note you have a prepared statement. Please identify yourself for the record first, and then tell us whether you wish to read your statement or insert it in the record and highlight it.

STATEMENT OF W. BROWN MORTON, JR., PRESIDENT, AMERICAN PATENT LAW ASSOCIATION

Mr. MORTON. Mr. Chairman, I am W. Brown Morton, Jr., president of the American Patent Law Association, and a resident of Virginia, and a partner in a law firm in Washington.

I have prepared a detailed written statement. I would prefer, I think, in the interest of expedition, that the statement be printed and that I will highlight it.

Senator McCLELLAN. Very well. Let the statement be printed in the record in full at this point.

I notice you have an attachment to it containing many figures and compilations. Is this material in support of your statement?

Mr. MORTON. Yes, Mr. Chairman. There are five exhibits. One is a draft of a proposal—two of them, exhibits A and B are drafts of proposals for amendment of S. 1228, to make it what we think is a preferred solution.

Senator McCLELLAN. Very well.

Mr. MORTON. Exhibits A and B are draft amendments.

Senator McCLELLAN. Let exhibits A and B be printed in the record immediately following your prepared statement.

Now, what is the other material?

Mr. MORTON. Exhibits C, D, and E are tabular comparisons of the fees and revenues anticipated to be raised by them, in the several proposals before this subcommittee.

Senator McCLELLAN. All right. Let those table exhibits be printed immediately following the proposed amendments to this legislation.

(The material referred to follows:)

STATEMENT OF W. BROWN MORTON, JR., ON BEHALF OF AMERICAN PATENT LAW ASSOCIATION, RELATING TO S. 729, S. 730, AND S. 1228, WHICH ARE BILLS TO FIX FEES PAYABLE TO THE PATENT OFFICE, AND FOR OTHER PURPOSES

The American Patent Law Association (APLA) is a nationwide organization of approximately 2,500 lawyers in private practice and in Government and corporate employment, who collectively represent all sizes and types of invention-producing organizations, from individuals attempting to protect and exploit their first inventions through large corporations owning thousands of patents to the direction of Federal research. APLA appeared before this subcommittee in both the 87th and 88th Congresses and testified through Edward F. McKie, Jr., of Maryland, a patent attorney practicing in Washington, with respect to predecessors of the present S. 730.

I am W. Brown Morton, Jr., president of APLA, a resident of Virginia, and a partner in a patent law firm with offices in New York and Washington. I have been actively engaged in the practice of patent law since September 1938, with the exception of the period from January 1941 to October 1945 when I was otherwise engaged in the U.S. Army. For the last 5 years I have been a lecturer at the Law School of the University of Virginia on patent, trademarks, and copyright law. I become an officer of APLA in the fall of 1961 and 2 years before that I completed a 3-year term as a member of the board of managers of APLA. These facts are set out to aid this subcommittee in weighing the credence it wishes to give to this statement and to my oral testimony before it.

At this time there are three "fee bills" pending before the Senate. They are: S. 729 introduced by Mr. Dodd and, I am informed, sponsored by the Connecticut Patent Law Association; S. 730 introduced by the chairman of this subcommittee by request, originating with the Patent Office and sponsored by the administration; and S. 1228 introduced by Mr. Tydings and sponsored by the Patent Section of the American Bar Association and having the approval of APLA.

Of these pending bills, it is the unequivocal position of APLA that S. 1228 is the best and S. 1228 is the only one which has the approval of APLA.

It is also the position of APLA that a better solution of the problem than that offered by any of the pending bills is readily available by minor changes in S. 1228, adopting certain feaures of S. 730. This preferred position of APLA is set out in detail draft "bills" as exhibits A and B to this statement.

At the time the provisions of S. 1228 were officially approved by the board of managers of APLA at its December 1964 meeting, it was with the understanding that the Commissioner of Patents was planning to exercise the rulemaking power

accorded him by 35 U.S.C. 6 to regulate the use of independent and dependent claims to relieve the burdens that excessive independent claims place upon the Patent Office examiners and that consequently provision with respect to differential fees to accomplish the same end would be redundant. Subsequently, it was learned that the Commissioner had decided not to exercise the rulemaking power in this regard and, therefore, the board of managers of APLA at its January 1965 meeting expressly approved as the present recommendation of APLA the adoption of legislation in the texts set forth in exhibit A which adopts the fees of the administration bill, S. 730, with respect to establishing a fee differential between independent and dependent claims in order to accomplish this very desirable regulation.

The preferred position of APLA is presented in two bills, one (exhibit A) directed to title 35 and patent fees; the other (exhibit B) to title 15 and trademark fees. This is because the operations involved and the policies to be considered are quite distinct. It is a vice of S. 729 rendering it unacceptable to APLA that it attempts to "subsidize" the patent operations of the Patent Office by a "tax" on the trademark operations.

The essential differences between the fee legislation recommended by APLA and the legislation recommended by the Patent Office center about two matters. First, the controversial institution of maintenance fees and, second, the complexities of some of the methods proposed by the administration for calculating and collecting various fees.

APLA is opposed to maintenance fees primarily because it believes them to be a device which, particularly as implemented in S. 730, will cause substantial and needless complication in the administration of patent property and of the patent laws themselves and that these complications will be reflected in increased costs to inventors and patent owners particularly because of the increased time their attorneys must spend in dealing with them. Moreover, APLA does not believe that the device of maintenance fees will in fact accomplish the desirable ends which their proponents claim for them.

It is said that the device of maintenance fees will lead to the lapsing of many "blocking" patents with the consequent freeing of the technology involved for free use by the public. It appears to APLA that this statement contains its own refutation in that, if the patent involved in fact would be effective to "block" the use of worthwhile technology, it would, of course, have a value far in excess of the maintenance fees and would not be allowed to lapse. In fact, only those of the patents in fact capable of monopolizing a really significant invention for the full statutory period that might be allowed to lapse would be those patents owned by persons who were more farsighted than wealthy and who had made inventions so much ahead of their times that they would come into commercial utility only toward the end of the term of the patent when the inventor's purse was exhausted.

On the other hand, the maintenance fee device would be regularly employed by the organizations which employ "defensive patenting." That is to say, which take out patents not for the purpose of exploiting the legal monopolies granted, but only to prevent others from obtaining them. Such organizations are, in most instances, our largest corporations. The inventor or the small firm, on the other hand, being dependent upon the patent grant for competitive position, would be likely to maintain a patent in force for its full term. It follows that, if maintenance fees are really going to provide a substantial proportion of the Patent Office budget, maintenance fees will be the device by which the anomolous result is accomplished that the Patent Office is enabled to provide the mechanism for defensive patenting in support of our large business organizations at the disproportionate expense of independent inventors and small companies.

APLA also urges that there is a further and particularly cogent reason for not adopting the device of maintenance fees at the present time. As no one knows better than this subcommittee, there is very good reason to believe that the entire substantive patent law of the United States will undergo searching review and very likely receive many substantial changes in the next 4 or 5 years. Certainly any such substantial change in the structure of the U.S. patent laws will require a further review and revision of the Patent Office fee structure. It may be that when the patent law is revised, it will be found that the device of maintenance fees fits readily into the new structure and then the effect of the present administration fee bill will have been to create a "maverick" class of patents, neither following the classical pattern of duration of the full 17 years from grant of the present American system nor following the new pattern, which may employ deferred examination or a term measured from the date of

application or some other as yet unthought of innovations of the patent law to come. Since, in fact, the money to be derived from the maintenance fee system proposed by the administration will not be realized for the first 5 or 10 years after enactment, if the administration proposal were to be accepted, and, if at the end of that time a new and revised system were to come into force, as must be anticipated, then the only result of the adoption of the present maintenance fee proposal would be a net loss of revenue, as compared either to S. 1228 or the the preferred legislation suggested by APLA in exhibits A and B to this statement. See comparative tables exhibits C, D, and E.

A further objection to maintenance fees and the generally complicated plans for administering them and for calculating certain fees, notably the printing fees, is that in addition to whatever administrative burden and expense may be put on the Patent Office, unquestionably the operation of patent lawyers' offices will be made more complicated and hence the fees that have to be charged for the same results greater. In particular, the fact of lapse of a given patent may be very difficult, if not impossible, to ascertain. No sufficient benefit from this host of complexities in comparison with the APLA preferred scheme of exhibit A or the even simpler scheme of S. 1228 can be discerned.

APLA objects to S. 729 first because it does not raise enough money; second, because it overloads many fees far beyond full-cost recovery and yet keeps the initial filing fees for the simplest cases quite high, and third, because it unfairly penalizes trademark fees, using them as a device to subsidize the patent operation by a tax on the trademark operation. Additionally, S. 729 does not meet the need to lighten the load on the examiners by strongly urging applicants in the direction of fewer claims overall and, in particular, in the direction of greatly extended use of dependent claims.

APLA respectfully urges upon this subcommittee passage of S. 1228 amended as necessary to conform to exhibits A and B to this statement.

EXHIBIT A

[Text proposed by American Patent Law Association for a bill amending the Patent Act of 1952 to adjust the fee schedule thereof]

A BILL To fix certain fees payable to the Patent Office, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the items numbered 1 through 11 in subsection (a) of section 41, title 35, United States Code, are respectively amended to read as follows:

"1. On filing each application for an original patent, except in design cases, $60; 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 $10 for each claim (whether independent or dependent) which is in excess of ten.

"2. (a) For issuing each original patent, except in design cases, $100; in addition, $10 for each claim in independent form which is in excess of one and $10 for each claim (whether independent or dependent) which is in excess of ten.

"(b) For issuing each reissue patent, $120; in addition, $10 for each claim in independent form which is in excess of one and also in excess of the number of claims of the original patent, and $10 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.

"3. In design cases:

"(a) On filing each design application, $40.

"(b) On issuing each design patent: For three years and six months, $10; for seven years, $20; and for fourteen years, $40.

"4. On filing each application for the reissue of a patent, $60; 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 also in excess of the number of claims of the original patent, and $10 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.

"5. On filing each disclaimer, $20.

"6. On an appeal for the first time from the examiner to the Board of Appeals, $50. 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, $20.

"8. For certificate under section 255 or under section 256 of this title, $20.

"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.

"10. For recording every assignment, agreement, or other paper relating to the property in a patent or application, $10; when the document relates to more than one patent or application, $3 for each additional item.

"11. For each certificate, $2."

SEC. 2. Section 41 of title 35, United States Code, is further amended by adding the following subsections:

"(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.

"(d) Errors in payment of the above fees may be rectified in accordance with regulations of the Commissioner."

SEC. 3. Section 151 of title 35, United States Code, is amended to read as follows:

"§ 151. Issue of patent

"If it appears that applicant is entitled to a patent under the law, a written notice of allowance of the application shall be given or mailed to the applicant, his attorney or his agent, calling for the payment of the final fee within three months thereafter.

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

"If any payment required by this section is not timely made, but is submitted with the fee for delayed payment within three months of the due date and sufficient cause is shown for the late payment, it may be accepted by the Commissioner as though no abandonment or lapse had ever occurred."

SEC. 4. The first two lines of the analysis of chapter 14 of title 35, United States Code, are amended to read as follows:

"Sec.
"151. Issue of patent."

SEC. 5.(a) Section 266 of title 35, United States Code, is repealed.

(b) The analysis of chapter 27 of title 35, United States Code, is amended by striking out the following item: "266. Issue of patents without fees to Government employees."

SEC. 6.(a) This Act shall take effect three months after its enactment.

(b) Items 1 and 4 of section 41(a) of title 35, United States Code, as amended by section 1 of this Act, do not apply in further proceedings in applications filed prior to the effective date of this Act.

(c) Item 2 of section 41(a) of title 35, United States Code, as amended by section 1 of this Act, does not apply in cases in which the notice of allowance of the application was sent prior to the effective date of this Act; and, in such cases, the fee due is the fee specified in this title prior to the effective date of this Act.

SEC. 7. Section 112 of title 35, United States Code, is amended by adding to the second paragraph thereof the following sentence: "A claim may be written in independent or dependent form, and if in dependent form, it shall be construed to include all the limitations of the claim incorporated by reference into the dependent claim."

SEC. 8. Section 282 of title 35, United States Code, is amended by deletion of the first paragraph thereof and substituting therefor the following paragraph:

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

EXHIBIT B

[Text proposed by American Patent Law Association for a bill amending the Trademark Act of 1946 to adjust the fee schedule therein]

A BILL To fix certain fees payable to the Patent Office, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled: That section 31 of the Act of July 5, 1946, entitled "An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes" (15 U.S.C. 1113) is amended to read as follows:

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

"1. On filing each original application for registration of a mark in each class, $45.

"2. On filing each application for renewal in each class, $25; and on filing each application for renewal in each class after expiration of the registration, an additional fee of $10.

"3. On filing an affidavit under section 8(a) or section 8(b), $10.

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

"5. On filing notice of opposition or application for cancellation, $50.

"6. On appeal from an examiner in charge of the regisration of marks to the Trademark Trial and Appeal Board, $50.

"7. For issuance of a new certificate of registration following change of ownership of a mark or correction of a registrant's mistake, $20.

"8. For certificate of correction of registrant's mistake, $20.

"9. For certifying in any case, $2.

"10. For filing each disclaimer after registration, $20.

"11. For printed copy of registered mark, 15 cents.

"12. For recording every assignment, agreement, or other paper relating to the property in a registration or application, $10; where the document relates to more than one application or registration, $3 for each additional item.

"13. On filing notice of claim of benefits of this Act for a mark to be published under section 12(c) hereof, $20.

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

"(c) The Commissioner may refund any sum paid by mistake or in excess."

SEC. 2. The amendments made by this Act shall take effect three months after the date of enactment.

EXHIBIT C

Patent fees

ITEM PATENTS	Present fee	Administration S. 730, McClellan	American Patent Law Association preferred statement exhibit A	American Patent Law Association approved S. 1228, Tydings	Connecticut S. 729, Dodd	Remarks
Filing fee	$30	$50	$60	$75	$70	Low initial fee for average small case desirable.
Claims	$1 over 20 (each)	$2 over 10 (each) plus $10 over 1 independent (each).	$10 over 10 (each) plus $10 over 1 independent (each).	$10 over 10 (each)	$5 over 10 (each)	Encouragement of dependent claiming desirable.
Issue fee	$30	$75	$100	$100	$70	These fees are only paid after scope of monopoly has been determined.
Claims	$1 over 20 (each)		$10 over 10 (each) plus $10 over 1 independent (each).	$10 over 10 (each)	$10 over 10 (each)	American Patent Law Association claim fee is simple and roughly equivalent to printing fee. That is multiclaim cases generally properly have longer specifications.
Printing fee		$10 per page special $2 per page drawings.				
REISSUES						
Filing fee	$30	$50	$60	$75	$70	
Claims	$1 over 20 plus over original patent (each).	$2 over 10 plus over original patent (each) plus $10 over 1 plus over original patent independent (each).	$10 over 10 plus over original patent (each) plus $10 over 1 plus over original patent independent (each).	$10 over 10 plus over original patent (each).	$5 over original patent (each).	
Issue fee			$120	$100		
Claims			$10 over 10 plus over original patent (each) plus $10 over 1 plus over original patent independent (each).	$10 over 10 plus over original patent (each).		
Printing fee		$10 per page special $2 per page drawings.				
DESIGN						
Filing fee		$20	$40	$40	$20	
Issue fee: 3½ years	$10	$10	$10	$10	$10	

7 years	$15	$20	$20	$20	$20	
14 years	$30	$30	$40	$40	$30	
MISCELLANEOUS						
Maintenance		$50, 5th year; $100, 9th year; $150, 13th year (plus $25 in case of delayed payment); or $75 added and paid with issue fee.				
Appeal	$25	$25 plus $50 with brief.	$50 plus $50 with brief.	$50 plus $50 with brief.	$25 plus $25 with brief plus $25 at oral hearing.	No justification for oral hearing charge.
Disclaimer	$10	$15	$20	$20	$15	
Petition to revive	$10	$15	$20	$20	$15	
Recording	$0.50 for each item over 1, $3, 1st 6 pages plus $1 each additional page.	$20 plus $3 each item over 1.	$10 plus $3 each item over 1.	$10 plus $3 each item over 1.	$20 plus $3 each item over 1.	$20 per instrument grossly excessive.
Certifying	$1	$1	$2	$2	$2	
Certificate under 35 U.S.C. 255 or 256.	$10	$15	$20	$20	$15	
Printed copies	$0.25 per copy, $0.10 per design copy. $50 per year libraries.	$0.50 per copy, $0.20 per design copy up to $1 for "jumbos" and plant patents in colors, $50 per year libraries.	$0.50 per copy, $0.20 per design copy up to $1 for "jumbos" and plant patents in color, $50 per year libraries.	$0.50 per copy, $0.20 per design copy up to $1 for "jumbos" and plant patents in color, $50 per year libaries.	$0.50 per copy, $0.20 per design copy, $100 per year, libraries.	
Public-use petition					$100	These petitions should be encouraged.
Interference final hearing brief.					$100	Interferences are costly enough now.
Interference at beginning of testimony.					$100	

EXHIBIT D

Trademark Fees

Item	Present fee	Administration S. 730, McClellan	American Patent Law Association preferred statement exhibit B	American Patent Law Association approved S. 1228, Tydings	Connecticut S. 729, Dodd	Remarks
Original filing	$25	$35	$45	$45	$60	$60 is grossly excessive.
Renewal	$25	$25	$25	$25	$60	$60 is outrageously excessive.
Surcharge for late renewal.	$5	$5	$10	$10	$5	
Section 8 affidavit		$10	$10		$10	
Petition to revive	$15	$15	$15	$15	$15	
Notice of opposition	$25	$25	$50	$50	$50	
Application for cancellation.	$25	$25	$50	$50	$50	
Appeal	$25	$25	$50	$50	$50	
New certificate	$10	$15	$20	$20	$15	
Disclaimer	$10	$15	$20	$20	$15	
Section 12(c) publication.	$10	$10	$20	$20	$10	
Certificate of correction	$10	$15	$20	$20	$15	
Certifying	$1	$1	$2	$2	$2	
Issue					$20 per mark per class	An unjustifiable Ossa on the excessive Pelion filing fee.
Recording	$.50 for each item over 1. $3, 1st 6 pages plus $1 each additional 2 pages.	$20 plus $3 each item over 1.	$10 plus $3 each item over 1.	$10 plus $3 each item over 1.	$20 plus $3 each item over 1.	$20 per instrument grossly excessive.
Printed copies	$0.10	$0.20	$0.15	$0.15	$0.20	$0.15 fully remunerative.

EXHIBIT E

Comparative estimated income July 1, 1965–June 30, 1966, using certain Patent Office assumptions

PATENTS

Assumption	Fee	Income—Present fees	Income—administration—S. 730—McClellan	Income—American Patent Law Association preferred—Statement, exhibit A	Income—American Patent Law Association approved—S. 1228—Tydings	Income—Connecticut—S. 729—Dodd	Remarks
89,000 applications, 12 claims, including 3 independent.	Filing	$2,670,000	$3,586,000	$8,900,000	$8,455,000	$7,120,000	American Patent Law Association takes less from the small cases and more from the big ones proportionally. Corresponds to examining load.
40,500 issues, 3½ pages, specifications 2½ drawings. 11 claims including 3 independent.	Issue (plus printing)	1,485,000	5,692,500	6,435,000	5,445,000	3,600,000	Dodd is grossly under issue costs.
200 reissues (no excess claims) 3½ pages specifications 2½ drawings.	Issue (plus printing). Reissue.		23,000	12,000	15,000		
5,000 applications	Filing, design	50,000	100,000	200,000	200,000	100,000	
3,000 issues, 5 percent, 3½ years; 10 percent, 7 years; 85 percent, 14 years.	Issue design	51,000	84,000	109,500	109,500	84,000	
200 reissues (no excess claims)	Filing, reissue	6,000	10,000	24,000	20,000	14,000	
100 applications	Disclaimer	1,000	1,500	2,000	2,000	1,500	
14,000 filed, 7,000 briefs, 3,500 hearings	Appeal	350,000	700,000	1,050,000	1,050,000	612,500	
900 petitions	Petitions to revive or delay	9,000	13,500	18,000	18,000	13,500	
400 certificates	Certificates under 35 U.S.C. secs. 255 or 256.	4,000	6,000	8,000	8,000	6,000	
75,000 certifying	Certifying	75,000	75,000	150,000	150,000	150,000	
20 libraries, 15,000 jumbos, 50,000 designs	Printed copies	1,618,000	3,236,000	3,236,000	3,236,000	3,236,000	
60,000 papers, 20,000 additional items	Recording	180,000	1,260,000	660,000	660,000	1,260,000	
Subtotal (patent fees)		7,075,000	17,787,500	20,804,500	19,368,500	16,197,500	
	Maintenance fees		3,589,000				
Subtotal (patent fees after maintenance income realized).		7,075,000	21,376,500	20,804,500	19,368,500	16,197,500	

EXHIBIT E—Continued

Comparative estimated income July 1, 1965–June 30, 1966, using certain Patent Office assumptions—Continued

TRADEMARKS

Assumption	Fee	Income—Present fees	Income—administration—S. 730—McClellan	Income—American Patent Law Association preferred—Statement, exhibit A	Income—American Patent Law Association approved—S. 1228—Tydings	Income—Connecticut—S. 729—Dodd	Remarks
26,000 applications	Filing	$650,000	$910,000	$1,170,000	$1,170,000	$1,560,000	
20,000 registrations	Issue					500,000	
2,600 renewals (400 late)	Renewal	67,000	67,000	69,000	69,000	158,000	
133 petitions	Petition to revive	2,000	2,000	2,000	2,000	2,000	
12,000 affidavits	Sec. 8 affidavits		120,000	120,000		120,000	
1,100 notices	Notice of Opposition	27,500	27,500	55,000	55,000	55,000	
300 applications	Application for cancellation	7,500	7,500	15,000	15,000	15,000	
1,500 appeals	Appeals	37,500	37,500	75,000	75,000	75,000	
200 certificates	New certificates	2,000	3,000	4,000	4,000	3,000	
Do	Certificate of correction	2,000	3,000	4,000	4,000	3,000	
Nominal	Disclaimer						
Do	12(c) publications						
9,000 certificates	Certifying	9,000	9,000	18,000	18,000	18,000	
340,000 copies	Printed copies	34,000	68,000	51,000	51,000	68,000	
3,300 papers, 9,900 odd items	Recording	9,900	95,700	62,700	62,700	95,700	
Subtotal (trademark fees)		848,400	1,350,200	1,645,700	1,525,700	2,672,700	
From Patent Office studies	Estimated miscellaneous income.	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	
Total income before maintenance income realized.		9,423,400	20,637,700	23,950,200	22,394,200	20,370,200	
After		9,423,400	23,226,700	23,950,200	22,394,200	20,370,200	
Operating costs $31,570,000 (percent)	Percent of costs recovered	29.6	63.3 76.7	75.8	70.9	64.5	

Mr. MORTON. The essential position of the American Patent Law Association is best understood, I think, this way.

It is our unequivocal position that the presently pending text, S. 1228, is the best, and it is the only one of the pending texts which as such has the approval of the association.

It is, however, our position that a better solution of the problem than that offered by the present language of S. 1228 is available to the subcommittee by some minor changes in S. 1228, borrowing from S. 730. This is the position which is set forth in detail in exhibits A and B.

Let me explain this to you.

In December of 1964 the text of S. 1228 was before the board of managers, which is the governing body of APLA, and at that time it was the Commissioner of Patents' stated intention, as he told you this morning, to use his rulemaking power to accomplish the regulation of the form of claims between dependent and independent claims.

In the light of that announced intention, there was no necessity or desirability of having this a feature of the fee bill. Hence, S. 1228 met the approval of the board of managers at that time.

Subsequently, and prior to our January meeting, the Commissioner, as he has said, reached the conclusion not to use his rulemaking powers, but rather to go the route of the fee bill as appears in S. 730.

It is the opinion of the board of managers, the unanimous opinion of the board of managers of APLA, that the Commission's position with respect to the regulation of dependent and independent claims is well taken, and consequently our preferred position borrows from S. 730 the device of a higher fee for a large number of independent claims for the purposes so well stated by the Commissioner.

Senator MCCLELLAN. Now, there was some expressed opposition to that this morning.

Mr. MORTON. I know there was. We disagree with it.

Senator MCCLELLAN. You folks sometimes by disagreeing help to confuse the issue. If you people who are interested all got together here, Congress could act very expeditiously, I think.

Mr. MORTON. It is as difficult, I dare say, to get all of the patent bar together as it is to get all of the Senate together, sir.

Senator MCCLELLAN. All right. But I do not think all the blame should be put on Congress if it does not act.

Mr. MORTON. I feel and I believe it has been expressed before that we have been remiss in apparently blocking the increase in fees which it is our considered opinion is justified.

Senator MCCLELLAN. Well, we will all work together—everyone will express their views, their honest convictions about it, and then we will try to resolve it and get some legislation—I think we ought to get some legislation at this session of Congress.

Mr. MORTON. I sincerely hope so. Our position in APLA, as set forth in these exhibits, will raise the 75 percent sought by the Commissioner upon his assumptions—it will raise it today, however, and his will not raise it until 5 or 10 years from now.

Senator MCCLELLAN. You are talking about the administration bill?

Mr. MORTON. Yes, sir—S. 730. Consequently from the point of view of raising money today, ours comes closest to the objective, though in fairness to the Dodd bill, with Senator Dodd's amendment made this morning, his will accomplish the same thing, we believe.

APLA does not like several things in the Dodd approach, primarily the overburdening of the trademark, which we consider unjustifiable.

Senator McCLELLAN. You are opposed to that?

Mr. MORTON. We are opposed to that. In principle, APLA considers that fees charged in the Patent Office fee schedules should have a ceiling of cost recovery, plus some rounding out if necessary to get a workable fee, like $10 instead of $9.75, something of that sort. But that to simply tax one group in favor of another through the fee route is not justified.

I may say this is because, for one reason, the Federal registration of trademarks should be encouraged and not discouraged. It is not only of benefit to the trademark owner, as has been suggested—it is of benefit to all to have a national register of trademarks to which people can repair to determine what trademarks are available to them.

I am sure the Senator well knows the fundamental right still rests with common law. And if you discourage registration, you do not discourage utilization of trademarks; you just bury them where they cannot be found. Hence it would be undesirable to discourage resort to the Federal registration device.

Now, as you have surmised from my remarks—the administration bill not raising the full amount today in contradistinction to our proposal which would, we are opposed to maintenance fees. The question of why, I think, is justifiably asked.

The compromise suggestion of Secretary Hollomon meets the objection that at least the fee device imposed upon patentees would be unfair to them in their role as patentees. That has already been indicated. Our objection is on a different basis altogether.

The device of maintenance fees, particular as implemented in S. 730, introduces an uncertainty as to date of lapse of patents.

Senator McCLELLAN. Does what?

Mr. MORTON. An uncertainty as to the date of lapse. In short, you discover that a certain patent as granted has claims which were apparently relevant to your client's concerns—possibly an inventor who wants to put out an improvement, wants to know whether there is an existing patent to which he must pay some regard. Looking at the face of the patent, he could not tell whether it expired or not. Going to the records of the Commissioner, he would have further difficulty.

Senator McCLELLAN. Mr. Schuyler, I believe, commented on that.

Mr. MORTON. Yes; I want to endorse what Mr. Schuyler has said. We are in agreement with Mr. Schuyler. We would go further than Mr. Schuyler in areas in which he expressed no disagreement. Mr. Schuyler's position as a representative of the American Bar Association is of course determined in part by past stated formal positions taken by his organization which they have to wait until another formal session to disembarrass themselves of. We are not so bound.

This uncertainty, it seems to us, is sufficient to justify the deliberate objection to maintenance fees, until the matter can be studied and the whole thing put in terms of the forthcoming revision of the substantive patent law, in our judgment.

Secretary Hollomon was of the opinion that it was problematic whether such a revision would be forthcoming. I may say after having attended as a participant Monday at the conference called to consider the patent system, that I disagree with some observations made. I think it was clear from the record—and Mr. Brennan, your counsel, was present, and informed me of his impression—that changes are coming in the patent system, and that they are necessarily coming within the next 5 years. This being so, to adopt maintenance fees in the form of S. 730 today would create what I call a maverick class of patents, quite needlessly. So that in adopting our present approach, you will have more money now, and in 5 years, if the wisdom of the legislature, aided by the sources it seeks to consult, is that maintenance fees properly integrated are desirable, you will have maintenance fees, too. If you decide they are not desirable, you will be glad you did not have them. But I see no advantage in this present approach of grafting them onto a substantive system which has existed for 130 years without them.

Senator McCLELLAN. Don't most other countries have maintenance fees?

Mr. MORTON. Most other countries do.

Senator McCLELLAN. I wonder what their experience has been with it. Have they found it burdensome?

Mr. MORTON. They have found it burdensome. They have found it burdensome for two reasons. First, there is the sheer amount of money involved. But even more important, there is the added cost of manipulating and managing a patent property—it makes additional bookkeeping, not only in the Government, but in the patent owner's own records and in his lawyer's records. There are chances of slip-ups.

I heard it expressed Monday by an independent inventor, Mr. Rabinow, that maintenance fees would invaribly, in his judgment, operate to the detriment of the independent inventor.

Following up the question you asked this morning, if you ask me who would I advise to pay the $75 and who would I advise to go the maintenance fee route, I would say that people engaging in what is known as defensive patenting, taking out patents to be sure that nobody else gets the monopoly, but without any intention actively to utilize the rights granted, would be certain that they were going the cheap or maintenance route.

On the other hand, a man who thought he might need the patent would, if he could afford it, put up the $75, and if he could not afford it then, would eventually have to put up the $300.

Senator McCLELLAN. Well, am I correct in this—that a good many patents when they are issued, probably have no immediate demand for them, no immediate market or outlet for the product that is involved.

Mr. MORTON. This was precisely Mr. Rabinow's point, that inventors often by nature of their work are ahead of the time, ahead of the opportunities, economic, or other practical reasons, and they have to wait until the invention becomes utilizable, perhaps at the end of the term of the patent. He cited some specific examples which I am sure the testimony before the Secretary will be available to you, to show that this was so.

Your maintenance fee is supposed by its proponents, notably Assistant Secretary Hollomon, to accomplish the desirable effect of unblocking, as he put it, the freeing of the patented technology because it was not worthwhile. But this seems to state its own defeat to me.

If the patent is blocking anything that makes any difference, it is going to be sufficiently valuable to pay $50, $60, or $100 to keep it in effect. And if it does not block anything of value, it doesn't matter whether it is there or not. I don't think the argument is a sound one, that the lapse in the patent as such, through the operation of the maintenance fees, does anybody any real good.

We also in a minor way take exception with the provision of section 151 of S. 730, that is the new provision to be inserted in title 35, which has to do with the manner of calculating the final fee. We do not object to the suggestion of the Commissioner that it is desirable to have long patents in some way pay more at issue than short ones. But this arrangement for collecting the fee with provision for lapse of the patent if it is not paid, and a conditional extension of time, if you can pick up the lapse, introduces an additional uncertainty as to whether a patent is in force or not, which we think is unnecessary.

We think our proposal, with a rule of thumb, which is the rule of thumb introduced by the dependent and independent claims surcharge—$10 for each independent claim over 1, plus $10 for each claim of any sort over 10—will assure that the big patents, with the big claim area, pay their fair share in a workable rule of thumb that will not involve this matter of indeterminate or hidden lapse.

Senator McCLELLAN. Very well.

Any questions by counsel?

Mr. BRENNAN. Just one, Mr. Chairman.

Mr. Morton, would you turn to section 12 of the administration bill, S. 730.

Are you satisfied that this section provides adequate protection for patent owners who make use of dependent claims?

Mr. MORTON. I may say, Mr. Brennan, that I am satisfied with the state of the law as it is today. I am certain that in the Fifth Circuit Court of Appeals and in the eastern district of Texas there is no difficulty about upholding dependent claims today.

It seems to me admirably to lay at rest any doubts that might exist as to the validity.

Mr. BRENNAN. Yes. And you do not share the concern expressed by one witness this morning that this use of dependent claims might pose a danger to the patent owner?

Mr. MORTON. I do not share it, either in the law today, and most certainly not after that language, which as I say seems admirably stated.

Mr. BRENNAN. Thank you very much, sir.

Is Mr. George Hastings present?

Mr. Hastings, you are appearing on behalf of the National Association of Manufacturers.

Mr. HASTINGS. Yes, I am.

Mr. BRENNAN. Please proceed with your prepared statement.

STATEMENT OF GEORGE S. HASTINGS IN BEHALF OF THE NATIONAL ASSOCIATION OF MANUFACTURERS

Mr. HASTINGS. I have been in the patent field for some 43 years, first as an examiner in the Patent Office and later as a vice president and director of a large corporation, and now I am working for a small corporation.

I will say that we have a prepared statement which has been given you.

Senator MCCLELLAN. Very well, Mr. Hastings. Do you want to read it? I notice it is brief.

Mr. HASTINGS. No. I prefer to highlight it.

Senator MCCLELLAN. It may be put in the record in full at this point.

(The statement referred to follows:)

STATEMENT OF GEORGE S. HASTINGS IN BEHALF OF THE NATIONAL ASSOCIATION OF MANUFACTURERS ON S. 729, S. 730, AND S. 1228 TO FIX PATENT OFFICE FEES, MARCH 3, 1965

My name is George S. Hastings and I am appearing in behalf of the National Association of Manufacturers and am testifying today as spokesman for the association. I have been in the patent field for 43 years, first as an examiner in the Patent Office and later as vice president and director of patents of a large corporation, and am now senior patent consultant for a small company.

At the outset it should be noted that the association approves the objective of these bills to realize substantially increased revenue to cover a greater portion of the costs of the Patent Office leading toward the issuance of patents. To accomplish this end the NAM favors increasing the presently existing fees charged by the Office. We do not agree, however, with the proposal to realize a part of the projected increased revenue by the imposition of maintenance fees on issued patents. Nor do we believe that the alternative of an additional $75 fee on issuance of the patent, in lieu of maintenance fees, overrides the objections we have to the concept of maintenance fees which would still be imposed on those unable or unwilling to accept the alternative fee.

It should be kept in mind that the patent system was set up for the benefit of the public and not any class of individuals. The public benefits from the disclosures in all patents, but it benefits most from the disclosures in patents on advance inventions which are not available commercially. The utilization of this information, along with further research activities, results in a continuing stream of more useful devices for the benefit of the public. At this point we want to indicate that the additional charge of $10 for each page on issuance, as proposed in S. 730, would tend to limit the amount of material disclosed and we are opposed to this method of raising additional revenue. Moreover, we are concerned with the effect of a $10 charge for each independent claim over one. This would put pressure on inventors and their attorneys to get inadequate patents if they apply at all.

Our objection to maintenance fees is largely grounded on the fact that they would impose upon the U.S. patent system certain complicated administrative requirements to individuals, companies, and the Patent Office which would be detrimental to the desired objectives of the system, merely to obtain increased revenue. This does not seem desirable when the objectives can be obtained by increasing existing fees within present operating structures.

For many years the Patents Committee of the National Association of Manufacturers has strongly supported the efforts of the Patent Office in its worthy attempts to increase fees as well as its overall efficiency and to reduce its working backlog. In making a recommendation for increases within the existing fee structure, we have devoted serious consideration to the problems of individual inventors as well as to applications and issuances involving companies and their employees.

The association, therefore, endorses the proposals embodied in the bill recently introduced by Senator Tydings, S. 1228. While the proposed fees are materially above those currently charged, they have the advantage of increasing Patent Office income immediately and without entailing substantial increases in administrative costs and personnel that would be required to institute the maintenance fee concept.

We are of the firm belief that the increase proposed in S. 1228 would be fair and reasonable to all concerned. It is very unlikely that discoveries or inventions of any value will be lost to the public by the requirement of this increase in fees, which have not been changed in over 30 years. We believe the patent system of the United States stands to be served best by legislation based on the fee increases in S. 1228 which are within the existing structures rather than attempting to institute a maintenance fee system. Further, in view of examination under way of the entire U.S. patent structure by this subcommittee as well as within the Executive Office, it would seem that changes in the system other than mere fee changes might interfere or be inconsistent with the results of these studies.

Mr. HASTINGS. I will say at the outset our preference is the Tydings bill, S. 1228, mainly because it seems more straightforward in increasing fees without attempting to make substantive changes in the patent law at this time.

One of the virtues of the patent—the present U.S. patent system—is its simplicity and its certainty, and we would lose a great deal of this with maintenance fees, which we definitely oppose.

The $75 alternative I regard as a great improvement, but apparently the chief argument here about maintenance fees is that you do not have to use them.

The maintenance fees have several disadvantages. One has been well touched on—the complication in searching. In making validity searches you go through hundreds of patents, and to look up a large number of these as to their lapse state would be quite a burden on the people making infringement searches.

I think another objection, which the Patent Office considers minor, is that it requires the Patent Office to set up another clerical division to take care of the matter of sending out notices and taking care of requests for deferment. I think the Patent Office may be optimistic about its 2 percent, because at the rate of 55,000 patents a year, it may be that half or a third of these require notices to the parties in interest of record, which would be ordinarily at least two. They would be sending out maybe 30,000, 40,000, or 50,000 of these notices a year, and, in addition, they would be working on these requests for deferment.

Now, that would be partly eliminated to the extent people took the $75 opportunity.

Another objection I have to the maintenance fees is I think they are a trap for the unwary inventor.

My advice to him—unless it was a defensive patent, as Mr. Morton has described—would be that he simply pay the $75. Otherwise he ends up with an expense that is considerably greater than the $75 in maintenance, and he also runs into other problems.

If he has a patent—I am talking particularly about the independent inventor who ordinarily licenses the patent to some company—if it is toward the end of the period, maybe a year from the end of the 5 years, I think the company would consider itself well advised just to wait out that period and see whether he did not let it lapse.

In short, it would be a deterrent to licensing, at least in the period shortly before the lapse time.

From the point of view of the public, it seems to have gotten around that it is an advantage to have a patent lapse. When a patent lapses, it is open to everybody, and what is everybody's business is nobody's business. No one is going to put money into an invention to develop it and commercialize it as a rule who does not have some protection against someone taking over his development work.

Most patents require a considerable period to perfect, develop, commercialize, and popularize.

I happen to have been involved in the automatic pinspotter. Even eliminating the war delay, it was 11 years between the time we started in developing it and the time we had an automatic pinspotter. Now, the inventor from whom we got the patent rights could easily have let those lapse at the end of 5 years. I was asked over and over again by our people if we had patent rights, and I was able to say that we had. They were investing a total of around $10 million before they got a cent back.

I think that the public would have lost greatly if that patent had lapsed through some inadvertence on the part of the inventor. And I know the inventor was not very well off at the time we acquired the rights.

There are a couple of other respects in which I think the Tydings bill is better than the S. 730 bill, and that includes this $10 for every page of specification printed which I think is a little objectionable in that it puts pressure on the inventor to cut back on his disclosure.

Now, the disclosure is really for the benefit of the public. The law states that he shall set forth his invention in such full, clear, and exact terms as shall enable anyone skilled in the art to make use of same, and the fuller the disclosure the more useful it is to the public.

It seems to me a bit of a mistake to urge the reverse.

I also think that the $10 for each independent claim over one needs modification or amendment.

I really disagree with Mr. Morton up to a point—that a single independent claim is enough. Many applications for invention patents which are filed involve subinventions. Also, the U.S. system of claiming makes it difficult to do an adequate job of protecting an invention with one independent claim. That is because we have what is called the peripheral type of claim, where you claim the boundaries, and anything outside the boundaries is dedicated to the public. Sometimes it is almost impossible to cover those things outside the boundaries in one claim.

My suggestion would be that a reasonable number of independent claims be allowed, and after that there be a $10 charge for independent claims. I would suggest five claims as being reasonable. The reason I suggest that is, in running through quite a few patents, I found that good practitioners at present include something between four and seven independent claims in a patent of the average complexity. And it seems that to force these practitioners into doing what seems to me a less adequate job for the inventor is a step in the wrong direction.

One other point I would like to make, and that is that patents are not only for the benefit of the inventor, they are for the benefit of the public, in two ways—giving the public good disclosures that are available to them after 17 years, and as a sort of a carrot to the inventor

and entrepreneur to put money and labor into developing and commercializing and popularizing these inventions.

To the extent they are successful, they stimulate the economy in employed labor, and to the extent they are unsuccessful, the public has got something for nothing.

Hence, I think that is an argument for going to, say, a 66 percent self-sustaining amount rather than, let's say, 75 percent, if by so doing you can avoid handicapping or crippling the patent system.

That is all I have to say. Thank you.

Senator McCLELLAN. Any questions?

Mr. BRENNAN. No questions.

Senator McCLELLAN. Thank you very much.

Mr. BRENNAN. Our next witness is Mr. Ted Bowes, on behalf of the Electronic Industries Association.

Senator McCLELLAN. All right, Mr. Bowes. I notice that you have a prepared statement. Do you wish to file it and highlight it?

Mr. BOWES. We wish to do so, yes.

Senator McCLELLAN. Very well. That may be done. It may be printed in the record in full at this point.

I would suggest that you identify yourself now and also those who accompany you.

Mr. BOWES. Yes, sir.

STATEMENT OF THEODORE L. BOWES, CHAIRMAN, PATENTS AND PROPRIETARY INFORMATION COMMITTEE, EIA, ACCOMPANIED BY: GRAEME W. McGOWAN, GENERAL COUNSEL, EIA; AND RICHARD GODOWN, EIA

Mr. BOWES. My name is Theodore L. Bowes. I am General Patent Counsel for Westinghouse Electric Corporation. I appear here today as Chairman of the Patents and Proprietary Information Committee of the EIA, that is the Electronics Industries Association.

I am attended here on my right by Mr. Richard Godown, who is manager of one of EIA's departments; and on my left, by Mr. Graeme W. McGowan, who is general counsel for EIA. I think between us, we will be able to answer any questions you want to ask.

(The prepared statement follows:)

STATEMENT OF T. L. BOWES ON BEHALF OF THE ELECTRONIC INDUSTRIES ASSOCIATION ON S. 730 TO FIX THE FEES PAID TO THE PATENT OFFICE, MARCH 3, 1965

Electronic Industries Association (hereinafter referred to as EIA) wishes to express its views on S. 730, generally referred to as the Patent Office Fee bill. EIA is the national organization representing approximately 300 manufacturers of electronic equipment and components. Our views expressed herein are based upon recommendations of EIA's Patents and Proprietary Information Committee.

EIA recognizes that Patent Office receipts are falling substantially behind expenses and, consequently, constructive measures are justified to provide funds to offset the deficit to a greater degree. It is our understanding that S. 730 is aimed to recover approximately 75 percent of the administrative cost of operating the Patent Office. In view of our belief that the patent system is primarily intended to benefit the public, it is reasonable to provide for partial recovery of expenses through general taxation. In view of this consideration, we do not believe it unreasonable to set the 75 percent recovery goal.

We believe that, on balance, S. 730 constitutes an improvement over corresponding bills considered in the last session of Congress.

The new provision enabling patentees or assignees to elect between maintenance fees and an additional payment of $75 at the time of issue is a distinct improvement in our opinion. However, EIA remains opposed to the maintenance fee provisions of S. 730 for several reasons as follows:

(1) Such fees constitute direct taxes on patents.

(2) They introduce complexity into patent practice which, in our opinion, is unnecessary. Thus, a patentee or assignee must study the value of each patent in his portfolio at specified intervals and determine whether to pay the fee or permit protection to lapse.

In every infringement search, it will be necessary to determine whether each pertinent patent has lapsed or is still in effect. This is a burden on industry. The Patent Office will have a complementary burden of maintaining a register of lapsed patents and/or appropriately marking lapsed patents in the search files and those copies sold for use outside the Patent Office.

The Patent Office is required to notify all those having an interest in a patent (i.e., patentees, assignees, and licensees) at appropriate times, handle requests for postponement of payments, rule on such requests, and handle fees received.

(3) The only result, from a financial standpoint, is to postpone, temporarily, the time when the Patent Office becomes more nearly self-sustaining. This may be a permanent condition because full receipts from fees will not be reached for 13 years and history suggests that costs will have risen enough in that period of time to render receipts far less than costs. If the sponsors of maintenance fees are attempting to raise receipts to approximately 75 percent of costs, EIA believes they should face facts and raise the present fees to levels assuring this balance. The only argument of substance against this approach is that filing of applications will be discouraged unless part of the fee is postponed. This may be true initially. However, in time, the cost of maintenance fees plus filing and issue fees versus still higher filing and issue fees will be equal and the force of the argument is lost. Moreover, the proposed bill provides that individual patentees who have not transferred title can, on occasion, postpone the fees until the 13th year. Such persons must file affidavits and request waivers. At best, this raises problems for the patentees and the Patent Office, and often will require employment of an attorney. Therefore, it is believed best, in the long run, to raise the present fees to the extent necessary to provide the desired receipts.

Electronic Industries Association has reservations concerning certain of the new fees and the amount of increase made in the assignment fee.

Thus, Electronic Industries Association opposes the fee provisions relating to the number of claims and the use of dependent claims because these proposed fees disguise patent reforms by calling them fees. We believe that, if reforms of this nature are desirable, they should be accomplished by the enactment of a statute specifically dealing therewith.

With respect to the provision for a $10 fee for each claim in independent form which is in excess of one, we wish to point out that the limitation to only one independent claim is very severe. This requirement will cause no great problem in cases where the invention is a simple one but, as any patent attorney who is experienced in drafting claims knows, there is a significant number of inventions (and, we suspect, this applies with particular force to the more important and complex inventions) embodying several different aspects which makes it impossible to rely on only one independent claim and yet provide adequate protection for the inventor. For example, a particular invention may involve product, method, and apparatus aspects. Obviously, no single independent claim can properly serve all three aspects. For this reason, we believe that it would be quite reasonable to provide for some leeway. For example, we would suggest that the extra charge become effective only with respect to claims in independent form which are in excess of three.

Electronic Industries Association believes that some amendment is desirable in connection with the fee of $10 for each page of specification as printed and $2 for each sheet of drawings. It is our recommendation that applicants be permitted three to five pages of specifications and two sheets of drawings without extra charge. The minimum issue feet must necessarily be $85 because there must always be one page or portion thereof in a printed specification. Inasmuch as every invention must be illustrated by drawing, if possible, it is certain in almost every instance that there will be one sheet of drawings. Therefore, as a practical matter, the minimum issue fee is $87. We believe that this fact should be recognized and that the issue fee should be increased accordingly. If it is decided to permit three pages of printed specifications and two sheets of draw-

ings without extra charge, the revenue could be equaled by increasing the issue fee to $100.

The provision being discussed is, administratively, undesirable because the total issue fee cannot be known until after the patent is printed so that the Patent Office is required to send out two bills and the inventor is required to make two payments. This can, for the most part, be easily avoided as recommended.

The final provision which we wish to challenge is the assignment fee of $20. We note that provision is now made for a $3 fee for each item over one when a document being recorded relates to more than one patent or application.

The $20 fee can be avoided by several methods. First, an assignment fee can be avoided until some time in the future by substituting exclusive licenses with options to take title. In such a case there would be no assignment to record until the option was exercised. At the present time, a number of corporations hold up recording of assignments until the patent application matures into a patent, thereby avoiding premature disclosure of information to competitors and avoidance of assignment fee payments in the event that a patent is refused by the Patent Office. We would expect many more assignees to hold up their assignments until the patent issues and, perhaps, even until the inventor leaves the employment of the corporation or retires. With respect to those assignees who presently file assignments concurrently with the filing of a patent application, it is anticipated that recording of assignments may well be cut approximately 40 percent under the proposed charge.

Recordation of assignments benefits the public as well as assignees and prospective purchasers of invention rights, as, for example, from the information contained in the titles of the recorded items. We believe that prompt recordation of assignments should be encouraged rather than discouraged; hence we question the size of the increase of this item.

S. 1228, Tydings and S. 729, Dodd avoid the maintenance fee objection and still provide the desired income rate immediately. While these bills provide higher filing fees and in many cases higher issue fees, the amounts of the increases are not believed great enough to deter appreciably the filing and issuance of patents on worthwhile inventions. S. 1228 is favored over S. 729 because of its provision for lower recording fees and the omission of interference fees. Hence, we favor enactment of S. 1228 rather than S. 729 or S. 730 in their present form.

We hope that our views may be of help to the committee.

Mr. BOWES. The approach that we have made in our statement, Senator McClellan, as well as my extensions here, are in the direction of preferring S. 1228 over the other bills.

The largest portion of our statement may not come as any surprise to you, but we, too, oppose maintenance fees.

Now, we represent a consensus, of course. Some of our members feel that they disagree with maintenance fee in principle, but I think more of our members find that their disagreement lies in the greater complexity and the less practicability of maintenance fees, as compared to other income producing charges, without what they feel to be compensating advantages.

Senator MCCLELLAN. Well, are your people substantially or unanimously against maintenance fees?

Mr. BOWES. For one reason or another; yes, sir.

Senator MCCLELLAN. That is what I wanted to make clear.

Mr. BOWES. Now, I don't want to repeat anything that has been said, and if it starts to seem that I am, I will be trying, to tie what has been said to some other aspect.

We do find that if we are going to have maintenance fees, we highly approve of the option principle. We think that this made the maintenance fee much more palatable.

Following some comments this morning, I would like to make it clear that while there is an option, this is an option only for the patent

owner. This does not represent an option for a manufacturer whose interest is in determining whether he infringes outstanding patents when he is preparing to market a new product.

Even the inventor, though he has this option, has to tie this in with his other patents, his other program, as part of making his election.

Now, some of these disadvantages may appear to be slight. Senator Burdick indicated it didn't seem like much of a problem. I think this is probably true of many of these individual disadvantages. They may seem like pinpricks, but they ad up to quite a bit of effort.

Now diverting to my own company we have a very extensive foreign patent portfolio. We own over 12,000 unexpired foreign patents. This represents a very appreciable problem for us to keep track of all the maintenance fees abroad, and to administer this package.

You asked the question a little earlier, sir, if they were having problems abroad with maintenance fees. There are problems, of course. In many countries, I think if you talk with people there, you will find out they are living with these fees well enough because they are used to them. But in many of these countries I would suggest that they have not worked under a system where they do not have maintenance fees, and, therefore they are in no position to say that they might not find the climate under a no-maintenance-fee arrangement still better

This brings me to say that maintenance fees have no real support, as far as I am aware, in the patent profession or in industry.

Senator McCLELLAN. You mean in this country?

Mr. BOWES. In this country.

Now, I would like to advert a little bit to the Commerce Department point of view. Part of it came out this morning, part of it has come through other impressions I have obtained through different people at different times.

It seems to me that the Department of Commerce is looking at maintenance fees for two principal reasons. The first we have referred to in this room, and that is the elimination of deadwood. Now——

Senator McCLELLAN. Of what?

Mr. BOWES. The elimination of deadwood—that is the patents which are supposedly worthless.

This elimination is supposed to be of benefit to the manufacturer who otherwise might infringe.

I happen to be in a position personally of representing such a manufacturer, and it has never occurred to us that this is any particular advantage.

The reason, I think, is this: the removal of deadwood, as has been explained, does not actually remove any patent from the search files of the Patent Office. It can't and it shouldn't, because these disclosures are essential as part of the prior art. It is necessary to have them available in examining the novelty as well as the obviousness or unobviousness of later inventions. So they remain there.

Now, if the invention is a worthless invention, and, therefore, can be considered deadwood, as has also been mentioned by Mr. Morton, I believe, the patent will not be infringed, because a manufacturer will not be seeking to market a worthless idea.

If the manufacturer does find it necessary in due course to consider a particular patent from an infringement standpoint, because the new design may infringe, this circumstance tends to prove, it

seems to me, that the patent is not worthless, and is not part of the deadwood.

The idea—the supporting invention—may not have been used prior to this time because it was ahead of its time, or because the invention was of marginal utility. But it obviously is not worthless if someone later wants to use the idea.

Now, if the patentee, being ahead of his time, finds it is not to his best interests or believes it not to his best interest to pay the maintenance fees, thinking his invention is not worth while, and then industry copies the idea, the maintenance fee principle has cost that patentee his chance of recovering his cost and perhaps gaining some profit.

Many inventors, particularly independent inventors, do not have the resources nor the ability to police their patents, so that it certainly can result that the maintenance fee may cause a patentee to lose his chance for recoupment, because of this inability.

Senator Burdick asked several questions before lunch indicating his concern for the small business and the independent inventor. Quite obviously, I am in no position to speak to their problems. But I would suggest that this is one area where the committee might take a look to see how it affects the small inventor, because he can lose something which later might prove valuable.

The second administration argument that I think has bulked large in its thinking is that maintenance fees are necessary in order to distribute the cost of patents so as not to deter inventors from filing patent applications. This is a problem. But we question the accuracy of this point of view on the basis of a comparison between the provisions of S. 730 and the provisions of S. 1228.

I will give an example here, and again, I think this will be of more concern, of course, to the small corporation or the small businessman.

I think that in many, many cases the provisions of S. 730 will actually, up to the time the patent issues, without regard now to the option or the maintenance fee, be more expensive under S. 730 than under S. 1228.

The average patent covers 3½ printed pages and includes two sheets of drawings.

Now, if we assume that there is only one independent claim, so we don't have that problem, the fees under the Dodd bill would be $140—this is subject to Senator Dodd's amendment this morning, which will raise it above that. Under the Tydings bill, the fees will total $175.

Now, under S. 730, the fees through the issue of the patent will amount to $169.

This is only $6 less than under S. 1228, and I find it hard to believe that this difference can be a deterrent.

If the $25 difference between the filing fees in S. 730 and S. 1228 is much of a deterrent, since it won't cost the applicant any more to issue his patent, you could easily transfer $25 from the filing fee under S. 1228 to the final fee—the figure still remains the same, $169 under S. 730 and $175 under S. 1228.

The above mentioned $169 comprises a $50 filing fee and $119 issue fee which arises from the fact there are four pages at $10 each which have to be printed, and there are two sheets of drawings at $2 each, amounting to $40 for pages and $4 for sheets of drawings (which have to be added to the S. 730 "issue" fee of $75).

Now, if under 730 the patentee elects to pay the extra $75 as an option against maintenance fees, then, of course, the patentee's total cost at the time of issue under S. 730 goes up to $244, which is $69 more than his cost would be under the Tydings bill (S. 1228).

Where is the alleged saving to the patentee?

Now, if the inventor's attorney thinks claims are unwise, and winds up using three independent claims, then the cost under 730 goes up to $189 and $264, respectively. Worthwhile inventions often require more than four pages and/or more than two sheets of drawings.

So the question can then be asked, which bill is apt to be the most deterrent through the issuance of the patent?

We, then, from considerations such as this, come to the conclusion that the desirability of maintenance fees from the standpoint of economics doesn't stand up well.

This system of maintenance fees has few friends. We do not believe that a clear need has been established for it, or a clear benefit to the system or inventors or the Patent Office. And since it is possessed of some disadvantages, we have come to the conclusion that we should oppose maintenance fees.

Senator McCellan. Let me ask you in that connection—is the whole purpose of maintenance fees to raise revenue?

Is that the only purpose it serves?

Mr. Bowes. No; I don't think so.

Senator McClellan. What is the other purpose it serves?

Mr. Bowes. I think the administration feels that it should postpone some of the cost of issuing a patent until the invention itself has proven worth while or not. So that if it delays some of the funds from the time of filing and the time of issuance until the market has tested the invention——

Senator McClellan. I am talking about from the standpoint of Government.

Mr. Bowes. From the standpoint of Government?

Senator McClellan. The only purpose it serves is to raise revenue, isn't it?

Mr. Bowes. I believe so.

Senator McClellan. Is there any other reason from the standpoint of the Government? Any other reason why the Patent Office should want it?

Mr. Bowes. That is my point of view.

Senator McClellan. They may have another answer. I was asking you. You are about the third witness that appeared here opposing these maintenance fees. And I can appreciate that the Patent Office is under some urgency here to find ways to raise revenues, to submit recommendations to us.

I was trying to ascertain whether there is any other function, any other purpose that it serves, so far as the Government is concerned, the Patent Office is concerned, other than to increase its revenues.

Mr. Bowes. I actually believe, Senator McClellan, that the Patent Office is better off without maintenance fees.

Senator McClellan. It might very well be. But if there is any other purpose that you know of——

Mr. Bowes. I don't know of any.

Senator McCLELLAN. Do you know of any other contention made for it?

Mr. BOWES. No.

Senator McCLELLAN. Very well. If you are going to have it——

Mr. BOWES. Yes, I think this is a very beneficial change over last year's bill. I would guess that a typical situation—my company, for instance, we might take the option half the time and wait and see what happens the other half of the time.

Now, I am not going to expand on independent claims, because that has been amply gone into.

I would just endorse the feeling that it is not quite right to use a fee bill as a reform to the patent laws. I think it would be better to keep these things separate.

Now, I do want to just make one suggestion in connection with the second reform, and that is as to the charge or fee on the number of pages and the number of sheets of drawings.

Senator McCLELLAN. It seems to me that is a fair way to do it. What is wrong with that?

Mr. BOWES. You can make a plausible argument for such fees because this does tend to charge the patentee in accordance with the cost to the Government. I think very possibly the charge that the Printing Office makes against the Patent Office, is one of the things troubling the Patent Office because they have a very substantial charge, and naturally the Government Printing Office charges in accordance with the amount of printing they do. For every page they print they have a charge. This is one way in which the Patent Office can key its return in accordance with the charge the Printing Office makes.

I do not want to endorse what the previous speaker said, though, and that this is partially an attempt to persuade the patent practitioner to minimize the amount of disclosure. My point here is that I endorse what Mr. Hastings said, that it is not perhaps in the best interests of the public in the long run to minimize the disclosure.

Senator McCLELLAN. In other words, it ought to encourage more disclosure than less?

Mr. BOWES. Yes, sir. And it may also affect the validity of the patent. Because if through trying to minimize the amount of disclosure in order to save $10 or $20 a disclosure is left somewhat incomplete in a judge's mind, if this comes to trial, the inventor may find that he has lost all his right to his patent; whereas if he had been permitted to do what he reasonably thought was best, he would have come out with a valid disclosure. Both the public and inventor risk loss.

Also, there are these modest but nevertheless present disadvantages. The Patent Office must count the pages, it must count the number of sheets of drawings, it must go through a double billing procedure, applicants have to issue two checks and go all through this. And since the provisions of S. 1228 and I believe S. 729 are designed to accomplish roughly the same goal—raise approximately the same amount of money—we believe that there is some benefit, there is some gain, in maximum simplicity for everyone concerned.

I think that is sufficient, sir.

We very much appreciate your time and your attention.

We are pleased to have had this chance to state our views.

Senator McCLELLAN. Well, we are glad to have you. We want to give everyone who has an interest in this, an opportunity to express their views, and we want to do what is best all around for the Government to raise some more revenues, raise it the most equitable way possible, and at the same time preserve the integrity and wholesomeness of our patent system.

All right, gentlemen, thank you very much.

Mr. BRENNAN. Mr. John T. Kelton and Mr. Robert S. Dunham, of the Association of the Bar of the City of New York.

STATEMENT OF JOHN T. KELTON AND ROBERT S. DUNHAM, ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

Mr. KELTON. Mr. Chairman, I am John T. Kelton, chairman of the Committee on Patents of the Association of the Bar of the City of New York.

We have no formal statement aside from the letter of February 26, 1965, which I sent to the chairman of this committee.

Senator McCLELLAN. Very well.

Does it have attached a memorandum in support of the objections to the three provisions in S. 730?

Mr. KELTON. Yes, Mr. Chairman.

Senator McCLELLAN. The letter and the memorandum attached to it will be printed in the record in full at this point.

(The documents referred to follow:)

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK,
New York, February 26, 1965.

Hon. JOHN L. McCLELLAN,
Chairman, Subcommittee on Patents, Trademarks, and Copyrights, Committee on the Judiciary, Senate Office Building, Washington, D.C.

DEAR SENATOR McCLELLAN: The Committee on Patents of the Association of the Bar of the City of New York has studied S. 370, which is a bill to fix fees payable to the Patent Office.

On behalf of the committee on patents of this association, Mr. Robert S. Dunham testified before your committee at the hearings held on February 27 and 28, 1964, and spoke extensively on the subject of Patent Office fees. All of Mr. Dunham's testimony, including all statements, letters, and memorandums which were placed in the record at that time, are incorporated herein by reference.

As we indicated during the 1964 hearings, the Committee on Patents of the Association of the Bar of the City of New York is in favor of an increase in patent fees in order to provide a greater cost recovery for patent and trademark activities in the U.S. Patent Office.

However, the committee opposes the mode provided by S. 370 for such cost recovery insofar as it conflicts with the basic aims of the patent system. The committee specifically opposes the following provisions regarding fees:

1. The placing of a printing charge of $10 per page for each printed page of specification.

2. Proposed section 155 relating to maintenance fees.

The purpose of increasing Patent Office fees, as appears at page 3 of the transcript of hearings before this subcommittee on February 27 and 28, 1964, is as follows:

"This draft legislation is designed to achieve greater cost recovery for patent and trademark activities by establishing application and issuance fees on a basis which more nearly reflects the cost of examining the specific applications and issuing the particular patents."

Our committee agrees that the Patent Office should receive greater revenues by increasing fees. However, some of the fees proposed in S. 370 are objectionable because the general public will be the one who will be most adversely affected.

The imposition of a printing fee for each page of specification will have a tendency to restrict the completeness of disclosures in patent applications and will deprive the general public of the benefit of full and complete disclosures. During the 1964 hearings our committee proposed that an alternative to this provision would be a final issue fee based on the number of allowed claims in an application. The committee is still of the same opinion.

In connection with maintenance fees, it should be borne in mind that the whole purpose of our patent system is to promote and encourage the early disclosure of discoveries and inventions so that after the limited monopoly granted has expired, the general public will be the beneficiary of all such discoveries and inventions. By imposing maintenance fees, the filing of applications on such discoveries and inventions will be discouraged since applicants will tend to wait until an invention is considered as having probable market acceptability before filing a patent application. In the early stages there may be a distinct lack of correlation between the existence of invention and market acceptability. It is believed that often unobviousness and immediate market acceptability are in inverse proportion. Thus the public will be deprived of early access to such inventions and discoveries which are of basic nature or are possessed of striking novelty and unobviousness.

Moreover, these effects will fall most heavily, and without chance of relief, on small corporations. Discrimination against small business will be likely.

On page 17 of the transcript of the 1964 hearings, it was indicated that a study of the effect of maintenance fees in the various industrialized European countries refutes the argument that maintenance fees tend to retard invention. To support this viewpoint it was stated that 10 of these countries hold significant leads over the United States in per capita number of patent applications. However, what is not mentioned is the fact that a good number of patent applications in the various foreign countries originate from other foreign countries and especially from the United States. Moreover, these may be filed under the International Convention up to a year after filing in the country of origin. Hence the comparison does not appear to be appropriate.

While our committee is pleased that S. 730 includes provision for prepayment of maintenance fees, we feel that we must still oppose the imposition of any maintenance fees regardless of when they are payable because of the danger that any such fees and the philosophy which would permit them would deleteriously affect the basic aims of the American patent system.

At the 1964 hearings our committee supported an increase in the cost of patent copies from 25 to 50 cents. At that hearing it was disclosed that an increase in the cost of copies would recover an amount almost equal to the amount expected to be recovered from maintenance fees. Since S. 730 increases the cost of patent copies from 25 to 50 cents, it appears that the maintenance fee provisions have become unnecessary as a revenue measure and should be deleted.

In addition, our committee feels that in section 12 of S. 730, the phrase "dependent claims shall be presumed valid even though dependent upon an invalid claim" in the second sentence thereof should be deleted as being redundant and unnecessary.

A detailed explanation of our views on the above are outlined in the attached memorandum. This memorandum is a summary of the extensive memorandum which was made of record in the 1964 hearings and which is incorporated herein by reference.

Respectfully submitted.

JOHN T. KELTON,
Chairman, Committee on Patents.

MEMORANDUM IN SUPPORT OF OBJECTIONS TO THREE PROVISIONS IN S. 730 BY THE COMMITTEE ON PATENTS, THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

The Committee on Patents of the Association of the Bar of the City of New York objects to section 1, item 2 of S. 730, which imposes a fee of $10 for each page of printed specification since it tends to discourage inventors from making full disclosures. The committee feels that a basic fee of $5 for each claim, or alternately, $10 for each independent claim and $2 for each claim in excess of 10, whether dependent or independent, would earn as much revenue as a charge per printed page of specifications.

The committee also objects to the maintenance fee provisions outlined in sections 6 to 8 of S. 730. Such maintenance fees tend to discourage the early filing of applications and also tend to discriminate against small businesses and individual inventors.

Objection is also raised to the second phrase of the second sentence in section 12 of S. 730 on the ground that it is redundant and unnecessary.

Each of these objections will be explained in greater detail hereinbelow.

COMMENTS ON PRINTING FEE PER PAGE OF SPECIFICATION

The Committee on Patents is opposed to this provision for the following reasons:

1. It tends to discourage full disclosures in a patent application thus depriving the public of the benefit of full disclosures. For example, a printing fee per specification page would tend to discourage the disclosure of alternate forms of an invention or possible modifications thereof and, in chemical cases (where a number of examples are usually outlined in the specification), the imposition of a printing fee per specification page would tend to limit the number of examples disclosed.

2. These printing fees will have a tendency to encourage inadequate disclosures; whereas the conscientious inventor who wants to disclose all facets of his invention is penalized.

3. The general public will be uncertain as to whether or not a patent is still in effect. According to S. 730, the balance of the issue fee (which will be determined after the patent has been printed and the intial final fee paid) is to be paid within 3 months. If the balance is not paid, the patent will lapse. Hence a person examining a copy of a patent will not know whether the patent has lapsed or whether it is still effective. In order to find out, he will have to make an additional search through the Patent Office records. Since he will normally do this through an attorney, he will have to pay a fee. Thus, this provision would increase inordinately the public's expenses in determining the status of a patent.

4. Patent Office bookkeeping and the clerical work necessary to keep accurate Patent Office records will increase Patent Office expenses and thus reduce the amount recoverable by the Patent Office.

5. As an alternative, our committee recommends that the issue fee be based on the number of claims in the allowed patent application. Since this amount can be readily ascertained at the close of the prosecution of the application in the Patent Office and since it does not depend upon the amount of information disclosed in the specification, it will give the Patent Office added income without any of the undesirable effects mentioned above. Specifically we propose either an imposition of $5 per claim or alternatively $10 for each claim in independent form and $2 for each claim over 10, whether dependent or independent.

COMMENTS ON MAINTENANCE FEES

Maintenance fees have never been imposed on U.S. patents. To introduce the concept of maintenance fees merely for revenue purposes is inimical to our concept of early disclosure of inventions. In addition such maintenance fees will be costly to administer by the Patent Office.

The amount recoverable by maintenance fees could be equaled by increasing the cost of patent copies. Since such an increase in the cost of patent copies is provided in S. 730, our committee opposes the maintenance fee provisions.

The following are our reasons for opposition to maintenance fees:

1. They tend to discourage the early disclosure of inventions. A small company, an individual inventor, or even a large company, would tend to delay the filing of a patent application on an invention until an item is believed to have market acceptability. By inhibiting the disclosure of these ideas, the general public is deprived of an increase in its technical knowledge since patent applications on certain inventions would never be filed and would never come into the public domain.

2. Even large companies would tend to file only on those inventions on which they felt they would receive an adequate return. Presently companies often file patent applications on inventions which they know may not be commercialized immediately, if at all. When such patent applications mature into patents, the general public receives the benefit of a company's research. However, if a company has to pay periodic fees on nonproductive patents, there

would be a tendency not to file patent applications for such inventions, all to the detriment of the public.

3. It is small business and the individual inventor who will suffer most by maintenance fees. The individual inventor will either have to pay the fees at the end of the 5th, 9th, or 13th year or will have to pay an attorney and/or an accountant to prepare the necessary affidavit to defer the payment of the 5th- and 9th-year fees. Since the legal fees for preparing such an affidavit might exceed the amount of the first maintenance fees, many individual inventors may let a patent on an invention of value lapse.

Small businesses which cannot obtain a deferment (because they are assignees) will have to pay $300 over the term of the patent or forfeit the patent.

Large companies who can afford to pay such sums may economize by simply not filing applications on certain inventions, thus depriving the public of the benefit of their research.

4. The cost of maintaining records and sending out notices will decrease the amount recoverable to the Patent Office by maintenance fees.

5. Maintenance fees will create confusion as to when a patent is in the public domain. At present the public can tell whether or not a patent is expired by merely looking at the date the patent issued. However, if maintenance fees are imposed, the public will have to make a search through the Patent Office records to determine whether a particular maintenance fee has been paid and, in the case of individual inventor patentees, will have to examine the file history of the patent in order to determine whether a deferment affidavit has been filed and accepted. Presumbly this would be done through an attorney who would charge a fee for his services. Again the public would be the loser in such a proposition.

6. As pointed out above the same amount of money can be recovered by the Patent Office if the cost of patent copies is doubled. Since this provision is already in S. 730, the provision regarding maintenance fees should be deleted.

COMMENTS ON SECTION 12 OF S. 730

Our committee is of the opinion that the phrase "dependent claims shall be presumed valid even though dependent upon an invalid claim" in the second sentence of section 12. should be deleted as redundant and unnecessary.

The first part of the second sentence states that each claim of a patent (whether in independent or dependent form) shall be presumed valid independently of the validity of other claims. This language is clear, direct, and unambiguous.

However the second phrase of the same sentence then states that a depending claim shall be valid even though it depends upon an invalid claim. This second phrase is redundant since the first part already states that all claims of patent, whether independent or dependent, shall be presumed valid. Since the redundancy of this second phrase might create confusion as to the meaning and intention of section 12, the committee submits that this phrase is unnecessary and should be deleted.

Mr. KELTON. Mr. Robert S. Dunham will make comments on a couple of the facets of the bill, S. 730.

Senator MCCLELLAN. All right, Mr. Dunham. Identify yourself, please.

Dr. DUNHAM. Thank you, Mr. Chairman. I am Robert S. Dunham. I am a member of the Association of the Bar of the City of New York.

I am honored to have been asked by the Patents Committee to present the views of the committee at this hearing.

You will recall the hearings last year on H.R. 8190.

I would like to preface my remarks by saying that we believe S. 730, on which we are directing our observations, is considerably improved over H.R. 8190. We are happy to see that the appeal fee situation has been clarified, and the provisions relating to assignment recording fees. We also note with considerable interest the provision on page 12, or section 12 of the bill relating to the status of dependent claims. I think, as a matter of fact, I was one of the first people at the hearing last year to suggest some wording for such a section.

We think, in general, this one is an improved wording over that.

We do have one observation I would like to interrupt to make here. We rather feel that the last sentence of this section is redundant.

No—I beg your pardon. It is not the last sentence; it is the clause——

Senator McCLELLAN. That is S. 730 you are talking about?

Mr. DUNHAM. Yes, sir. And this is on page 12. It is the passage in lines 3 and 4. The preceding portion of that sentence has said:

Each claim of a patent, whether in independent or dependent form, shall be presumed valid independently of the validity of other claims.

And it seemed to us that the next statement which simply says, "dependent claims shall be presumed valid even though dependent upon an invalid claim" is simply a restatement of something that has been fully and expressly stated in the preceding part of the sentence, and might lend confusion to the statute rather than clarification.

Senator McCLELLAN. Maybe those who drafted this bill were undertaking to make certain they were understood.

Mr. DUNHAM. Well, we make this suggestion in the interests of clarity and brevity of legislation.

I say we are also greatly pleased to see that the present bill, S. 730, includes the prepayment option relative to maintenance fees, because we believe we were the ones who suggested this provision last year, you will recall—in a letter we sent to the subcommittee immediately following the hearings we made this suggestion—I think that is printed at pages 227 and 229 of the record. So naturally we are happy to see our brainchild in the bill.

We still are of the opinion that, in principle, maintenance fees are not a healthy thing for the patent system. We are thus as we were then opposed to the concept and principle of maintenance fees, and we have developed that in the statement we have filed with you, and I won't endeavor to take further time on that point.

Senator McCLELLAN. Let me ask you the question I asked the preceding witness:

Can there be any purpose in the maintenance fee from the standpoint of the Patent Office or the Federal Government, other than the increasing of revenues?

Mr. DUNHAM. I don't know of any. I don't think of any.

Senator McCLELLAN. In other words, is this a device—and I use that term not in a derogatory sense—but is this solely an effort to find an additional source of needed revenue, let us say?

Mr. DUNHAM. I have understood it to be that.

Senator McCLELLAN. Very well, go ahead.

Mr. DUNHAM. We would, however, like to highlight our comments and, we hope, make constructive suggestions relative to the provision in item 2, section 1 of the bill, which contains the so-called $10 printed page charge.

I think practically everyone who has appeared today has objected to that. I think we have made a proposal which is equally fair, which accomplishes all of the purposes of the Patent Office in making this proposed charge, and yet will avoid inconvenience and uncertainty to the public, additional work on the part of everyone concerned.

Now, if I may explain. In the first place, I think what other speakers have said about the philosophy of charging per printed page is entirely correct.

Take, for example, a patent. A printed copy of a patent consists of a drawing and the printed pages of the specification, with claims. And this is what the public can buy from the Patent Office.

Now, the actual patent issued to the inventor consists of exactly this same set of printed matter, plus a fancy cover, which is a standard form. So that the setting—typesetting and all of the printing work that goes into printing the patent for the inventor is actually done for the public. Indeed the inventor probably doesn't care whether his patent is printed or not, and there is nothing in the present law that requires a patent to be printed.

However, if it is desirable to raise revenue based on the amount of work the Patent Office has done, we think there is another way that this can be provided, and provided much more simply; in the imposition of a per claim charge, which I think some of the preceding speakers have suggested, rather than the per page charge. We have suggested specific per claim charges which work out, when they are applied to average patents, to small patents, to large and more complex patents, to a range of issue fees practically identical with the range of issue fees that would be spelled out in this provision in this statute.

Now, I would like to illuminate that with just one explanation in the light of how these issues fees are paid.

In the present circumstances of patent practice, when an application has come to the stage of approval by the Patent Office, a so-called notice of allowance is issued, and then the applicant has an opportunity to pay the issue fee within a certain time. It is very simple. He can readily calculate what that fee is.

Under the provisions of the bill, the applicant pays a part of the fee, which is presumbaly $75, at that time, but he cannot pay all the fee because it cannot be determined until after the patent is printed. So the patent is printed, and then 3 months later the Patent Office sends him a bill. This bill comes along, and he must pay the bill for the per page printing charge.

This is an additional complexity, and it has an area of public inconvenience attached, in that the public cannot know this fact, from an issued patent, a copy of it—and a lot of people buy patents as soon as they come out, as soon as notice of them appears in the Patent Office Gazette, people who are interested buy copies of these patents.

Now, a person who has bought a copy of a newly issued patent cannot know whether this further part of the issue fee has been paid, because there would be nothing on the patent to tell him. He would have to write to the Patent Office and wait the 3 months' time before he can find out whether the patent has lapsed or whether it is still in force.

Now, this is a nuisance to the public. And beyond that, it seems to me that it throws the Patent Office and indeed the Government as a whole in a rather bad light. People talk all the time about unecessary communications, paper shuffling, redtape. And this simply adds an amount of redtape, unnecessary letterwriting, inconvenience, and uncertainty in the public's mind with respect to this aspect of the patent system.

Now, we have proposed—I understood Mr. Morton also proposed—that a simple per claim charge in the final fee can completely obviate all of these difficulties, and yet return to the Patent Office the same amount of revenue, and provide the same spread of, or range of total fees that the Patent Office and people of the Patent Office regard as desirable—namely, to have a relatively low fee for the inventor of less affluence, who has a small invention, and a relatively high fee with respect to the invention that is complex and has many claims and has required a great deal more work on the part of the Patent Office.

We very seriously urge consideration of this amendment in the legislation, because it would obviate, I think, all of the disadvantages that have been bothering everybody with this part of the fee bill. They are disadvantages of practice, of complexity—not so much in calculating the amount of fee, but in the practical operation of the Patent Office, and in the uncertainty and inconvenience to the public who cannot know, until some months after a patent is issued, whether it is a good patent or a lapsed patent.

We hope this will be a constructive suggestion that will accomplish all the Patent Office wants with respect to this final fee. And it would simply be done either way we suggest. One is by imposing the final fee of $75—a $2 per sheet charge can remain, because that is determinable right away, you don't have to print the patent to know how many sheets of drawings there are—plus, say, $5 per claim—and this you can compute right away. The applicant can do it now, in the future, just as he now has to calculate the number of claims. And it is all done, can all be paid for at once, the patent issues, and there is no question about its lapsing or what happened to it, and there is no second payment, no further correspondence with the Patent Office, either by the applicant, or anybody else. And the figures work out remarkably identical with what the fees come to under the provisions of the bill. The average patent under the bill, I think would have an issue fee of $115 or $119, and this is almost exactly—I think it is $115 or $119 again, what it would come to under this proposal.

Alternatively—and we suggest this, too—if the Patent Office prefers it, the final fee charge will be $75, plus a similar claim charge to that that is now in the bill for the filing fee—namely, so many claims free and $10 for each extra independent claim, $2 for each extra claim over 10.

This, again, properly applied, will result in a closely similar recovery, not only of total revenue, but of fees per patent scaled to the magnitude of the patent in the same way that the Patent Office present provision does it.

Now, we have—I don't think it accompanies our memorandum, but we have taken the liberty of drawing up suggested amendments for that purpose. And I would like to, if I may—like to have these put in the record.

Senator McClellan. The amendment may be printed in the record at this point.

Mr. Dunham. Sections 1, 2, and 3 of this are related to this particular point I have been talking about. The other two parts of that relate to our other comments on the bill.

But these, I think, are the ones——

Senator McCLELLAN. This includes all the amendments that you would propose?

Mr. DUNHAM. That is right.

Senator McCLELLAN. Very well.

(The document referred to follows:)

AMENDMENTS TO S. 730 RECOMMENDED BY COMMITTEE ON PATENTS OF THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

1. To remove the per page printing charge to each patentee: Page 2, lines 4 and 5, strike out "$10 for each page (or portion thereof) of specification as printed,".

2. To substitute a charge related to the number of claims, either of the following substitutions is suggested:

(*a*) Page 2, lines 4 and 5, in lieu of above-stricken wording ("$10 etc.") substitute "$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,".

(*b*) As an alternative to (*a*): Page 2, lines 4 and 5, in lieu of above-stricken wording ("$10, etc.") substitute "$5 for each claim,".

3. Since the printing fee per page of specification has been deleted, the following amendments to the issue provisions of section 4 should be made:

Page 6, line 1, strike "or a portion thereof";

Page 6, strike lines 6 to 9 in their entirety;

Page 6, line 14, strike "or lapse".

4. For deleting the maintenance fees, amend as follows:

Page 6, line 18, strike out "and maintenance fees";

Pages 6 to 10 inclusive, strike out the entirety of sections 6, 7, and 8, beginning page 6, line 20, and extending through page 10, line 13.

Page 10, line 21, strike out "sections 4, 6, and 8" and substitute "section 4".

5. To remove the redundancy in section 12, amend section 12 as follows: Page 12, lines 3 and 4, strike out "dependent claims shall be presumed valid even though dependent upon an invalid claim".

Mr. DUNHAM. We do feel this change is intended constructively and we feel it would greatly improve the bill. And so far as I have heard today, it would remove a great many of the objections everybody has had to this particular part of the bill.

Senator McCLELLAN. Very well.

All right, sir.

Thank you, gentlemen.

(The following was subsequently received and by order of the chairman is printed at this point:)

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK,
New York, March 11, 1965.

Hon. JOHN L. McCLELLAN,
Chairman, Subcommittee on Patents, Trademarks, and Copyrights, Committee on the Judiciary, Senate Office Building, Washington, D.C.

DEAR SENATOR McCLELLAN: This is a supplement to my remarks on behalf of the Association of the Bar of the City of New York, regarding our proposals for amendment of the issue fee clause in S. 730 (sec. 1, item 2):

1. Many other witnesses also opposed that clause in the bill. I believe our proposals meet essentially all such objections to the "printed page" fee, while still satisfying the aims expressed for the Patent Office.

2. Our proposals agree with the idea that a larger and more complex patent justifies a proportionately higher fee than a simple patent of smaller dimensions. We propose the same basic fee ($75) and the same charge for drawings, but would relate the text-size part of the fee to the number of claims instead of the printed pages which can only be counted after patent issuance (thereby causing inconvenience and uncertainty, as we explained).

3. The relationship of issue fee to patent size is really the same: simple, short patents usually have few claims, whereas patents with many claims are the most elaborate and technical and cause more expense to the Patent Office for examination (Assistant Commissioner Reynolds so stated, p. 35, hearings of

February 27–28, 1964). The total charge will thus vary with the magnitude of the patent, as is intended by item 2 of S. 730, yet the whole fee can be computed and paid before the patent issues. Indeed, since nearly all of the Patent Office examiner's task is with the claims, our proposals are more appropriate in measuring the fee by the work required rather than by the amount of description printed for the public.

4. Moreover, on applying either of our proposed claim charges, i.e., $5 per claim or a scheme as in the filing fee of S. 730, to the average of all patents (which has about three and one half printed pages, two sheets of drawings and about seven claims), the average issue fee comes to about the same as when computed under the present provisions of S. 730, so that the total such revenue from all patents will likewise be the same.

5. The great advantage of our proposed amendment is that the patent applicant can calculate the issue fee as soon as his application is allowed, and its payment can be made as a single, simple condition for issuance of the patent, as is now the practice. In contrast, under section 1:2 and section 4 of S. 730, the fee is paid only in part at that time and in remaining part 3 months after the patent is issued and published, when the Patent Office has been able to count the number of printed pages. This is a wholly unnecessary complication, both for the Patent Office in sending out a second notice, and for the applicant in making sure of the second payment. It is notably bad in creating uncertainty for the public, who cannot know for 3 or 4 months whether a printed patent is actually in force, and even then can only find out by writing to the Patent Office. Under our amendment of S. 730, there would be only one, preissue, payment and then no doubt as to the status of the published patent.

6. In short, our proposed amendment achieves everything sought by the proponents of the bill, in total revenue and in apportioning the issue fee to the work the Patent Office has had to do, while it avoids unnecessary redtape, and uncertainty and inconvenience to the public, and obviates the almost universal objections to the "printed page" fee. Finally, it neither penalizes the inventor for a lack of the literary genius of brevity nor induces him to shortchange the public in the description he gives of his invention.

Respectfully submitted.

ROBERT S. DUNHAM.

Mr. BRENNAN. Mr. Albert C. Johnston, on behalf of the New York Patent Bar Association.

Senator MCCLELLAN. All right, Mr. Johnston, if you will identify yourself.

STATEMENT OF ALBERT C. JOHNSTON ON BEHALF OF THE NEW YORK PATENT LAW ASSOCIATION

Mr. JOHNSTON. My name is Albert C. Johnston. I live in Darien, Conn. I am a vice president of the New York Patent Law Association.

I have here with me a copy of a letter that was addressed to Senator McClellan by Mr. John Cooper on February 26, 1965, which contains a general statement of views of our association and I should like that to be put in the record.

Senator MCCLELLAN. The letter may be printed in the record at this point, and you may highlight it, if you like, and make such other statements as you desire.

(The letter referred to follows:)

THE NEW YORK PATENT LAW ASSOCIATION,
New York, N.Y., February 26, 1965.

Senator JOHN L. MCCLELLAN,
U.S. Senate,
Washington, D.C.

DEAR SENATOR MCCLELLAN: I am writing to present to you the views of the New York Patent Law Association on the proposed legislation before your committee having to do with an increase in fees payable to the Commissioner of Patents. Our views on the Willis (H.R. 8190) bill, which was before your committee last year, were expressed in a letter to you from our president, Ralph L.

Chappell, dated February 26, 1964, and are incorporated herein by reference. A copy of this letter is attached as appendix A.

We reaffirm our support of the idea that Patent Office fees should be substantially increased. We are in sympathy with the wishes of the Patent Office that its income from fees be raised. It is a matter of some pride to many of our members that the Patent Office is one of the few Government agencies that is even partially self-supporting, and were it not for the plight of the individual inventor of moderate means, we would advocate that the Patent Office return to a fully self-supporting basis of operation, hopefully to serve as a model for other Government agencies to follow.

Had the problem of new money for the Patent Office been presented to us, we would have proposed a simple doubling of the existing Patent Office fee schedule. This is a straightforward and relatively noncontroversial approach.

Of the three bills before your subcommittee, S. 1228, filed February 19, 1965, by Senator Tydings, most nearly meets our idea of a proper Patent Office fee bill, and we give it our support. On the other hand, certain aspects of S. 730, which you introduced on January 26, 1965, at the administration's request, are not supported by our organization.

We continue to be opposed to the principle of maintenance fees (S. 730—sec. 6, title 35, proposed sec. 155, maintenance fees). We believe such a system of taxation to be an unfair burden on patent owners, particularly where it has not been demonstrated that the benefits from the imposition of such an onerous system of fees would outweigh its obvious disadvantages. Maintenance fees discourage, rather than encourage, advancement of the useful arts and science, and are contrary to the spirit of the constitution. In spite of the appeals for maintenance fees found in the hearings before your subcommittee last year, we submit that maintenance fees are not in the public interest. We seriously question data justifying maintenance fees, when such data is based upon experience in a foreign country under the particular patent laws and special economic climate of that country.

A number of reasons for our position of opposition to maintenance fees are set forth in detail in our aforementioned letter attached as exhibit A. Briefly summarized, the maintenance fees (to the extent they are not or cannot be prepaid as provided in S. 730) will provide no income for 5 years, and their full value will not be received for a substantially longer period. Maintenance fees encourage inventors and small companies of moderate means to abandon their patent rights near the end of the term of the patent. Quite often, it is the last 2 or 3 years of the patent term that are the most valuable to the inventor. Furthermore, the benefit of the provision for deferred payment of maintenance fees is illusory. In order for an inventor to defer the payment of maintenance fees, it will be necessary for him to hire an attorney to be sure that his affidavit complies with the statutory requirements. How, for example, is the language "gross benefit," found in section (f) of proposed section 155, Maintenance Fees, to be construed? In most instances, the attorney's fee would nearly equal the cost of paying the maintenance fees.

We also object strongly to the principle of basing issue fees upon the number of pages of printed specification. (S. 730—proposed item 2, subsec. (a) of sec. 41, title 35, U.S.C.) The printing of patent copies is, after all, for the benefit of the general public and not for the benefit of the inventor. Penalizing the inventor for compliance with the statutory requirement of a full and complete disclosure of his invention goes directly against the primary purpose of the patent system. It must be recognized that where a schedule of fees diminishes the inventor's incentive fully to disclose his invention, it is the general public that is the loser.

The position of our association can be summarized as follows:

1. The association is in favor of an increase in Patent Office fees.

2. The association is opposed to the manner in which these fee increases would be implemented in the proposed legislation. More specifically, the association is opposed to:

(a) Imposition of maintenance fees in any form.

(b) Issue fees based on the number of printed pages of the specification.

Other attempts to reform or simplify Patent Office practice through changes in the existing fee schedules, such as the charges for independent claims in excess of one (S. 730—proposed item 1, subsec. (a) of sec. 41, title 35, U.S.C.) are objectionable in principle. Substantive changes in Patent Office practice should be considered on their own merits, and should not be part of legislation designed to increase revenue.

Your attention is drawn to that portion of S. 730 relating to the proposed amendment of section 12, section 282 of title 35, United States Code. The portion of the second sentence reading: "; dependent claims shall be presumed valid even though dependent upon an invalid claim," is redundant and should be omitted if the proposed amendment is to receive the intended construction.

Your thoughtful consideration of our opinions during your subcommittee's deliberations on Patent Office fee legislation will be appreciated. We understand that your subcommittee has scheduled hearings on the various fee bills for March 3, 1965. Permission is requested for Albert C. Johnston, second vice president of this association, to appear and testify briefly on behalf of the association. A trial engagement prevents me from attending the hearings.

We ask that this letter be placed in the record of the hearings.

Very truly yours,

JOHN N. COOPER,
First Vice President.

Mr. JOHNSTON. Thank you, Senator.

I should like to supplement the comments of the letter of record by giving its general points, and then further by expressing some individual points of view which have not had an opportunity to be considered as a statement by our group. And in that connection, it may be of some interest if I state my qualifications.

I have been engaged in work in the patent field for 35 years. I was an examiner in the Patent Office for 5 years, and for nearly 30 years I have been in practice in New York City. My practice has largely consisted of representing individual inventors and small companies as distinguished from the large corporate practice.

The New York association, of course, agrees completely with the other associations that have appeared here in supporting a very substantial increase in the revenues of the Patent Office. It is perfectly obvious that there must be, and perhaps there has been too long a delay in obtaining, a suitable increase of revenue.

We also are completely in accord with the views expressed by some of the persons testifying here, that there is a substantial, a very substantial, public interest in the operation of the Patent Office and in the fruits that flow from its operation and that, therefore, the whole burden of its operation should not be considered to be chargeable against the procurement processes of obtaining patents. Something of the general order of 50 percent to two-thirds would seem to us to represent a ceiling of the reasonable range of the allocation between the inventors on the one hand and the public interest obligation on the other.

The association which I represent consists of approximately 1,100 lawyers, and we are probably the largest regional association in the country, as distinguished from the American Patent Law Association, which is the largest general one in our field. Our committee studying this matter believes that of the bills before this subcommittee, the one most commendable from the standpoint of the profession and the public is S. 1228.

There are three aspects of S. 730 which, in our view, are subject to criticism, and these you have heard mentioned, of course, earlier today. One of them is the question of maintenance fees. The second one is the question of printing fees to be assessed at the time of issue of the patent. The third is the question of fees based upon the form of claims; that is to say, whether they are dependent or independent, rather than upon some simpler manner of levying fees.

Senator McCLELLAN. One thing I am unable to reconcile. You might emphasize your position on this: Why do you object to paying for whatever you get with respect to the printing? You have 1 patent here that takes 20 pages. The Patent Office has to go to the Printing Office to get it printed. It has to pay for it. It would pay less for 10 pages. What is your objection, what valid objection can there be to having the fellow getting the patent pay for that printing?

Mr. JOHNSTON. I think it comes down to two aspects, Senator McClellan. One is the complexity that it introduces into the operation of representing the inventor, and the additional costs that are going to be loaded upon him as an administrative factor in the handling of one's office where he is represented.

Senator McCLELLAN. It would only be a few dollars. I do not see how that is going to complicate it so much.

Mr. JOHNSTON. It is not so much the dollar value of it as it is that it requires professional attention, the professional attention and the uncertainties of where you stand can be avoided.

Senator McCLELLAN. That would be true about the claims, but I do not see how it can be true of the printing.

Mr. JOHNSTON. It would seem to us that, under the present bill, one would not be certain what these costs are; nor could he be completely certain that when he pays an estimated final fee his rights will be protected.

Senator McCLELLAN. It is only going to be a few dollars' difference. I am talking about the difference between 10 pages and 20 pages, just by way of illustration.

Mr. JOHNSTON. If you take 10 pages and 20 pages, the difference is going to be $100 in the cost of the patents.

Senator McCLELLAN. It may be that way, but why should he not pay for what he gets?

Mr. JOHNSTON. Let me put it this way: The printing of the patent is fundamentally a public interest matter. The printed patent is the thing that becomes the source of technical information available to persons in the public who want to know, what did this man do and how did he do it? It is primarily a public interest. The individual inventor may have a very simple invention, or he may have a complex one. To the extent that he has a complex one, it is going to cost him a great deal more to get his application on file in the first place and to prosecute it. Then to add on to those costs costs which are not predictable at the time of the doing of the work of the case—at least not exactly so, the cost of the printing operation, which, I may add, is something the nature of which is under the control of the Commissioner of Patents and not under the control of the inventor—is something which can make the total cost extremely great in the case of inventors who may have relatively complex inventions.

Senator McCLELLAN. Then on this issue, you would favor a flat fee?

Mr. JOHNSTON. I would favor, actually, a much simpler fee system than would be enacted in any of the proposed bills. I personally would favor something along this line, that we increase the filing fee, that we increase the issue fee, and we keep the two at the same dollar level, which makes it understandable and less susceptible to error;

that we have in lieu of these other new types of fees, a fee per claim that begins with claim 1. I would say $2 per claim, beginning with claim 1. If you have a filing fee of $75, an issue fee of $75, and a charge of $2 per claim, I believe that your bills would yield all the revenue, or substantially so, that has been contemplated in all of the bills before the subcommittee. This would involve a simple system like that of the existing law, and would solve virtually all of the objections that have been stated as to these bills. The minute you start putting a number of claims below which you have free claims and above which you have to pay a substantial charge such as $5 or $10, you are injecting into the system an artificiality that puts a burden on the attorney to try to mold his case to fit the fee bill. This is a difficult thing, and it is going to cost the applicant more and use up more of the attorney's time wastefully, on matters of form.

Senator McCLELLAN. Could this thing all be made pretty simple, do you think, without doing a real injury or injustice to anyone?

Mr. JOHNSTON. In my opinion, it could. And, in my opinion, the whole concept of the maintenance fees involves also an undue complexity, an undue addition of redtape, an an expense that sort of goes by Parkinson's law, with the addition of needless complexities to how you operate your system.

I may call your attention to something that just happens to fit this question of maintenance fees, I believe. Just yesterday, I received a call from an attorney having to do with the possible development of an invention, the patents for which will expire 4 years from now. The inventor in that case, who still owns a considerable interest in these patents, subject only to a security interest that had to be taken to try to recover some of the cost of obtaining these patents, would have definitely never been able to maintain these patents and would have not been able to advance fees at the time of maintenance fees had they been in existence. Yet here it is 4 years from the expiration, and the possibility of this invention becoming commercialized is just now again raising its head. This, I say, is almost typical of the case where the invention has not been commercialized by the time of the issue of the patent. Because in that case, it is never predictable when that invention will be commercialized.

In such a case, unless there is a patent right continuing in subsistence, there is not the inducement that is the fundamental thing of our patent system, for people to want to invest the efforts and money necessary in order to develop and commercialize it. Hence, even as late as 4 years from the expiration date in this particular instance comes the question: Can we not get this thing going commercially before the patent expires? That is only one illustration that I think is pertinent.

I have mentioned the maintenance fees in part, some of the objections. I have mentioned the printing fees and tried to give you some view on those. I would like to mention a little bit more, something about the form of claims, this question of dependent and independent claims. I regretted to hear Mr. Morton support the bill, or S. 730, on this subject.

The Commissioner has indicated that he can deal with the problem of the form of claims administratively, by regulation. I would submit that that is the way the problem should be dealt with and not by a fee schedule that tends to force one into dependent rather than independent claims. The idea of such a form of claims comes from the fact that it is commonly used in many other countries. I happen to have had a good deal of experience in foreign patent prosecution. In the foreign countries, the dependent claim form is permitted in ways that are not permitted in the U.S. practice. The U.S. practice has been built upon the experience of thousands of qualified men who are habitually working in judicially-molded ways of drafting claims for U.S. patents. The U.S. Patent Office only permits one preceding claim to be referred to in a dependent claim, whereas abroad, one can refer to any number of them. We have not adapted our practice to the proper usage of dependent claims, and therefore, I submit that it is premature to be enacting a fee bill that would put a pressure toward a form of claims that our practice is not yet adapted to accommodate.

In general, my position on these bills is that they tend to be unduly complicated, that we have overcomplicated things which can be handled to raise the necessary revenue much more simply, and I would hope that the subcommittee would find that that is the proper direction to go, and, toward that direction, it would seem to me—and this is also the view of my association—that S. 1228 is the better of the alternatives available.

Senator McCLELLAN. Do you think you could greatly simplfy this whole thing by fixing a definite fee on what we have now without new fees and with respect to the printing, charge the same rate, no matter whether it is 1 page or 20, without doing a great injustice to the folks who have the smaller interests or whose application could be processed with much less trouble?

Mr. JOHNSTON. Yes, sir; I am firmly convinced of that. I would like to point out in that regard that in the typical patent application today, the big cost to the inventor is the cost of the highly specialized services that have to go into representing him and preparing his case and prosecuting his case, and that the notion that you are helping the inventor by charging him, for example, $50 as a filing fee rather than $75 as a filing fee is fallacious, because this is not the major problem that he is confronted with. When that notion is combined with the notion that you are going to charge him $10 for every independent claim in excess of 1, and $1 or $2—I have forgotten the figure—for every dependent claim in excess of 10, and forcing the attorney then to put his mind into a pattern of claiming that is not the accustomed pattern in this country, to find a new way of serving his client better, you are then adding unnecessary burdens and hidden costs to the costs of the inventor.

Senator McCLELLAN. To the burden of the patentee, adding to the burden of the applicant?

Mr. JOHNSTON. Yes, indeed.

Senator McCLELLAN. I am glad to get these thoughts from you. We are receiving some very constructive testimony here from all of you. I think it is going to be very helpful to us when we sit down to mark up a bill.

(The following was subsequently received and by order of the chairman, printed at this point:)

THE NEW YORK PATENT LAW ASSOCIATION,
New York, N.Y., March 12, 1965.

Hon. JOHN L. MCCLELLAN,
Chairman, Subcommittee on Patents, Trademarks, and Copyrights, Senate Office Building, Washington, D.C.

DEAR SENATOR MCCLELLAN: In view of the permission extended by the subcommittee on March 3, 1965, I respectfully submit this supplemental statement on behalf of The New York Patent Law Association, with particular reference to the printing fees which would be imposed by S. 730 upon the issuance of a patent.

In addition to a basic issue fee of $75, the bill would add a charge of $10 for each page of printed specification and a charge of $2 for each sheet of drawings. According to proponents, these special charges are intended to encourage brevity in the drafting of patent applications.

At the hearings, I pointed out that objectionable complexities and hidden expenses would result from such a fee system and that, fundamentally, the printing of patents is a matter in the public interest and is not susceptible to any control by the inventor.

It should further be noted, and I respectfully submit that the stated purpose of the proposed printing fees is contradictory to one of the basic tenets of the patent law, as expressed by 35 U.S.C. 112. In return for the right to exclude others from using his invention for 17 years, the inventor is required to disclose the invention fully to the public. Any measure which diminishes his initiative to disclose the invention fully is against the public interest and will inevitably work counter to the intent of the Congress as expressed in the following requirement of the Patent Act:

"35 U.S.C. 112. Specification.

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

It will be appreciated that the number of printed pages required for compliance with the statute will vary with the nature of the invention. A very simple chemical compound may require a single page, while a complex computer may require a hundred. Yet these greatly differing inventions may well be of essentially the same value to the public.

Our association is strongly of the view that the proposed measure is inconsistent with 35 U.S.C. 112 and that it should be replaced by a flat issue fee.

It is to be emphasized that patents and patent copies are not printed for the benefit of the inventor. All printing and distribution of copies of the patent are for the benefit of the general public, that is, to give them full knowledge of the inventor's discovery. The revenue from the proposed doubling of the charge for patent copies, together with the basic issue fee proposed for each patent, would yield funds amply offsetting the costs of issuing patents and printing them for the information of the public.

In reviewing the testimony at last year's hearing before your subcommittee, we find that both Mr. Holloman (page 11 of the transcript) and Mr. Reynolds (page 31 of the transcript) expressed the view that part of the consideration running from the inventor to the public for the grant of a patent is an affirmative duty on the part of the inventor to disseminate his invention. This, we believe, is a novel concept possibly arising from the physical proximity of the patent examining and patent copy functions in the Patent Office. While it is logical to mingle these functions in the Patent Office, care should be take that they not be regarded as being alike. The examining function benefits the inventor as well as the public, being set up to determine the nature and scope of the invention and to grant rights to it if it is patentable. This function is completed by the act of issuing the patent; the act of disclosing and permitting publication is the inventor's part of the process.

On the other hand, the act of disseminating the description of the invention to the general public is a separate and distinct function of government. This is carried out solely for the benefit of the general public. It has no influenec on the rights of the inventor.

We know of no authority making it a duty of the inventor to disseminate a descritpion of his invention to the general public; for his part of the bargain is fulfilled when he provides a full description of his invention and agrees to the publication of it.

Respectfully yours,

ALBERT C. JOHNSTON.

Senator McCLELLAN. Off the record.

(Discussion off the record.)

Senator McCLELLAN. Call the next witness.

Mr. BRENNAN. Mr. Lloyd LaFave, on behalf of the Milwaukee Patent Law Association.

Senator McCLELLAN. Please identify yourself for the record, Mr. LaFave.

STATEMENT OF LLOYD LaFAVE, MILWAUKEE PATENT LAW ASSOCIATION

Mr. LAFAVE. I am Lloyd LaFave, member of the Milwaukee Patent Law Association and legal counsel for the Oilgear Corp., which has its business in Milwaukee. I have a resolution on file on behalf of the Milwaukee Patent Law Association.

Senator McCLELLAN. Your resolution may be printed in the record at this point, Mr. LaFave.

(The resolution referred to follows:)

PROPOSED RESOLUTION FOR THE MILWAUKEE PATENT LAW ASSOCIATION

The Milwaukee Patent Law Association after a study of the Patent Office fee bills S. 729 and S. 730 makes the following resolution with respect thereto:

1. The Milwaukee Patent Law Association is in agreement with the necessity of increasing Patent Office fees.

2. The Milwaukee Patent Law Association favors and recommends raising Patent Office fees to offset the decrease in the purchasing power of the dollar since the year 1932, at which time Patent Office fees were last generally revised. It is understood that any fee schedule enacted pursuant to this recommendation would result in increasing fees approximately 120 percent over those in force in 1932.

3. The Milwaukee Patent Law Association rejects the theory that Patent Office fees should recover any particular percentage of Patent Office operational costs. The Patent Office acts primarily in the public interest and should be supported by the public.

4. The Milwaukee Patent Law Association is in substantial agreement with the provisions of S. 729. Specific objection is raised to section 31. Section 31 of S. 729 provides for an increase in the filing fee to $60 for each trademark application. The addition of any issuance fee for issuing the registration of a mark is opposed.

5. The Milwaukee Patent Law Association is opposed to S. 730 for the following reasons:

(a) Any provision for maintenance fees (even though prepayment or deferred payment is permitted) is disapproved for the following reason:

(1) Any provision for maintenance fees is contrary to the basic purpose of article I, section 8, of the Constitution of the United States of America which is "To promote the Progress of Science and useful Arts,". The imposition of maintenance fees will have the effect of discouraging an inventor from disclosing his invention to the public in a patent application.

(2) The anticipated lapse of many patents for failure to pay the maintenance fee will pro rata reduce the incentives of the patent system as a stimulus to competitive effort in research and development. This stimulus is documented in study No. 2 of the Subcommittee on Patents, Trademarks, and Copyrights of the Committee on the Judiciary of the U.S. Senate, 84th Congress, 2d session, entitled "The Patent System and the Modern Economy." Maintenance fee provisions now in force in various countries foreign to the United States have resulted in the premature lapsing of more than half of the patents which would otherwise be in force in these countries. Anticipated similar premature lapsing of patents in the United States under the proposed maintenance fee provisions will, in effect, cut in half the present stimulus of the patent system to competitive effort in research and development in the United States.

(3) As demonstrated by experience with maintenance fees systems in foreign countries, the expense and administrative burden on patent owners (and to the U.S. Patent Office under S. 730) of keeping track of and attending to the payment of maintenance fees may very well exceed the revenue derived by the Patent Office. Such a wasteful procedure will constitute a drag on the economy and should be avoided.

(4) There will inevitably be an area of uncertainty as to what patents are in force and what patents have lapsed. This will further increase costs to the public greatly outweighing the revenue benefits, if any, accruing to the Patent Office.

(*b*) Proposed bill S. 730 will work substantive changes in the patent law under the guise of a revenue measure. One of the purposes of these proposals is to reform Patent Office practice and simplify Patent Office operations. We believe that any attempt to "reform" Patent Office practice and simplify operations should be treated on its own merits and independently of any revenue measure. Highly questioned "reform" measures incorporated in this bill are:

(1) The bias in favor of dependent claims and against independent claims by reason of the sharply increased fees payable where independent claims are made.

(2) The incentives in the bill to reduce the comprehensiveness of patent disclosures in order to avoid sharply increased fees based upon the length of the patent specification and number of pages of drawings incorporated therein.

(3) The reduction in the effective term of a patent which will result from the maintenance fee provision.

PATENT LAW AND RELATED LEGISLATION COMMITTEE,
LLOYD LAFAVE, *Chairman.*

Approved by board of directors action on February 26, 1965.

H. J. BARNETT, *Secretary.*

Mr. LAFAVE. On behalf of the Milwaukee Patent Law Association, since my comments are very brief, I would like to state that the Milwaukee Patent Law Association, in spite of its name, is the only patent law association in the State of Wisconsin, and has approximately 110 active members, representing a few large industries and many small industries and, of course, through the general lawyers, the private inventors.

Basically, our association's stand on these bills, although it had only S. 729 and S. 730 before it at the time of the resolution, the members were familiar with what was to be in the Tydings bill—I think I can confidently state that our resolution still stands as presented, and that the position of the Milwaukee Patent Law Association is that it favors the Dodd bill in preference to the other bills—S. 729—primarily because of the maintenance fees in S. 730, and of secondary importance, because of the introduction of fees in relation to independent claims, more than one.

Mr. BRENNAN. You do object, though, to the feature of the Dodd bill which relates to trademark fees?

Mr. LAFAVE. Yes, I did say that we primarily objected to S. 730 because of maintenance. The feature that we did mention in the Dodd bill that we objected to was the addition for the first time of a fee for issuance of a trademark. The reason for raising that question was, first, it was a new addition, and second, most people having experience with trademarks thought that perhaps the Dodd bill was raising too much revenue chargeable against trademark cost. Without knowing the balance between the two, this was their means of striking a balance.

We would still favor the Dodd bill to raise the required revenue, amended in any suitable manner to raise the revenue by apportioning these fees in the manner we suggested. Or, as the Dodd bill was amended or suggested for amendment this morning, I take it upon myself to state that our association would still favor it, because in principle we have no objection to raising the amount of money that the committee is seeking through any of these bills. We are objecting to the introduction of maintenance fees.

Senator MCCLELLAN. You are what?

Mr. LAFAVE. We oppose the introduction of maintenance fees.

That was our primary reason for our position. The second was for the fees for independent claims, more than one.

Now, I do not want to be repetitious, because you have had a lot of experts speaking here, and I cannot add very much. But I do want to throw out for your consideration one thing that occurred to me that is not in our resolution. That is in connection with these dependent claims. I think that should be left to the Commissioner to encourage the use of independent claims, which he has been doing very well, and secondly, that you can hardly compare U.S. prosecution with foreign prosecution. My own experience indicates that they are not comparable situations, that the British, for instance, do not use the test of patentability that we do. In the United States, the examiner will combine references and reject a claim based on patent A in view of patents B and C, for example. The British system does not do that. They are not likely to combine references at all. They may cite different references, but they do not combine them, so that we are forced to write claims in a different manner than they do in Great Britain.

From my own experience, I know that I would frequently like very much to get a broad claim in the United States such as I have obtained in Great Britain or Germany on which to hang a bunch of dependent claims. That type of independent claim has not been available in the U.S. Patent Office.

One other comment. I would like to say that all these bills do take into consideration the small inventor. If you will recall, the Patent Office fee as it now exists is the same—$30 for filing, $30 for issue. In the present bill, we make a distinction. We about double the issue fee in respect to the filing fee. This gives the small inventor due consideration.

After all, the cost of prosecuting an application, whether it ever issues into a patent, may be substantially the same, and we are given a break to encourage filing in the first instance and letting those who succeed in getting a patent to issue carry the burden.

I heard a comment here that—I have forgotten the ratio, but I think it was 60 percent of all the applications filed issue in patents. So it is a fair ratio, and I think certainly our association would agree to this change of the issue fee being substantially more than the filing fee.

Now, it is a subsidy, in a sense, to those who file, but we would have no objection to that.

I have no further comments.

Mr. BRENNAN. Thank you very much, sir.

Our last witness is Mr. Mark M. Newman, on behalf of the Patent Office Society.

Mr. Newman, you have a prepared statement which is rather short. Would you like to read it?

STATEMENT OF MARK M. NEWMAN, PATENT OFFICE SOCIETY

Mr. NEWMAN. Yes, I would.

I am Mark Newman, member of the bar of the District of Columbia, member of the patent section of the ABA; I am a patent examiner in the U.S. Patent Office, and I am here on annual leave today. I am chairman of the legislative committee of the Patent Office Society, and I am here by direction of their executive committee.

First of all, Mr. Chairman and members of this subcommittee, before I read this statement, I would like to thank you very much for the opportunity to present the society's views. The cordial and fair reception which we have received from your committee is most welcome.

Mr. Chairman and members of the subcommittee, the Patent Office Society, as you know, is devoted to promoting the professional development of patent examiners and the improvement of the U.S. Patent System. Over 1,040 examiners and other professionals are members of the society. This is approximately 90 percent of the total number of professional employees in the Patent Office.

The society supports S. 730. Our statements concerning H.R. 8190, made to this subcommittee in our testimony on February 27, 1964, apply equally as well to S. 730. In addition thereto, we would like to offer the following brief comments.

We note that S. 730 provides for payment of maintenance fees, or in lieu thereof, a fixed payment of $75. It appears to us that this alternative $75 fee is tantamount to an increased final fee, and it is our understanding that there is no concerted opposition to the principles of increasing the final fee.

However, we believe that it would be wise to provide maintenance fees for those inventors who canot afford to pay an increased fee concurrently with the patent grant. Elimination of the maintenance fee alternative would run the risk that the public would lose the disclosures of underfinanced private inventors. Since S. 730 provides both a maintenance fee and an alternative, we applaud the fee structure of this bill as a realistic compromise which is responsive to the needs of all who use the patent system. It provides maintenance fees for those who need and desire them, while at the same time it allows for elimination of maintenance fees for those opposed to them.

No matter what this subcommittee finally decides to do with the principle of maintenance fees, the society strongly urges the retention

of all those parts of the bill which provide economic incentives for filing concise patent applications. These parts are: (1) claim fee schedule, (2) issue printing fees.

At this point, I would like to depart from my statement just to make the following comments. The examiner has, as his duty, the job of making sure that a concise and clear statement of the invention is provided in the specification. The printing costs portion of fee bill (S. 730) will not deter any examiner from making sure that all the requirements of the statute are met.

The striking of any of these parts of S. 730 would tend to result in discursive disclosures and redundant claiming. These waste examiners' time, and would contribute significantly to the formidable backlog of patent applications.

The retention of these parts of S. 730 will tend to speed up the examination process, reducing the time that an inventor must wait for his patent and placing the disclosure in the hands of the public within a shorter period of time after filing.

Should S. 730 be passed without maintenance fees, the society urges that the desired cost recovery be effected by increased final issue fees and/or issue printing fees. In any event the society strongly urges that the principle of issue printing fees be retained.

The society supports S. 730 and again thanks the subcommittee for the opportunity to be heard.

Senator McCLELLAN. What do you mean there by, "urges the principle of issue printing fees be retained"? What do you mean by that?

Mr. NEWMAN. That is the $10 fee per page of specification and $2 per page of drawings, due at the time the patent issues.

Senator McCLELLAN. In other words, you do not believe that a flat fee is the answer. You think that one ought to pay somewhat in proportion to what his patent requires and what he gets?

Mr. NEWMAN. We think so, for two reasons, Senator. One is, that the longer the application is, the longer it takes for the examiner to examine it. We think that this bears a fair and reasonable value for the service received.

Senator McCLELLAN. Someone said this is all for the benefit of the public.

Mr. NEWMAN. The whole patent system is for the benefit of the public.

Senator McCLELLAN. I would not think that is so. I would think that the applicant has some interest in it, the inventor, so to speak. I thought it was somewhat for his benefit, too.

Mr. NEWMAN. Yes, it is. In return for the inventor giving his knowledge to the public, he receives an exclusive grant. So the inventor and the public both benefit.

Senator McCLELLAN. I was not trying to be critical. I meant this is something we are going to have to resolve. I would like to keep the bill, with default provisions, fee schedules, and so forth, as simple and as uncomplicated as possible. I am not wedded to any bill here so far as supporting it. I introduced the administration bill in order to have a basis for consideration. I think they are entitled to it. Those are the people who work for the Government, who represent the public, and their views should have every consideration, and I want to do that.

But none of us is perfect, and I think if we discuss these things we sometimes obtain information that induces us to change our minds because it will improve or make better conditions. I am just here searching, searching for a way to raise these fees, to raise more revenues, to have the parties who benefit from this contribute more to the cost of operating the Patent Office, a larger percentage, and at the same time, do it in as simple a way and as equitable a way as is possible.

I appreciate your testimony, in support of S. 730.

Mr. NEWMAN. Yes, sir.

Senator MCCLELLAN. You gave some very good reasons for it. But I want to make the money-raising process, as simple and as equitable as is possible.

We appreciate your appearance.

I apreciate you folks taking the time to come here and present your views to help enlighten us. I am no expert in this field.

Mr. NEWMAN. As far as the printing costs are concerned, sir, if through these economic incentives, we can get the applicant and the attorneys to present their case in a more precise manner, the Office will be in a better position to better exercise its constitutional duties.

Senator MCCLELLAN. It will expedite its work?

Mr. NEWMAN. Yes; and get the patents out to the public and the inventor quicker. We feel these fees will provide an economic incentive for the applicants and for the attorney to help us out.

Senator MCCLELLAN. Thank you very much.

I believe that concludes all the witnesses, does it?

Mr. BRENNAN. It does, Mr. Chairman.

Senator MCCLELLAN. Before we adjourn, I would like to make a brief statement concerning the consideration which this subcommittee has give to the subject of Patent Office fees. We have heard 12 witnesses today. During the previous hearings, we received testimony, I believe, from some 30 witnesses. A number of statements have been received for inclusion in the record. I shall direct that the record be kept open until March 15 so as to provide an opportunity for any others who may wish to do so to file statements to be printed in the record.

The subcommittee will weigh all of this testimony and then endeavor to report a bill which I hope will reflect a sound fee system. While legitimate differences exist as to the exact provisions and fee increases the bill should contain, I believe that the Congress will be able to resolve these issues and should enact a fee bill during this session.

The committee is adjourned.

(Whereupon, at 4:10 p.m., the committee adjourned, to reconvene subject to call of the Chair.)

APPENDIX

AMERICAN ASSOCIATION OF NURSERYMEN, INC.,
OFFICE OF THE PRESIDENT,
Washington, D.C., March 12, 1965.

Hon. JOHN L. MCCLELLAN,
Chairman, Subcommittee on Patents, Trademarks and Copyrights, Committee on the Judiciary, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: The Aerospace Industries Association, representing the Nation's aircraft, missile, and spacecraft manufacturers, appreciates the further opportunity to express its views on legislative proposals for increasing Patent Office fees. This association communicated to you by letter,[1] dated March 20, 1964, our industry's position on H.R. 8190 and S. 2547, patent fee bills under consideration in the 88th Congress.

At this time we want to reaffirm our basic position on Patent Office fees as expressed in that letter. In addition, we want to offer our views on the current legislative proposals, S. 729, S. 730, and S. 1228.

This association approves in principle the policy that the U.S. Patent Office should recover a higher portion of its operating expense through the fees charged for its services. It is clear that these expenses are now borne substantially by the general public through appropriations to offset the annual deficit of that Office, and we believe that this deficit should be reduced through increased Patent Office fees.

However, it is our strong belief that fees charged by the Patent Office should be generally commensurate with the services rendered by that Office and, as a corollary, that the fees should not be arbitrary and unrelated to such services. In this connection, it is abundantly clear from the record that the predominant item of expense in the operation of the Patent Office is in connection with the examination of patent applications to determine patentable novelty. Each such determination, favorable or otherwise, requires a substantial expenditure of Patent Office resources. We thus favor a legislative approach which recognizes this fact and treats the matter on a businesslike basis; that is, equitable payment for services rendered by those who receive the services whether or not they receive a patent.

S. 729 AND S. 1228

The proposed bills, S. 729 and S. 1228, both provide a substantial increase in filing and final fees. Also, neither bill contains maintenance fees which we feel are most repugnant to the spirit and continued well-being of the U.S. patent system. We believe, however, that the fees set forth in S. 1228 are more reasonably correlated with the services rendered by the Patent Office and are more equitably applied. Accordingly, that is the bill which we would recommend.

S. 730

This association respectfully submits that it is opposed to the principle of maintenance fees for U.S. patents as proposed in S. 730. We believe that the proposed maintenance fees of this bill would cause substantive changes in both the patent system and its practice, would be discriminatory as between applicants and pantentees, and would be unreasonable as charges for services actually rendered.

[1] This letter appears at page 241 of the record of the hearings on Patent Office fees before the Subcommittee on Patents, Trademarks, and Copyrights of the Committee on the Judiciary, U.S. Senate, 88th Congress, 2d session.

SUMMARY

In summary, the Aerospace Industries Association supports the reduction of the Patent Office's annual deficit through an increase in patent fees commensurate with services rendered. We reject the principle of maintenance fees contained in S. 730 and thus recommend against enactment of that bill. We approve the solution to the Patent Office revenue problem as embodied in S. 1228, and prefer that bill to S. 729. In short, of the three bills, we believe that S. 1228 presents the soundest approach to the distribution of the costs of operating the U.S. Patent Office, and we recommend that it be enaced by the Congress.

Yours very truly,

KARL G. HARR, Jr.

AMERICAN ASSOCIATION OF NURSERYMEN, INC.,
Washington, D.C., March 3, 1965.

Hon. JOHN L. MCCLELLAN,
Chairman, Subcommittee on Patents, Trademarks, and Copyrights, Senate Judiciary Committee, U.S. Senate, Washington, D.C.

DEAR SENATOR MCCLELLAN: We are pleased to hear that your committee will once again study bills designed to increase fees payable to the Patent Office. This letter contains the views of the American Association of Nurserymen on this subject. We respectfully request that this letter be made a part of the record of the March 3, 1965, hearings before your committee.

We would first like to make it clear that our position remains unchanged from that previously expressed before your committee. We support a reasonable increase in existing patent fees. We oppose imposition of the maintenance fee concept on the American patent fee system. We think it is perfectly in order that the Patent Office charge higher fees. Their fees have not been raised in many years and they obviously need more income. We see no reason for incorporating in the patent fee system a complicated maintenance fee provision. Nor are we in favor of an alternate reduced maintenance fee of $75 to be paid at the time of issue of a patent in lieu of a greater payment in separate installments. Such a reduced fee is still, in effect, a maintenance fee. The next likely step is to repeal the $75 alternate leaving us with mandatory use of greater payment in separate installments. In our opinion, maintenance fees will increase the workload of the Patent Office without decreasing cost and will certainly create hardship for patent holders.

We must confess that we were somewhat surprised when bills were again introduced to the Congress calling for introduction of maintenance fees. In face of the overwhelming opposition to maintenance fees which was expressed in previous hearings, we had hoped that administration officials would see that those whose business requires use of patents were genuinely opposed to a maintenance fee. We urge that the committee carefully review last year's hearings. These hearings reveal that only the administration and employees of the Patent Office supported this new concept.

We urge the committee to realize that plant patents are owned by small businesss and additional costs cannot be absorbed by these companies without increasing the price of their product—trees, fruits, and flowers. Higher prices to the consumer risk loss of volume. Most nursery firms with plant patents have very limited facilities and personnel. They are not equipped to keep track of patents in force so that maintenance fees may be paid. The view has been expressed that recordkeeping will greatly add to the total $300 maintenance fee. We wonder, Mr. Chairman, if the current administration bill calling for a $75 fee to be paid at the time of issuance, thereby exempting a patent holder from the necessity of paying the maintenance fee, does not indicate the cost to the Patent Office of maintaining this new system. Certainly if $75 paid all at once exempts a firm from the necessity of paying $300 over 13 years, the difference must be in cost of the system.

While we are in favor of a reasonable increase in existing patent fees, we do not feel that S. 730 calls for realistic fee increases. In the Congressional Record on January 26, 1965, page 1223, it is reported that in fiscal year 1964, the Patent Office recovered 30 percent of its costs by fees. At the time this was calculated fees for a patent (with one assignment) averaged about $63. S. 730 would increase this average fee to approximately $242 while claiming to recover only 75

percent of Patent Office costs. We fail to see how an approximate increase in fees of 284 percent increases income from 30 percent to only 75 percent of costs. We would hope that this is not an indication that the quantity of patents applied for under the new fee system would be greatly reduced and American inventive genius curtailed. When this happens invariably it becomes necessary for Government to step in and fill the void with less efficiency and an increased burden to all taxpayers.

In summary, Mr. Chairman, while we are in favor of realistic increases in patent fees, we urge preservation of the patent fee system without addition of such things as maintenance fees, printing fees, and special fees for extra claims which only complicate determination, by both the Patent Office and the inventor, of patent costs.

Sincerely yours,

ROBERT F. LEDERER.

AMERICAN CHEMICAL SOCIETY,
Washington, D.C., March 12, 1965.

Senator JOHN L. MCCLELLAN,
Chairman, Subcommittee on Patents, Copyrights, and Trademarks, Committee on the Judiciary, U.S. Senate, Washington, D.C.

DEAR SENATOR MCCLELLAN: We hope that the attached statement of the American Chemical Society can be included in the record of the hearings which the Senate Subcommittee on Patents, Copyrights, and Trademarks recently conducted on proposals to fix fees for the U.S. Patent Office. Thank you.

Sincerely yours,

ALDEN H. EMERY.

STATEMENT BY DR. CHARLES C. PRICE, AMERICAN CHEMICAL SOCIETY, CONCERNING BILLS TO FIX CERTAIN FEES PAYABLE TO THE PATENT OFFICE

Mr. Chairman, it is a pleasure to present the views of the American Chemical Society on these three bills dealing with the fee schedule of the U.S. Patent Office. The society is a scientific and educational organization chartered by Congress with the aid and approval of five departments of the Federal Government, including the Department of Commerce. It has a membership of almost 100,000 individual chemists and chemical engineers, nearly two-thirds of whom are engaged in scientific research. Included among its objectives are the promotion of research in chemical science and industry, the increase of and diffusion of chemical knowledge, and the promotion of scientific interest and inquiry, thereby fostering public welfare and education. It is by reason of these objectives that the society is concerned about the proposed legislation concerning Patent Office fees.

The American Chemical Society does not represent the chemical industry. Nor does it speak for the members of the patent bar or for the staff of patent examiners, even though some individuals in each of these groups do belong to our society. Our concern here is solely with the Patent System as it affects scientific advancements for the general public.

An obvious objective of the three bills under consideration is to increase the potential income of the Patent Office in order that it may be more nearly self-supporting. While this is commendable, the long-range impact upon the progress of technological developments must also be considered. We are seriously concerned about the possible adverse effect upon the entire patent system if certain current charges are increased significantly.

Every chemist and chemical engineer benefits from the scientific and technological information which is disclosed in the patent literature. This wealth of practical information, which often appears nowhere else, enables the practicing scientist to collect a storehouse of knowledge pertinent to his field, to avoid duplicating experiments, and to proceed more rapidly to further productive work. The working scientist benefits from this published knowledge quite apart from the commercial value of patents.

It is principally on this basis that the American Chemical Society wishes to express concern about those portions of the bills now under consideration which could have the effect of discouraging rather than encouraging the total disclosure of scientific information. The society believes that the net result of some of the proposed fee increases would be an undue financial burden on inventors, particularly inventors not supported by industry or otherwise, and

that the entire system might suffer with an ultimate loss to the general public—a loss which could far outweigh the benefits of increased revenue for the Patent Office.

There are at least two principal unfavorable consequences apt to result from the imposition of heavy financial burdens on inventors. For one, the results of some work actually done might be lost to the general and scientific public. Research results would tend to go underground or just disappear for lack of publication in instances where the inventor considered the ultimate commercial value of his work to be in doubt.

A second consequence could affect products of uncertain commercial value, where the increased patent costs might deter an applicant from issuing his patent even if it had been filed. The issue fee might be higher than the apparent value of the patent to him. Thus, in another way, the scientific public would be denied knowledge of the technical and experimental information in such patents.

The provisions in the pending legislation which are objectionable to the American Chemical Society are: (1) substantially increased filing and issue fees in all three bills, (2) page charges in S. 730, (3) independent claim fees in the same bill, (4) interference proceedings charges in S. 729, and (5) high appeals fees specified by all three bills.

Our concern over the proposed substantial increases in filing and issue fees strikes at the root of the purpose for which the patent system was organized, namely the prompt and full dissemination of scientific information. This is an aspect of the pending legislation which the society believes heretofore has not been considered. The principal beneficiary of the patent system, as contemplated by the Constitution, is the general public. Thus far, in the history of the system, filing and issue fees have been a minor part of the overall cost to the inventor in seeking his patent. Hence, he was motivated to discovery and to a disclosure of the fruits of his research, often to the benefit of the public. Depriving the inventor of such an incentive and the public the opportunity to utilize his technological contributions is undesirable. Therefore, we urge that the initial fees in the patent procedures remain as low as possible consistent with this objective.

The society is also particularly concerned about the charge of $10 per page of printed information called for in S. 730. This fee, we feel, can only have the effect of reducing to an absolute minimum the scope and the details of the descriptive matter in patents. In the case of chemical patents, the inventor might eliminate the use of space-taking formulas and reaction mechanisms. Yet, these are invaluable in rapid understanding of the phenomena involved. The inventor might also delete general discussion of his reactions and materials and other scientifically useful data.

The Government has encouraged scientific research in many other ways—through grants, tax concessions, and the like. Yet, in the case of S. 730, a special burden in the form of page charges is imposed upon research while it still is in the experimental state. We believe that extensive disclosures in patents should not be discouraged, if patents are to achieve their public purpose of promoting science.

Another provision of S. 730 which we consider unfair to inventors is the fixing of an additional fee of $10 for each independent claim in excess of one. It has been stated by Commissioner Brenner that this charge is proposed in order to facilitate the review of dependent claims by patent examiners. It is our feeling that the proposed independent claim fee represents a great burden on the inventor than is necessary to compensate for the time required by an examiner to study an independent claim. This could lead to the situation of the larger corporation continuing to write the expensive independent claims, whereas smaller businesses and individual inventors would have to rely on dependent claims although many believe this is the weaker variety.

Finally, we wish to comment on the new fees associated with interferences and with appeals to the Board of Appeals. An interference, in most cases, is instituted by the Patent Office and is therefore beyond the control of the inventor, who should not be penalized in this fashion. An appeal stems from what the inventor considers an error or wrong result on the part of the patent examiner, not because of anything done by the patentee. To charge the inventor such large sums just to state his case seems inappropriate.

This concludes the society's formal statement. If there are any questions the subcommittee may have as a result of this presentation, we will be pleased to try to answer them.

BELL TELEPHONE LABORATORIES, INC.,
Murray Hill, N.J., March 10, 1965.

Hon. JOHN L. MCCLELLAN,
Chairman, Subcommittee on Patents, Trademarks, and Copyrights, Judiciary Committee, U.S. Senate, Washington, D.C.

DEAR SENATOR MCCLELLAN: This statement is submitted for inclusion in the record of the hearings, held March 3, 1965, on S. 729, Dodd, S. 730, McClellan and S. 1228, Tydings which would fix the fees payable to the Patent Office.

S. 730, McClellan would raise fees payable to the Patent Office sufficiently to increase recovery of operating costs of the Office from approximately 20 to approximately 70 percent. Unfortunately, the bill achieves this desirable goal through the imposition of new kinds of fees not presently authorized by patent statutes. These new fees introduce substantive changes in the patent law which should not be accomplished via a fee bill.

Of such substantive changes, an issue printing fee would make the issue fee paid dependent upon the extent of the disclosure of the patent. A new filing fee would impose a premium charge for claims defining the invention in independent rather than dependent form. Both of these fees, because they act to penalize full and complete disclosures and the use of claims in form chosen best to define the invention, reduce the teaching of the invention to the public which is the consideration for the grant of the limited patent monopoly to the inventor.

These changes could force inventors or their attorneys, when limited funds are available, to prepare their patent applications on the basis of fee cost rather than on the basis of that choice of disclosure and method of claiming which is best calculated to result in full and complete teaching of the invention to the public. An attorney should, in preparing a patent application, be free to select those methods of claiming the invention which, in his opinion, serve best to define the inventive contributions and should be able to claim the invention in as many alternative ways as are necessary to protect the invention for his client in the best manner.

Similarly, the attorney should be free to submit as much description and as many drawings as he feels necessary to insure complete teaching of the invention rather than the minimum amount of disclosure which he feels he can provide without risking rejection of the application by the Patent Office. The fees thus substitute financial considerations for the professional judgment of the attorney in preparing the patent application.

It has been submitted, in support of S. 730, that the Patent Office charges should bear some relationship to the difficulty of examination in the Patent Office and also to the costs of preparing copies of the patent which results. However, the present issue and filing fees are designed fairly to charge more for complex applications requiring more examination time than for simple ones. This is achieved by a surcharge based upon the number of claims which is a fair measure of the difficulty of examination. An increase in this surcharge would appear to be fair to all concerned. The cost of printing patent copies should properly be supported by the public as part of the 25 percent share of the Patent Office cost not recovered as fees from patentees and applicants because this expense is under the control of the Patent Office rather than the inventor and the ready availability of patent copies is basically for the benefit of the public, not the patentees.

A further substantive change introduced by S. 730 is the imposition of maintenance fees, the payment of which is required at periodic intervals after the patent has issued in order to maintain the patent in force. Although S. 730, as distinguished from earlier proposed fee bills, provides an optional flat payment fee in lieu of maintenance fees, objectionable features are, nevertheless, introduced by the maintenance fee concept.

First, the maintenance fee structure introduces an uncertainty as to whether a particular patent is in force or will be maintained in force, and greatly complicates the problem of determining whether rights need be acquired before marketing products to which the invention may apply.

Second, the maintenance fee structure which permits deferral of payments of certain costs of obtaining a patent, subject to the lapse of the patent for nonpayment prior to the end of its usual and historical 17-year term, may cause inventors with insufficient funds to obtain competent advice to lose their rights through lapse earlier than the end of the 17-year period permitted under the present law.

It has been suggested that the maintenance fee system will remove "deadwood" patents from the files and thus simplify the work of the Patent Office. Lapsed patents, however, still remain part of the prior art which the Patent Office is bound to consider in determining whether or not to grant a patent to a new applicant.

It is urged by the sponsors of S. 730 that the maintenance fee system would permit inventors to file and obtain issue of their patents at minimum cost and require only those whose patents ultimately have commercial value to pay the full cost of obtaining patent protection. Stated in another way, only successful applicants in the Patent Office would be required to pay the full fees for examination and issue of their patents while unsuccessful applicants whose applications require equal or greater time in examination would be subsidized by the successful ones. In any event, the final fee required even with maintenance fees is far from small and represents a major part of all of the fee costs imposed for the granting of a patent.

S. 729, Dodd and S. 1228, Tydings eliminate the undesirable substantive changes and raise equivalent income, largely by increasing the fees now authorized under the present statutory fee structure. Of the two, S. 1228 appears preferable because the impact of fee increases is fairly distributed among the users of each phase of the Patent Office operation. S. 729 would appear disproportionately to increase fees charged for trademark services with the result that trademark applicants would unfairly contribute a subsidy in excess of $1 million yearly for the benefit of patent applicants. Both S. 730 and S. 1228 impose filing and issue fees which increase with the number of claims and in this way require the average complex application to yield greater fees than the average simple application.

S. 1228 would meet the needs of the Patent Office without the introduction of the objectionable substantive changes in the patent law discussed above, and we urge its enactment into law for these reasons.

Respectfully,

E. W. ADAMS, Jr., *Patent Attorney.*

CHAMBER OF COMMERCE OF THE UNITED STATES,
Washington, D.C., March 2, 1965.

Hon. JOHN L. MCCLELLAN,
Subcommittee on Patents, Trademarks, and Copyrights, Senate Judiciary Committee, U.S. Senate, Washington, D.C.

DEAR SENATOR MCCLELLAN: The Chamber of Commerce of the United States reaffirms its previously stated position in favor of increasing Patent Office fees to a realistic level.[1] The chamber supports increases in Patent Office fees, as proposed in the President's budget message, to provide revenue equal to approximately 75 percent of the cost of operating the Patent Office.

It would be our hope that an important benefit of the new fee schedule would be to help provide revenues needed to finance improved and more expeditious procedures for processing patent applications. The long delays now experienced, and the problems arising from challenges to the validity of issued patents, are of great concern to business and industry.

As we stated in 1962, and again in 1964, when legislation to increase Patent Office fees was under consideration, "The chamber believes that whenever practicable, the costs of Government programs, which provide special benefits to identifiable groups or individuals in excess of benefits to the general public, should be borne by those receiving the benefits." The Patent Office provides special benefits to inventors, applicants for patents, and holders of patents. We believe they should bear a greater share of the cost of the patent system. The Patent Office was self-supporting over a large part of its existence. However, the fee structure instituted in 1932, and designed to maintain a balance between income and expenses at that time, has been inadequate in the face of increased operating costs since approximately 1949.

Patent fees, which have not been raised since 1932, should be increased. Two bills before the subcommittee, S. 730 and S. 1228, are designed to increase revenues, principally through increases in patent fees. The question is: What is the best way of accomplishing this objective?

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[1] Statement of Chamber of Commerce of the United States on S. 2225, Aug. 30, 1962, and on H.R. 8190, Mar. 17, 1964.

The national chamber opposed inclusion of so-called maintenance charges in the patent fee structure, as proposed in H.R. 8190 before the subcommittee in the last Congress. Section 6(g) of S. 730, provides that, "An applicant or his assignee may elect, on or before the time of payment of the sum specified in the notice of allowance provided in section 151 of this chapter, to pay a fee of $75 and such payment shall constitute a complete satisfaction of the maintenance fees provided in this section." Inclusion of this provision removes the basic reason for the national chamber's opposition to maintenance fees. This provision should be included in any patent fee legislation containing maintenance charges as a part of the patent fee structure.

The fee structure of S. 1228 does not contain maintenance charges and is, therefore, consistent with the national chamber's position. S. 1228 provides for higher fees than S. 730 but has the advantage of raising necessary revenue for the Patent Office immediately. Depending on the election of successful patent applicants to pay the added charge of $75 at the time of issuance in lieu of maintenance fees, the full revenue estimated under S. 730 would not be realized for at least 13 years.

In summary, the national chamber favors early enactment of legislation to increase Patent Office fees to approximately 75 percent of the cost of operating the Patent Office. This objective can be accomplished under the fee structures provided in either S. 730 or S. 1228. If maintenance charges are to be a part of the patent fee structure, the alternative of a single payment, as provided in section 6(g) of S. 730, should be included.

It will be appreciated if you will include this letter in the record of hearings on patent fee legislation.

Sincerely,

THERON J. RICE.

CONTINENTAL OIL CO.,
Ponca City, Okla., March 1, 1965.

Hon. JOHN L. MCCLELLAN,
Chairman, Senate Judiciary Subcommittee on Patents,
Senate Office Building,
Washington, D.C.

DEAR SENATOR MCCLELLAN: It is hereby requested that the enclosed letter pertaining to S. 730 be filed as a statement for the record in the Senate hearings to be held on this bill. We are also sending copies of this letter to the other members of the committee.

Very truly yours,

JEROME B. PETERSON.

CONTINENTAL OIL CO.,
Ponca City, Okla., March 1, 1965.

Hon. SENATOR JOHN L. MCCLELLAN,
U.S. Senate,
Senate Office Building,
Washington, D.C.

DEAR SENATOR MCCLELLAN: This letter is directed to you as a member of the Senate Judiciary Committee. As patent lawyers who are naturally concerned with the presentation of a sound patent system, we feel that it is appropriate for us to express our views which are in opposition to this bill.

As you know, the fundamental purpose of the bill is to raise the fees payable to the Patent Office in connection with the filing and issuance of patents. Most patent lawyers, including us, will admit that the fees should be raised; however, we feel that the method of raising them as prescribed in this bill is unsound.

1. The filing fee is $50 plus $10 for each claim in independent form in excess of one. This was the recommendation of people in the Patent Office and was designed to reduce the number of claims in patents and to force the use of dependent claims. It is true that some patents have far more claim than are necessary to adequately protect the invention; however, it should be noted that the average number of independent claims in U.S. patents is only 4.38. (Table 11, p. 90 of Senate subcommittee hearing on S. 2225 relating to Patent Office fees, Sept. 4, 1962.) Four is certainly not an unreasonable number of independent claims, since U.S. patent law, which has the strict "peripheral system" of claim interpretation rather than the "central definition" used in many foreign countries, usually requires at least three or four independent claims. As a matter of fact,

the U.S. Patent Office has recognized this by requiring applicants for admission to practice before the Patent Office to write the three classical "broad, intermediate, and narrow" claims, as part of the examination.

The provision as it is presently written would be detrimental to the individual inventor. These people do not usually understand patent law at all and often go to an attorney who quotes a low fee and then writes narrow claims to obtain a (weak) patent as quickly as possible. The extra fee for each independent claim over one will result in additional patents which do not adequately protect the invention, because the inclination will be to try to save money by filing only one independent claim when three or four are required.

Therefore, the number of independent claims permitted without additional fees should be raised.

2. The issue fee would be $75 plus "$10 for each page (or portion thereof) of printed specification as printed * * *." This seems unfair because, again, it is directed toward extremely long applications while unfairly charging the average applicant. See page 90 of the Senate hearings on S. 2225, wherein it is indicated that the average U.S. patent is 3.70 pages, which is by no means unreasonable in length. The statute (35 U.S.C. 112) states that—

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

Since there is a statutory duty to make a full disclosure (which is for the benefit of the public), it hardly seems fair to charge $10 for each page. The inducement to make sketchy disclosures will be detrimental to individual inventors, in that more of their applications than at present will be rejected for insufficiency of disclosure. It will be also detrimental to the public.

S. 1228 (Tydings) has filing fee and issue fee provisions far more reasonable than in S. 730.

3. The fee for recording an assignment is $20, in spite of the fact that the actual cost of recording an assignment is admittedly less than this. See statement under Argument F on page 59 of hearings. This provision discriminates against corporations under the attempted justification that a patent wouldn't be assigned if the assignee did not consider it to be of value. This completely ignores the fact that many corporations (small as well as large) take assignments of an invention immediately upon filing or issuance, in many cases long before it is known whether or not the invention has merit.

The assignment fee should be reduced to $5 or perhaps $10.

4. The maintenance fee provisions (or optional $75 additional issue fee) place a disproportionate burden of the cost of maintaining the patent system upon the applicant who has a novel development and therefore is successful in obtaining a patent.

One advantage of maintenance fees which was asserted on the floor of the House by Representative Lindsay, of New York, during debate on H.R. 8190 on January 22, 1964, was based upon a completely erroneous assumption on his part. He asserted that since many unused patents ("deadwood") would be allowed to lapse (by failure to pay the maintenance fees) this would relieve the load on the Patent Office. This assertion was based on the completely false premise that, when an application was filed, the Patent Office must search the issued patents to determine if the applicant's invention would be infringed by a prior patent. This is not so. The Patent Office has no jurisdiction over infringement questions, and the search made is of all prior art, including expired as well as unexpired patents because all are printed publications. (See 35 U.S.C. 102.) In other words, those patents which lapse for failure to pay the maintenance fee would still have to be examined by the Patent Office in making its customary novelty search.

5. Even if the advisability of maintenance fees is accepted, the provision for deferment is vague and indefinite and therefore unsound.

This provision allows the individual inventor, who still "owns" the patent, to defer the first and second maintenance fees if the "gross benefit" he has received is less than the amounts of the fees.

Please consider how this might work.

In a simple case the inventor would receive a notice during the fifth year of the patent to the effect that he must pay the fee or file an affidavit in order to maintain his patent. Wouldn't he naturally go to see his patent attorney

to prepare the affidavit? Would not the attorney's fee for determining the facts (to determine whether the "gross benefit" is under the prescribed amount) and for preparing the affidavit be nearly as much or more than the maintenance fee?

Suppose the inventor has made a partial assignment or granted an exclusive license; is he the owner? Suppose he has granted a license covering several other patents along with the one in question and has receiving some royalties; how would anyone (inventor, attorney, or a court) decide what his "gross benefit" had been? And what would be his "gross benefit" if he cross-licensed his patent, that is, granted rights under his patent in exchange for rights under a patent owned by another party?

This concept of "gross benefit" could be of great help to patent lawyers who want additional work to do, but it has no proper place in the patent law because it could well result in great expense and uncertainty to the inventor and would result in many situations where no one could tell without expensive litigation whether or not a patent had lapsed for failure to pay the maintenance fee.

We have enough uncertainties in the patent law. Let's not introduce another one.

Another objection to the deferment procedure is that it discriminates against the corporations which cannot defer. I realize that large corporations hardly invoke sympathy, but this discrimination would apply against all corporations, including the smallest.

It is our feeling that if Congress feels that maintenance fees are sound in principle, every patent holder should pay the fee, whether an individual or corporation. In those foreign countries which have maintenance fees, all patent holders must pay. This is not only fair, but it promotes certainty in the law by avoiding the vague concept of "gross benefit."

If Congress is determined to allow deferment for individual patent owners, why not have a flat deferral fee of perhaps $10 or $20? This would be less than the inventor's attorney fee for filing the affidavit (required by the bill in its present form) and would promote certainty in the law.

We feel that the Tydings bill (S. 1228) is free of the above objections and is also preferable to any of the other fee bills now pending before Congress. We therefore recommend your support of S. 1228.

Very truly yours,

JEROME B. PETERSON.
HENRY H. HUTH.

THE BAR ASSOCIATION OF THE DISTRICT OF COLUMBIA,
Washington, D.C., March 11, 1965.

Re S. 7302 (S. 729 and S. 1228).

Hon. JOHN L. MCCLELLAN,
Chairman, Subcommittee on Patents, Trademarks, and Copyrights, Senate Judiciary Committee, U.S. Senate, Washington, D.C.

DEAR SENATOR MCCLELLAN: The Patent, Trademark, and Copyright Law Section of the Bar Association of the District of Columbia, speaking through its council, has given its careful consideration to the above-identified bills relating to fees to be charged by the U.S. Patent Office for patent and trademark matters. Since the board of directors of the bar association will not hold its next meeting until a time following the closing of the record on the hearings on the above bills, I am taking the liberty of transmitting the views of our section in view of what I feel to be the importance of these bills and the urgency of the situation.

With certain exceptions to be enumerated below, our section supports the essential provisions of McClellan bill, S. 730, and opposes the alternatives which have been proposed to S. 730; namely, Tydings', S. 1228, and Dodd's, S. 729. In our opinion, the primary difference between S. 730 on the one hand and S. 729 and S. 1228 on the other resides in the provision in the former for maintenance fees and the absence from the latter two of any corresponding provision. The latter two bills both attempt to make up the deficit in the desired revenue resulting from the absence of maintenance fees by charging significantly higher fees than are contemplated by S. 730 for various actions taken by an applicant for patent or trademark registration during the pendency of the application in the Patent Office.

It is our firm conclusion that the constitutional objective of promoting the progress of the useful arts, which is the foundation of the patent system, is best served by a fee schedule which would impose the minimum burden on the inventor in connection with the deposit of his invention disclosure in the Patent Office. In our opinion, minimizing the various fees involved in the filing and prosecution of patent applications (such as filing fees and the like) and the use of maintenance fees to make up the deficit in the amount of money to be secured through fees is the system best calculated to promote the broad objectives of the patent system. Such a fee approach tends to minimize any possible deterrent to the filing by the inventor of his invention disclosure in the Patent Office since it defers a significant portion of the fee which he is charged for his patent to a point at which prosecution of his application has been successfully terminated, at which time he is in a much better position to evaluate the value to him of paying an additional fee for the privilege of obtaining his patent and maintaining it in force. It also appears to us that the use of maintenance fees, which are not imposed until at least 5 years after the patent issues and which, in certain cases, may be deferred for substantial periods, is the technique most admirably suited to help the small inventor whose financial resources are often quite limited.

The alternative provision of the McClellan bill permitting an applicant for patent to pay a fixed sum in lieu of maintenance fees upon issuance of his patent will, of course, provide a welcome option to the inventor who desirse not to pay mantenance fees.

With two exceptions, our section therefore approves the fee schedule relating to patents of S. 730. The first of these exceptions relates to the charge for independent claims, S. 730 presently providing for a $10 fee for each independent claim in excess of one. It is the opinion of our section that while it is desirable to impose some type of surcharge for the proliferation of independent claims in a given case (since an increase in the number of independent claims in a given application necessarily increases the examining burden on the Patent Office), it is our feeling that to charge a fee for each independent claim in excess of one is unduly burdensome in the light of the realities of patent practice.

It is our opinion, however, that such a charge of $10 per claim would not be objectionable if an applicant were permitted to have three independent claims without extra charge and to be charged only for the excess of independent claims over three. This modification is particularly desirable in view of the fact that a single application often contains nondivisible claims to more than one statutory class of invention (such as apparatus, method of using such apparatus and a product produced therefrom) and an applicant should not be penalized for attempting to define the invention which exists in each statutory class. Indeed, even in the case of an invention which resides in a single statutory class, it is not unreasonable for an applicant for patent to want at least a minimum degree of flexibility in claiming his invention in different terminology and the negative attitude heretofore shown by the courts toward dependent claims would certainly induce the reasonably cautious applicant to attempt to submit at least several independent claims. While it is recognized that S. 730 proposes to modify section 282 of title 35, United States Code, to create a presumption of validity as to dependent claims, the effect of this provision on the courts is speculative at best at the present time and it is accordingly felt that providing an applicant with at least a minimum of leeway in this area is preferable to the one independent claim approach of S. 730.

The second exception which we take to patent fees of S. 730 relates to the charge which is imposed on the printing of a patent, this bill providing for a charge of $10 for each printed page of specification and $2 for each sheet of drawings. It is the feeling of this section that the imposition of such a fee on all pages of a specification and drawings might have the undesired tendency to limit the full disclosure by an inventor of all aspects and ramifications of what he conceives to be his invention, which would clearly militate against the most important purpose of the patent system, which is to induce inventors to disclose their inventions to the public in return for a limited monopoly. On the other hand, our section does believe that unusually long patent specifications do impose an increased burden on the examining staff of the Patent Office and that, accordingly, it would not be unreasonable to require applicants submitting such specifications to pay an additional fee to compensate for such increased burden. It is the opinion of this section that a proper compromise can be reached between these two objectives by imposing no fee for printing costs on any patent containing five printed pages of specification or less and two sheets

of drawings or less. On all pages of printed specification greater than five and on all sheets of drawings greater than two, a fee of $5 per page of specification and $5 per sheet of drawing should be charged. (The $5 fee is suggested in lieu of the $10 and $2 fee for specification and drawings, respectively, presently in S. 730 since it is felt that the $5 fee is a much more reasonable charge in light of the nature of the burden posed by specifications longer than that indicated above.)

We recognize that the modifications which we have suggested above may reduce the income to the Patent Office below the level which may be desired. To compensate for any such income differential which may result from such modifications, it is the opinion of our section that, with two exceptions, the trademark fees included in S. 1228 should be substituted for those in S. 730 since the former reflect what we feel is a fair charge for services involved. The two exceptions to the trademark fees reside in the filing fee and that to be charged for section 8 affidavits. As to the filing fee, we think that the $35 fee set forth in S. 730 is more reasonable than the $45 fee of S. 1228. As to the fee for the section 8 affidavit, we think that a $10 fee should be assessed not only for section 8 affidavits but for section 15 affidavits as well (a $20 fee being charged for a combined section 8 and 15 affidavit).

If any questions arise as to any of the foregoing or if amplification of any of the views expressed above is required, please do not hesitate to contact me.

Sincerely,

DONALD R. DUNNER, *Chairman.*

U.S. SENATE,
Washington, D.C., March 4, 1965.

Hon. JOHN L. MCCLELLAN,
Chairman, Subcommittee on Patents, Trademarks, and Copyrights, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: S. 729, S. 730, and S. 1228, which are now being considered by your subcommittee, provide that governmental agencies pay the regular patent fees to the Patent Office for patents issued to them.

Each of the three bills provides that Government agencies which draw their funds from the U.S. Treasury, will pay fees to the Treasury for services performed by the Patent Office. The Comptroller General of the United States analyzed the results of these provisions and stated that such payments would constitute "merely a transfer of funds from one pocket to another and do not result in the net recovery of any costs to the Government." The only consequence, as I see it, is economic waste, against which you have raised your voice on many occasions. Such provisions will increase Government bookkeeping and paperwork.

In addition, it is the statutory duty of the Patent Office to furnish services to the various Government departments and agencies in connection with the administration of the patent and trademark laws. The Congress annually provides funds to carry out these duties and responsibilities, and the Department of Commerce has repeatedly publicized the extent of the free services furnished by the Patent Office to other branches of the Government. In my judgment, it is a good idea that payment for services rendered by one agency of the Government for another should not be authorized where the services are functions of the performing agency and for which appropriations are specifically provided. The Patent Office is appropriated funds to provide this service. If the funds are not sufficient, they should be increased.

Most important of all though is the fact that if Government agencies must pay for Patent Office services, the agencies will be discouraged from filing for patents to which they are entitled and this will have harmful effects on the public at large. If Government agencies do not file for patents, the number of developments freely available to the public will be sharply curtailed and the number of developments becoming the exclusive property of monopoly minded private patent holders will be greatly increased.

The whole idea of our patent system whereby an individual or company can retain exclusive control of a discovery for 17 or more years, charging outlandish prices for the discovery and controlling the dissemination of scientific information, may well stand close scrutiny to determine if it is still in our national interest. But certainly the Government, in an area where an attempt is being made to disseminate widely the latest in scientific developments, should not be thwarted in its desire to make the fruits of its efforts universally known by having to pay for the issuance of patents.

I recognize that the cost of operating the U.S. Patent Office has been steadily increasing over the years, while the fee structure—consisting of filing, issuance, and assignment fees—established in 1932 has remained the same. An appropriate increase in the fee schedule for private patent applicants may therefore be thoroughly justified. My point is that the burden of the patent system should be borne by the private patent applicants and not by Government applicants who should continue to enjoy the services of the Patent Office free of charge.

I would appreciate your making this letter a part of the hearing record.

Best wishes.

Sincerely,

RUSSELL B. LONG,
Chairman, Subcommittee on Monopoly.

LAW OFFICES, WILLIAM DOUGLAS SELLERS,
Pasadena, Calif., March 2, 1965.

Subject: Patent bills—Dodd, S. 729; McClellan, S. 730; Tydings, S. 1228

Hon. JOHN L. MCCLELLAN,
Chairman, Subcommittee on Patents, Trademarks, and Copyrights, Committee on the Judiciary, U.S. Senate, Washington, D.C.

DEAR SENATOR MCCLELLAN: The legislative committee of the Patent Law Association of Los Angeles has reviewed the three above-identified bills which we understand are to be the subject of a hearing before your committee on Wednesday, March 3, 1965. You are requested to make these remarks, made on behalf of the committee and through them on behalf of the Patent Law Association of Los Angeles, a part of the record of the proceedings.

The committee carefully analyzed the three related bills which are of great interest to all who value the patent system. Frankly the concept that the patent system should be self-supporting is one with which we disagree for it is premised upon the erroneous concept that the consideration received by the public through the disclosure of the inventions does not justify the expense to the people. The increase in the cost of obtaining patents will fall most heavily upon the little man who can ill afford the increase. Be this as it may, we realize it is probable that one of these bills will be adopted for the purpose of increasing the revenue of the Patent Office. Accordingly, we turn to the question of which is to be preferred.

The committee favors the Tydings bill S. 1228, understood to have the backing of the American Bar Association and of the American Patent Law Association. The increased revenue it will produce for the next many years will exceed the McClellan bill. We would favor, however, modifying the Tydings bill at paragraph 1, on page 1, to the end that the filing fee would be $75 plus a charge based upon the length of the specification rather than upon the number of claims. The concept that the number of claims issued in a patent bears any relationship to the cost of printing, or to the cost involved in the prosecution, is in error. A hundred claims may have been prosecuted with one claim issued, or 10 claims may issue with only 10 claims prosecuted.

The committee was unanimous in its preference for modification of the fee provision basing the charge upon the length of the specification rather than upon the number of claims.

The Tydings bill is also favored over the McClellan bill because of unanimous opposition to maintenance fees for which the McClellan bill provides, the only one of the three bills which does contain such provision. Maintenance fees, of course, characterize the patent systems of many foreign countries but we do not want to see them in the United States. This position has been continuously maintained by this association for years.

The fees charged by the Patient Office basically should be commensurate with the services rendered and maintenance fees bear no relationship to those services.

The greatest item of expense in the operation of the Patent Office is the examination. To charge one patentee more because he is successful in the use of his invention is not a businesslike basis nor equitable. The successful patentee, if his invention is profitable, is paying his income tax upon his profits and the

Government is receiving income in that manner. The unsuccessful inventor avoids that payment. To add still a further burden would be unfair.

Accordingly, and for the reasons stated above, we urge your support of the Tydings bill, S. 1228.

Respectfully,

LEGISLATIVE COMMITTEE OF THE PATENT LAW ASSOCIATION OF LOS ANGELES
W. D. SELLERS, *Chairman.*

MANUFACTURING CHEMISTS' ASSOCIATION, INC.,
Washington, D.C., March 16, 1965.

Hon. JOHN L. MCCLELLAN,
Chairman, Subcommittee on Patents, Trademarks, and Copyrights, Committee on the Judiciary, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: The Manufacturing Chemists' Association, Inc., would like to take this means of submitting its views on S. 729, S. 730, and S. 1228 for consideration by your subcommittee and inclusion in the record of the hearing held on these bills on Wednesday, March 3, 1965. With certain differences, all three bills have for their purpose the increasing of fees payable to the Patent Office.

The Manufacturing Chemists' Association, Inc., founded in 1872, has 188 U.S. members who represent more than 90 percent of the productive capacity of the U.S. chemical industry.

The chemical industry spends more of its own money on research than any other single industry in the Nation. In 1960 some 10,200 chemical patents were issued, representing about 20 percent of all patents issued during the year. Thus, the chemical industry has a vital concern in any legislation affecting patents.

As we stated in our letter of March 20, 1964 to you commenting on H.R. 8190 and S. 2547, introduced in the last Congress, our association believes that inventors and assignees should pay a fair share of the Patent Office costs. Accordingly, we favor a schedule of Patent Office fees which takes account of the decrease in purchasing value of the dollar since the fees were last changed over 30 years ago. Most published indexes indicate a drop in the purchasing value of the dollar of about 50 percent in that period of time. We also believe that account should also be taken of the fact that the "information explosion" has materially increased the time required to make a novelty search in examining a patent application.

Some explanation of the views of our association on what constitutes "a fair share of the Patent Office costs" would seem appropriate. There are two separate problems faced today by the Patent Office: the day-to-day problem of not increasing the backlog of pending applications and, what should be a transitory problem, cutting the present backlog down to manageable proportions. We believe that the costs of operation to keep the output up to the input should be the measure of what current applicants should be charged, but that the costs of reducing the accumulated backlog ought to be handled by means other than by income from fees.

It has perhaps not been sufficiently emphasized in the testimony before your subcommittee that the backlog problem of the Patent Office arose in the short period of 3 years, 1946, 1947, and 1948. Prior to that period it amounted to about 100,000 applications; during that period it doubled to about 200,000 applications; and it has not become larger since that time. Even 100,000 cases is perhaps too great a backlog, allowing for cases on appeal or in interference but, in any event, it is evident that the present facilities of the Patent Office are adequate to keep up with current input. As you are aware, the current filing rate of about 85,000 per year is the same as the average during the decade of 1921–30 (during the depression and World War II it was much lower).

In 1930, when the filing rate was about the same as today, the filing and issuance fees were $20 each. In that year, the Patent Office was about 85 percent self-sustaining. It would be reasonable to suppose that multiplying these fees by about 4 ought to be fully adequate to take care of the inflationary development since 1930, although perhaps not enough to deal with the emergency backlog problem which, as we have indicated, should be handled outside the fee schedule. Considering the three bills introduced, we believe that S. 1228 would come closest to setting fees at four times those in effect in 1930.

Our association is pleased that, in reintroducing your S. 730, you have dealt constructively with our objections to H.R. 8190 of the last Congress, in that your bill provides the possibility of paying maintenance fees by a repayment of $75. However, we are still opposed to the principle of maintenance fees. We do not understand the benefits which will accrue from imposition of maintenance fees. Such fees can lead only to considerable confusion as to the exact status of patents where the 17-year life has not expired. Furthermore, the failure of the patent owner to pay the maintenance fee does not remove the patent as "prior art." It must still be taken into account in the filing of patent applications and in consideration of applications by the Patent Office.

Although S. 730 now contains a section directed to preservation of the validity of dependent claims, we still feel that the high fee for each independent claim in excess of one will place an unnecessary burden on the inventor, particularly in the field of chemical inventions. This provision of the bill seems to be an attempt to encourage the submission of dependent claims, rather than a large number of independent claims. Patent attorneys today, in general, believe that for most inventions a series of independent claims are necessary to adequately spell out the area of discovery. Furthermore, the problem of dependent and independent claims is a substantive issue and should not be dealt with in patent fee legislation.

We are also opposed to the provision in S. 730 which requires a payment of $10 for each page of the specification as printed and $2 for each sheet of drawings. An applicant should be entitled to have a certain number of pages printed without additional charge beyond that of the final fee. Also, ascertaining the amount of the printing fee and notifying the successful applicant imposes an additional bookkeeping burden on the Patent Office.

In conclusion, we agree wholeheartedly with the comment you made at the hearing on March 3 that patent fee legislation should be kept as simple and as equitable as possible. We believe this objective can best be served by the enactment of S. 1228. At this time our association would like to go on record as formally endorsing this bill to increase the fees payable to the Patent Office.

The Manufacturing Chemists' Association, Inc., appreciates this opportunity to present its views on S. 729, S. 730, and S. 1228.

Very truly yours,

M. F. CRASS, Jr.

BARNES, KISSELLE, RAISCH & CHOATE.
Detroit, Mich., March 1, 1965.

Hon. JOHN L. MCCLELLAN,
U.S. Senate,
Washington, D.C.

DEAR SENATOR MCCLELLAN: I have been asked to forward to you a consensus statement as to Patent Office fees which was passed by the Michigan Patent Law Association on February 2, 1965.

This statement expresses the general views of the membership. Although the majority feels that some reasonable increase might be justified, it is believed that certain portions of the proposed fee bills are completely contrary to a fundamental principle of the patent system: namely, to obtain the best possible disclosure of the invention for the benefit of the public in return for the grant of protection for a limited period. Specifically, these portions include those that place a penalty on the manner in which an invention is claimed (i.e., independent vs. dependent claims), which would place a penalty on the extent of the disclosure by charging the inventor a printing fee and which place a penalty on the public by increasing the cost of patent copies.

We would appreciate your keeping the enclosed statement of the membership of the Michigan Patent Law Association in mind in further consideration of the Patent Office fee bills. In addition, we request that the statement be made part of the record of the hearings.

Very truly yours,

B. C. POUSSIANES.
Chairman, Legislation and Practice Committee, Michigan Patent Law Association.

MICHIGAN PATENT LAW ASSOCIATION

CONSENSUS STATEMENT

It is the consensus of the Michigan Patent Law Association that the legislative proposals of the 88th Congress relating to patent fees gave insufficient weight to the value of the contributions of American inventors to the public through the dissemination of technical information and the establishment of new industry resulting from their patents.

Furthermore, the Patent Office functions primarily as a protector of the rights of the public in insuring that maximum technical information is made available to the public and that the patents which are granted are limited to the precise invention disclosed. Accordingly, the Patent Office performs its service primarily for the benefit of the public and only secondarily for the inventor.

Hence, the assessment of a major proportion of Patent Office costs against inventors in the form of fees is unjustified.

It is believed that such an assessment will result in a diminution in the number of patent applications filed by individual inventors and small businesses with a resultant decrease in benefit to the public because of the lessening dissemination of technical information and the resultant decrease in the establishment of new industries based upon patents.

NEW JERSEY PATENT LAW ASSOCIATION,
Millington, N.J., March 10, 1965.

Senator JOHN L. MCCLELLAN,
Senate Office Building,
Washington, D.C.

DEAR SENATOR MCCLELLAN: Enclosed herewith is a statement setting forth the position of the New Jersey Patent Law Association in connection with the Patent Office fee bills S. 729, S. 730, and S. 1228. These bills were the subject of hearings on March 3, 1965, by your Patents, Trademarks, and Copyrights Subcommittee.

It is requested that this statement be entered in the record of those hearings which we understand is being held open until March 15.

Very truly yours,

CHARLES S. PHELAN.

STATEMENT BY NEW JERSEY PATENT LAW ASSOCIATION IN REGARD TO PATENT OFFICE FEE BILLS PENDING IN THE U.S. SENATE

This statement for the New Jersey Patent Law Association is submitted for entry in the record of hearings held March 3, 1965, by the Subcommittee on Patents, Trademarks, and Copyrights of the Senate Judiciary Committee in connection with the bills S. 729, Dodd; S. 730, McClellan (by request); and S. 1228, Tydings (by request). The New Jersey Patent Law Association is an organization of about 300 patent attorneys and agents serving individual inventor clients as well as both large and small corporate clients. Members of the association are engaged in such service in connection with the U.S. patent system and foreign patent systems. This statement is submitted at the direction of the board of managers of the association and with the concurrence of the association's legislation committee. The statement supports the position previously taken by the association membership favoring an increase in Patent Office fees but opposing the use of maintenance fees to accomplish that end.

The statement is an attempt to bring into focus several aspects of the Patent Office fee question which are believed to be of controlling importance and which suggest that at this time legislation of the type represented by S. 1228 is the most likely to provide the needed revenue in the most beneficial manner for the public, the Patent Office, and patent applicants.

All three of the mentioned bills are adapted to recoup from persons utilizing the Patent Office facilities a greater proportion of the costs of operating that office than is presently realized through fees charged by the Office. It has been estimated that each of the three bills would recover approximately 75 percent of Patent Office costs through fees to users of Patent Office services. All three of the bills accomplish this end, at least in part, by scaling up certain of the existing Office fees.

S. 729 is not further considered herein because it scales up trademark fees so much that they are far in excess of Office trademark operation costs and thereby unfairly burdens trademark applicants.

There seems to be no significant objection from any quarter to increasing Patent Office fees in order to impose a greater proportion of the operating cost burden on Office users. However, certain provisions (hereinafter mentioned) of S. 730 would, in the process of changing the Patent Office fee schedule, also effect certain substantive changes in the operation of the patent system as it is presently known in this country. It is our firm conviction that the pressures for an early increase in Patent Office fees have become so great that the climate is not appropriate for adequate consideration of the pros and cons of substantive changes in the patent system. This conviction is supported by the present understanding that both the executive and legislative branches of the Government are presently contemplating separate reviews of the substantive aspects of the patent system. Any such review would be complicated, if not at least partially frustrated, by invoking substantive changes in the patent system just prior to, or during the course of, such review. S. 1228 is believed to provide a more satisfactory medium than does S. 730 for increasing fees since S. 1228 simply factors upward the Patent Office fees in the existing framework of fees, which framework has been satisfactorily utilized for many years.

There are three areas of interest in S. 730 that have fallen into controversy because they would raise revenue by means of changes in the patent system which are believed to be both substantive and controversial in character. One of these is the institution of maintenance fees in section 5 of S. 730. Another area of controversy in S. 730 involves the variable filing fee provisions in section 1 thereof which discriminate between dependent and independent patent claims by assessing an additional filing fee of $10 for each independent claim in excess of one. The third area involves the variable issue fees in section 1 of S. 730 which impose additional issue charges of $10 for each page of printed specification and $2 for each sheet of drawings.

Maintenance fees have not been shown to confer any benefit upon the Patent Office per se because patents that lapse for failure to pay maintenance fees must still be considered by Office personnel in connection with patentability decisions on subsequently filed applications. Since S. 730 provides an alternative optional fixed fee in lieu of maintenance, which optional fee is only one-quarter of the magnitude of the total maintenance fees, there would be little advantage to most inventors and their assignees in using maintenance fees. As far as the public is concerned, there would be considerable inconvenience caused by maintenance fees because one could not tell from the face of a patent whether or not it was subject to lapse, or had already lapsed, for failure to maintain. This uncertain condition of issued patents would, therefore, impede studies being made to determine whether or not one party's product which is planned for marketing would infringe the patent claims of another party.

Lacking some significant advantage of maintenance fees to the public, to inventors and their assignees, or to the Patent Office, it is believed that the often unfavorable domestic experience with foreign maintenance fee systems overbalances any possible benefit in such a step at this time. Accordingly, a maintenance system should not be instituted merely to raise revenue as long as other means are available; and revenue is the objective of the legislation under consideration.

The variable filing fees hereinbefore mentioned are designed to compel payment of amounts which bear some proportionate relationship to the amount of Patent Office effort required to examine independent claims in excess of one. However, in the process such a fee also tends to restrict the attorney's creative effort in claiming the invention in various forms to provide adequate protection against potential future infringements that may take different forms but nevertheless utilize the principle of the invention.

The variable issue fees are designed to reflect variations in printing costs in accordance with the size of an allowed application. However, such fees also tend to restrict the amount of disclosure to the bare minimum which can be provided to get an application through the Patent Office. This is in contrast to the present general practice of including ample disclosure material, beyond the bare minimum, to assure that those skilled in the art can actually utilize the invention as presented in the issued patent. Information disclosure to the public is at the very heart of the patent grant; and any curtailment of such disclosure, such as through the type of variable issue fees contemplated in S–730, would tend to frustrate the objective of the patent system.

It is sometimes argued in behalf of variable filing and issue fees that they are fair to the applicants because each applicant pays in proportion to the Government effort required in his particular case. However, there are two sides to the fairness coin. It is desirable to treat all applicants fairly, and in this connection S. 1228 provides for varying filing and issue fees in accordance with numbers of claims of any type to reflect the amount of Office effort in each application without unnecessarily interfering with the selection of a claim or disclosure format that will best protect the invention. The bulk of the Patent Office effort is directed to the claims. There is also a question of fairness as among applicants, the Office, and the public. An applicant fulfills his obligations in the patent system by making his disclosure to the Patent Office for the benefit of the public. Under sections 11 and 13 of title 35 of the United States Code the Commissioner may undertake to have patents printed and supplied to public libraries. Accordingly, such printing done for public and Office purposes is out of control of applicants and should be charged to the 25 percent of Patent Office funds paid by the public and not to fees paid by applicants.

In summary, S. 1228 is designed to produce revenue amounting to the desired proportion of Patent Office costs without at the same time working substantive changes on the patent system or unfairly burdening any particular segment of applicants for patents or trademarks. Substantive changes can be subsequently considered in terms of appropriate legislation. Accordingly, the enactment of legislation of the type represented by S. 1228 is respectfully recommended.

CHARLES S. PHELAN, *President.*

PATENT OFFICE PROFESSIONAL ASSOCIATION,
March 3, 1965.

Senator JOHN L. MCCLELLAN,
Chairman, Senate Subcommittee, Patents, Trademarks, and Copyrights, Old Senate Office Building, Washington, D.C.

DEAR SENATOR MCCLELLAN: Enclosed herewith are several copies of the statement on behalf of the Patent Office Professional Association relating to the Patent Office fee bills S. 730, S. 729, and S. 1228 presently under consideration by your committee.

It is respectfully requested that said statement be inserted into the record of the hearings of March 3, 1965, on said bills.

We support the enactment of a fee increase bill and, particularly, S. 730 in preference to either S. 729 or S. 1228. This opportunity to have our views made of record is greatly appreciated.

Sincerely yours,

WARREN J. KRAUSS,
Chairman, Legislative Committee.

STATEMENT OF MR. WARREN J. KRAUSS ON BEHALF OF THE PATENT OFFICE PROFESSIONAL ASSOCIATION REGARDING FEE BILLS S. 730, S. 729, AND S. 1228

Mr. Chairman and members of the committee, I am Warren J. Krauss, chairman of the legislative committee of the Patent Office Professional Association and an engineer employed at the U.S. Patent Office as a patent examiner. The Patent Office Professional Association is an employee organization composed exclusively of professional scientific and engineering personnel employed, primarily, as patent examiners. The majority of the membership, which presently represents over 50 percent of the Patent Office examining corps, also has a background in law.

The purpose of my statement is to convey the support of the Patent Office Professional Association to the enactment of a fee increase bill and, particularly, the enactment of S. 730 in preference to either S. 729 or S. 1228.

The main reasons for our support of this enactment are:

(1) To allocate the costs of the Patent Office operation to those directly benefiting from it, and

(2) To increase the efficiency of the patent examining operation.

The ultimate answer to the question of who should bear the cost of the patent system is a matter of policy and can only be decided by the vote of the legislative body. We wish only to present our collective observations and opinions on it.

We support the maintenance fee provision, including its flat fee alternative, contained in S. 730 because they tend to allocate the costs of the patent system

to those directly benefiting therefrom rather than burdening those who do not benefit. Presently the system is operated under the joint support of those directly benefiting, the inventors and industry, and those indirectly benefiting, the general public. Those generally opposed to the maintenance fee provision would appear to advocate that the general public, being the ultimate beneficiary of the patent system, should be its main source of financial support. However, this obviously was not the way that the Congress intended the system to be supported because, when the last patent fee legislation was passed in 1932, the income to be derived therefrom substantially equaled the cost of the Patent Office operation. This would indicate that the intent of the Congress, at least in 1932, was that the cost of the patent system should be borne by those directly benefiting from it. We know of no holding since 1932 contrary to this intent and, therefore, urge that it be upheld by the enactment of S. 730 with its maintenance fee provision.

Insofar as the increase of efficiency of the patent examining operation due to the passage of a fee bill is concerned, we are intimately associated each day with the patent system and, in particular, the actual operation of the Patent Office with its attendant difficulties affecting its efficiency. We feel, therefore, that we can speak with some authority on the causes and possible remedies for the inefficiency of the patent examining operation. We believe the enactment of a fee bill could definitely be one of said remedies.

A good indication of the state of well-being of the Patent Office is the "backlog" i.e., the large number of patent applications awaiting prosecution. We feel that the backlog is presently large because (1) the number of patent applications has increased beyond the load capacity of the present working force in the Patent Office; and (2) the examination of applications is made more complicated and time is inefficiently consumed in the consideration of a surplusage of claims and disclosure and unnecessary appeals. The first mentioned reason has to do with the inadequate number of Patent Examiners and other personnel and is not the subject of this statement. But the latter reason is definitely related to the proposed legislation and should be considered.

Certain provisions of S. 730 should have particular influence upon the efficiency of the prosecution of a patent application. Because the provisions of S. 730 are modeled after those of fee bill H.R. 8190, which was exhaustively discussed along with bill S. 2547 at the hearings held on February 27, 28, 1964 and because the position of the Patent Office Professional Association with respect to those bills was made clear in the statement of former legislative chairman, Mr. Jacques Dulin, there is no need to go into detail here. Only the nature of some of the more significant provisions and their effects upon the examining procedure efficiency will be discussed.

The filing fee provision of the preferred bill, S. 730, is geared to encourage the use of the dependent claim and also the reduction of the total number of claims (whether dependent or independent) originally presented in an application. It is a fact that the examination of the dependent claim takes less time than that of the independent claim. Therefore, this provision would have the salutary effect of not only increasing the fees received by the Patent Office but also would decrease the average time spent in application examination. These desirable ends would not be achieved by the other bills before this committee.

The issue fee provision of S. 730, with a fee based on the number of pages of specification and number of sheets of drawings in an application, would also tend to increase the efficiency of the examining procedure. This provision would encourage the applicant to present his case in the clear, concise manner required by 35 U.S.C. 112 and to avoid the surplusage of language which often tends to obscure the applicant's contribution rather than to describe it. This provision will also encourage the applicant to avoid the presentation in the drawings of superfluous which require time consuming analysis. These encouragements will obviously speed the examination process. The comparable provisions of S. 729 and S. 1228 are based solely on the number of claims in a case at time of issue. As Mr. Dulin pointed out in the Patent Office Professional Association statement on H.R. 8190 and S. 2547, the mere number of claims is not necessarily truly indicative of an application's size and complexity. Notwithstanding the monetary considerations involved i.e., printing costs, we see this provision as a possible means to increase the efficiency of the examining process by way of maintaining the size of cases at a necessary minimum. The provision of S. 730 goes directly to this end whereas the provisions of the other two bills represent only an indirect and less successful attempt to do the same thing.

The provisions for increasing the appeal fees in S. 730, S. 729 and S. 1228 would have roughly the same effect on prosecution efficiency. The applicant who is faced with a sizable cash outlay for an appeal will tend to prepare and present his case more thoroughly during the regular prosecution period and avoid the filing of frivolous appeals.

Respectfully submitted.

WARREN J. KRAUSS,
Chairman.

RABINOW ELECTRONICS, INC.,
Rockville, Md., March 4, 1965.

HON. JOHN MCCLELLAN,
U.S. Senate, Washington, D.C.

MY DEAR SENATOR MCCLELLAN: I was honored to have been invited to speak at a recent conference on the U.S. patent system sponsored by the U.S. Department of Commerce Patent Office. At that meeting I was handed a copy of your bill S. 730 introduced into this session of Congress regarding certain fees payable to the Patent Office.

In June of 1961, I was privileged to testify before your committee on a similar subject and I am, to say the least, amazed and somewhat shocked by the provisions of bill S. 730.

One can well argue that the fees paid by inventors and their employers to the U.S. Patent Office are too low when one considers that there has been no increase in Patent Office fees in so many decades. One could argue, moreover, that departments of the Government need not and, in fact, often are not self-sustaining. Being a realist in a very real world and having been an employee of the Government for some 25 years, I fully understand the practical problems of finance. I therefore must agree that the time is well overdue for raising the fees paid to the Patent Office, in spite of all the reservations one can have for self-support.

In my attached letter to Senator Dodd relative to his bill S. 729, I state quite clearly that as an inventor having 127 issued U.S. patents and some 50 more pending. I must agree that the fees have to be raised, but I am vehemently opposed to the type of payments outlined in your bill S. 730. I have filed patents in many countries abroad for many years and I have seen how their patent system operates and am particularly cognizant of their maintenance fees. I object most violently to maintenance fees. My reasons are as follows:

(1) If the Patent Office is to receive the full benefit of these fees, it would be a terrible thing to change the procedures in such a way that the collection of fees would require a completely new and very great bookkeeping and administrative load. Not only will notices have to go out to inventors several times during the life of a patent, but decisions will have to be made as to what was or was not licensed, payments will have to be deferred, there will be more than one notice sent to inventors, the Government will have to make every effort to find an inventor should he move, etc., etc. The net result would be that the Government would lose a good portion of the additional fees collected, and not only the administrative costs to the Government would rise, but the administrative work that the inventor or his assignee would have to do in taking care of all the additional payments would also be a great new burden. I would like to point out my own case. I admit that 127 patents is not typical, but suppose I had only 30 patents and had to keep track of all the payments I would have to make. I think that the additional burden on me and my patent attorneys is completely unjustified.

(2) My second reason for opposing maintenance fees is that maintenance fees are also based on the following arguments:

(*a*) These fees tend to weed out the poorer inventions.

(*b*) They encourage the inventor to make a larger effort to license his patents.

(*c*) When the inventor abandons the patent, manufacturers rush in to make use of the "free" invention.

I object to all of these arguments, and I base my objections on a great deal of experience with patents both here and abroad.

Consider (*a*), the maintenance fees tend to weed out the undesirable applications. If the inventor goes to the trouble of filing and prosecuting a patent in the first place, paying the attorneys fees, the cost of drawings, the cost of

making models, the Patent Office fees, etc., etc., etc., he is not likely to be dismayed by the thought that some years later he will have to pay an additional fee.

The fact that the inventor may be forced to abandon his invention does not save the Government any work. It simply means that the Patent Office would receive a smaller fee than it would have if all the fees were collected at the beginning. In fact, by dividing the fees over a period of time you will encourage the filing of trivial patents because the inventor would have a few more years to consider whether to pay the full amount or not. If he had to pay the full fee at one time, he might think twice.

Consider (*b*), the argument that maintenance fees encourage use of inventions is completely without foundation. When an inventor goes to the trouble to get a patent he, in a real sense, has sunk into it a tremendous amount of mental and physical effort, to say nothing of his or his associates' money. He and his associates make every effort to cash in on his invention. To think that if he is punished by another fee some years later he will make a still larger effort to sell his invention is, to say the least, naive. The returns on royalties, if one could get them, or profits on inventions are so much larger than any fees you mention in your bill, that if the original incentives do not enable the inventor to license his invention, the additional fees will make no difference.

Let me give you just two short examples from my own personal experience. I invented a self-regulating device for watches and clocks in 1945 and obtained a good patent on it and tried to sell it. I talked with representatives of all the watch and clock companies in this country and corresponded with many abroad. Not one of them was interested. I paid for many models and made many trips. Finally after 9 years, the chief engineer of Chrysler heard of the idea, and now my regulator is used in every automobile clock in the country. I receive some $15,000 in royalties per year. When I consider the effort I put into this device for 9 years, I can only smile at the suggestions that a maintenance fee would have made me work any harder. When I was doing this, I had very little money. I think the result of fees, if I had not sold the device when I did, would have made me abandon the watch regulator in spite of the fact that it proved later to be successful and profitable.

Another case worth citing is my headlight dimmer, patented in March 1953. I have nine other patents on improvements and variations of this device. I have spent some $50,000 on various models. I have demonstrated the dimmer all over the United States to all the large automobile companies. I have corresponded with manufacturers of similar equipment all over Europe. I have not succeeded in selling it. The basic patent is now 12 years old. I still have hopes that someone will want a good headlight dimmer, better than those marketed now, but unfortunately my device costs a dollar or two more than present models. If I were forced to pay a fee on the 10 patents, I could not make any greater effort in addition to those I have made and am now making. In this particular situation, I feel the fees would be kicking me when I am already down.

Consider (*c*), the argument that once a patent is released to the public because the inventor cannot or does not wish to pay the maintenance fee, that manufacturers would seize this free patent and put it into use. This argument stems from the basic philosophy, so often expressed, that if a patent is made available to everyone, manufacturers would jump on the bandwagon. This is nonsense. Unless there is protection, manufacturers don't want to touch an invention. I do not doubt that if one invented a cure for cancer that it would be marketed whether there were patents or not. But for most inventions, the development, production, and marketing costs are so high to start with, that no company touches anything unless they have protection, and to think that when a patent is free its use is encouraged make no sense.

The Alien Property Custodian confiscated many German-owned private patents and made them available to the American people, free. They did not go into use.

I have worked for the Federal Government and invented many things. Those which were not classified were made available to the public, free. Again, the same thing happened. The magnetic particle clutch which was invented by me in 1947 is being used in some special devices. Its promotion in the United States has been very slow because the patent was owned by the Bureau of Standards and made available to everyone. The foreign rights were left to me and I sold them to a private company. This company put a great deal of money into its development and the clutch was used in three foreign automobiles and is now standard equipment on the Renault. Considering the relative size of the Euro-

pean industry as compared to ours, the clutch received much greater exploitation in Europe without a doubt because of the large investment that was made by the owners of the patent.

I have sold several other inventions and I know that the first question I am asked is "Is it patented and how good is your protection?" Manufacturers don't waste time even to talk if their initial investment cannot be protected in some-way. Even with a patent, the usual experience is that the majority of new products do not make money. In the case of patents that I abandoned in Europe, no one picked up any of the inventions. Perhaps another way of saying this is that if an invention is not worth $100 or $200 to the inventor, it worth less than nothing to anyone else.

The final point I would like to make is that maintenance fees are unfair to the individual inventor. A large corporation will pay a few hundred dollars for bookkeeping procedures and will handle it like any other contract payment. A large staff of lawyers will handle all decisions in their stride. The large corporation has income not based on patents, but on its overall production, and the cost of patents is a relatively small part of its overhead. Therefore, its decision will be made cold-bloodedly on the usefulness of the patent. In the case of the individual inventor, however, hundreds of dollars are a very real burden, particularly after many years of discouragement, and I think it is almost certain that the abandonment of patents will be based on one's ability to pay, which is much more severe on the individual than on a corporation.

Since I have been able to sell a very small percentage of my many patents, I cannot but wonder how I would have been affected if a bill like yours had been the law of the land. The fact that 9, 10, or 15 years go by without a license tells nothing of the value of a patent. The tragedy of a really new invention is that it must automatically be ahead of its time, and very often industry and the public are not ready for it. Therefore, to penalize the inventor because he is ahead of his time and must wait many years for the patent to "catch on" would be the height of injustice.

I urge you and all the Senators who receive copies of this correspondence to either abandon or modify your proposed bill. If you must raise the fees to make the Patent Office more self-supporting, do not change the basic operations of the Patent Office. If the Patent Office operations have to be improved or modified, this should be done separately and should not be based on the payment of fees. If you must raise the fees, please preserve the present operation of an excellent body of men who have never been accused of corruption and who, with all their human frailties, do such a magnificent job of serving the inventors, industry, and the people of the United States.

Sincerely yours,

J. RABINOW, *President.*

RABINOW ELECTRONICS, INC.,
Rockville, Md., March 4, 1965.

Hon. THOMAS J. DODD,
U.S. Senate, Washington, D.C.

MY DEAR SENATOR DODD: At a recent conference on the U.S. patent system sponsored by the U.S. Department of Commerce/Patent Office at which I was honored to have been invited to speak, I was given a copy of your bill, S. 729, regarding certain fees payable to the Patent Office.

I hope you will not think me presumptuous if, after having received 127 U.S. patents, I believe I have some right to think I am well acquainted with the operations of the U.S. Patent Office. My biography, which was not written for the sake of this letter, is attached.

While I do not believe that any Government agency has to be necessarily self-supporting, I must agree that in view of many practical considerations, and if we are to maintain a strong Patent Office with a strong and able staff, and if we are to provide the service that inventors, industry, and the public desire, the fees of the Patent Office have to be raised. I must wholeheartedly agree, therefore, with the approach taken in your bill, S. 729. I particularly like the fact that the basic procedures of the Patent Office are not being altered and that the bill will be easy to understand and to administer.

I might suggest, however, that some of the fees for special functions like interferences and others, seem to be somewhat out of line with present practice. For example, the fee upon filing every brief would be $100 and since, in many

interferences, perhaps a half dozen briefs have to be filed, the fees would amount to a considerable amount of money. I would like to suggest that because private attorneys now charge some $300 to $600 for the prosecution of ordinary patents, the fees paid to the Patent Office be made somewhat less than this. Otherwise, the private inventor would have great difficulty in obtaining patents and, in many cases, would be discouraged from doing so—at a great loss to him and society in general.

Except for the few small reservations mentioned above, permit me again to compliment you on an excellent and straightforward approach to an extremely difficult problem.

Sincerely yours,

J. RABINOW, *President.*

THE UNITED STATES TRADEMARK ASSOCIATION,
New York, N.Y., March 11, 1965.

HON. JOHN L. MCCLELLAN,
Chairman, Subcommittee on Patents, Trademarks, and Copyrights, Judiciary Committee, U.S. Senate, Senate Office Building, Washington, D.C.

MY DEAR SENATOR MCCLELLAN: This letter is directed specifically and only to the trademark fees provided for in S. 729 (Dodd), S. 730 (McClellan) and S. 1228 (Tydings) which were the subject of recent hearings before your committee. By letter of March 1, the chairman of our lawyers' advisory committee requested time (which you kindly granted by your letter of March 4) in which to place our position on the record after we had time to study the relative merits of the three bills and particularly S. 1228 which was only brought to our attention just a few days before the hearings that were scheduled.

The unanimous position of our board of directors in regard to various fee bills last year was presented by past president in a letter to you dated March 19, 1964, and we are still guided primarily by the principles set forth therein, namely that we are not opposed to a reasonable increase in trademark fees but since the trademark operations of the Patent Office is substantially self-supporting, we do not believe that substantial raises in the trademarks fees are in order merely to support the patent operations of the Patent Office.

The board of director of the United States Trademark Association has unanimously approved the position and reasons expressed herein after consideration of a study and report by our lawyers' advisory committee. For background information on the association, we accompany this letter with a fact booklet and a roster of members. Since our association is not concerned with patents, our endorsement of any bill is not to be construed as approval of maintenance fees for patents.

SPECIFIC ACTION

We specifically approve and prefer S. 730 and strongly disapprove S. 729. S. 1228, the trademark fees of which fall in between the remaining two bills but which are considerably closer to S. 730 than to the strongly disapproved S. 729, would be acceptable.

REASONS FOR OUR POSITIONS

We enclose a copy of our last year's letter to you mentioned before in regard to fees and would ask that it be made part of this record if it has not already been done so from last year's record on fee bills, as it sets forth in detail our opposition to the Dodd bill which actually increases the fees up to issuance of a trademark registration from $25 to $85, or over 300 percent.

The only possible reason for such an increase is to help pay for the patent operation of the Patent Office, which we must strongly oppose. Since a trademark registration is merely recognition of existing rights in the trademark owner that accrued through use prior to the registration, whereas a patent represents the grant of certain exclusive rights to the patentee, we can see no logical reason why trademark fees should be used to support the patent system. In fact, one of the primary reasons for registration of trademarks is to provide a register where the public can determine the independent rights of prior users so that subsequent potential users may guide themselves accordingly. Higher fees will, of course, only serve to discourage many registrations, which means that the subsequent potential user will be forced to plan his business operations with less available facts at his command. Such fees will particularly be burdensome on small businesses who will thus be encouraged to rely solely on their common law rights and forego registration.

ASSIGNMENT FEES

We note with approval that all of the above bills this year have a relatively low assignment fee for additional registrations after the first in a given assignment which was contrary to certain of the bills last year which called for $20 per each registration listed in the assignment (and which we criticized). However, we still believe that the $10 fee for recording of the first registration in an assignment is more than sufficient to meet the actual cost of the Patent Office in processing these assignments and in that regard would prefer the $10 fee set forth in the Tydings bill, S. 1228.

If you desire, our views can be expanded or we would be happy to provide a representative to appear before the committee for consultation or questioning. We thank you for consideration of our views and hope they are helpful to the committee.

Respectfully submitted.

W. G. REYNOLDS, *President.*

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