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PATENT AND TRADEMARK OFFICE AUTHORIZATION

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

REPORT

[To accompany S. 793, as amended]

The Committee on the Judiciary, to which was referred the bill (S. 793), relating to the authorization of the Patent and Trademark Office, having considered the same, reports favorably thereon an amendment in the nature of a substitute and recommends that the bill, as amended, do pass.

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The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "Patent and Trademark Office Authorization Act of 1991".

SEC. 2. AUTHORIZATION OF APPROPRIATIONS.

(a) AUTHORIZATION.—There are authorized to be appropriated to the Patent and Trademark Office for fiscal year 1992—

(1) $95,000,000 for salaries and necessary expenses, which shall be derived from deposits in the Patent and Trademark Office Fee Surcharge Fund established under section 10101 of the Omnibus Reconciliation Act of 1990 (Public Law 101-508);

(2) such sums, other than the amount described under paragraph (1), as are equal to the amount collected during that year from fees under title 35, United States Code, and the Trademark Act of 1946 (15 U.S.C. 1051 et seq.); and

(3) $3,300,000 for administrative capital, or other expenditures not provided for under paragraphs (1) and (2).

(b) AMENDMENTS TO BUDGET RECONCILIATION ACT.—Section 10101 of the Omnibus Reconciliation Act of 1990 (Public Law 101-508) is amended by striking out subsections (a), (b), and (c) and inserting in lieu thereof the following:

"(a) FEES.—(1) Of the fees authorized under title 35, United States Code, and the Trademark Act of 1946 (15 U.S.C. 1051 et seq.), the following amounts shall be deposited in a separate account established in the Treasury and ascribed to the Patent and Trademark Office activities in the Department of Commerce, and of these amounts, the following shall be available only to the Patent and Trademark Office, to the extent provided in appropriation Acts, for all authorized activities and operations of the Office, including all direct and indirect costs of services provided by the Office:

"(A) $95,000,000 in fiscal year 1992.

"(B) $99,000,000 in fiscal year 1993.

"(C) $103,000,000 in fiscal year 1994.

"(D) $107,000,000 in fiscal year 1995.

"(2) All other amounts generated by the fees established under title 35, United States Code, and the Trademark Act of 1946 (15 U.S.C. 1051 et seq.) shall be credited to the appropriations for the Patent and Trademark Office.".

SEC. 3. APPROPRIATIONS AUTHORIZED TO BE CARRIED OVER.

Amounts appropriated under this Act and such fees as may be collected under title 35, United States Code, and the Trademark Act of 1946 (15 U.S.C. 1051 et seq.) may remain available until expended.

SEC. 4. OVERSIGHT OF PATENT AND TRADEMARK FEES.

Section 42 of title 35, United States Code, is amended by adding at the end the following:

"(e) The Secretary of Commerce shall, on the day each year on which the President submits the annual budget to the Congress, provide to the Committee on the Judiciary of the Senate and the Committee on the Judiciary of the House of Representatives—

"(1) a list of patent and trademark fee collections by the Patent and Trademark Office during the preceding fiscal year;

"(2) a list of activities of the Patent and Trademark Office during the preceding fiscal year which were supported by patent fee expenditures, trademark fee expenditures, and appropriations;

"(3) budget plans for significant programs, projects, and activities of the Office, including out-year funding estimates;

"(4) any proposed disposition of surplus fees by the Office; and

"(5) such other information as the committees consider necessary.".

SEC. 5. PATENT AND TRADEMARK FEES.

(a) FEE SCHEDULES.—(1) Section 41(a) of title 35, United States Code, is amended to read as follows:

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

"(1)(A) On filing each application for an original patent, except in design or plant cases, $670.

"(B) In addition, on filing or on presentation at any other time, $60 for each claim in independent form which is in excess of 3, $20 for each claim (whether independent or dependent) which is in excess of 20, and $210 for each application containing a multiple dependent claim.

"(2) For issuing each original or reissue patent, except in design or plant cases, $1,120.

"(3) In design and plant cases—

"(A) on filing each design application, $270;

"(B) on filing each plant application, $450;

"(C) on issuing each design patent, $400; and

"(D) on issuing such plant patent, $560.

"(4)(A) On filing each application for the reissue of a patent, $670.

"(B) In addition, on filing or on presentation at any other time, $60 for each claim in independent form which is in excess of the number of independent claims of the original patent, and $20 for each claim (whether independent or

dependent) which is in excess of 20 and also in excess of the number of claims of the original patent.

"(5) On filing each disclaimer, $110.

"(6)(A) On filing an appeal from the examiner to the Board of Patent Appeals and Interferences, $260.

"(B) In addition, on filing a brief in support of the appeal, $260, and on requesting an oral hearing in the appeal before the Board of Patent Appeals and Interferences, $210.

"(7) On filing each petition for the revival of an unintentionally abandoned application for a patent or for the unintentionally delayed payment of the fee for issuing each patent, $1,120, unless the petition is filed under section 133 or 151 of this title, in which case the fee shall be $110.

"(8) For petitions for 1-month extensions of time to take actions required by the Commissioner in an application—

"(A) on filing a first petition, $110;

"(B) on filing a second petition, $210; and

"(C) on filing a third petition or subsequent petition, $460.

"(9)(A) A basic national fee for an international application where the Patent and Trademark Office was the International Preliminary Examining Authority and the International Searching Authority, $600.

"(B) A basic national fee for an international application where the Patent and Trademark Office was the International Searching Authority but not the International Preliminary Examining Authority, $670.

"(C) A basic national fee for an international application where the Patent and Trademark Office was neither the International Searching Authority nor the International Preliminary Examining Authority, $900.

"(D) A basic national fee for an international application where the international preliminary examination fee has been paid to the United States Patent and Trademark Office, and the international preliminary examination report states that the provisions of the Patent Cooperation Treaty Article 33 (2), (3), and (4) have been satisfied for all claims presented in the application entering the national stage, $90.

"(E) For filing or later presentation of each independent claim in the national stage of an international application in excess of 3, $60.

"(F) For filing or later presentation of each claim (whether independent or dependent) in a national stage of an international application in excess of 20, $20.

"(G) For each national stage of an international application containing a multiple dependent claim, $210.

For the purpose of computing fees, a multiple dependent claim as referred to in section 112 of this title or any claim depending therefrom shall be considered as separate dependent claims in accordance with the number of claims to which reference is made. Errors in payment of the additional fees may be rectified in accordance with regulations of the Commissioner.".

(2) Subsection (b) of section 41 of title 35, United States Code, is amended by striking out all beginning with "(b)" through paragraph 3. and inserting in lieu thereof the following:

"(b) The Commissioner shall charge the following fees for maintaining in force all patents based on applications filed on or after December 12, 1980:

"(1) Three years and six months after grant, $890.

"(2) Seven years and six months after grant, $1,790.

"(3) Eleven years and six months after grant, $2,680.".

(b) SERVICE FEES.—Section 41(d) of title 35, United States Code, is amended to read as follows:

"(d) The Commissioner shall establish fees for all other processing, services, or materials relating to patents not specified in this section to recover in the aggregate (with the exception of the fees described in this subsection) the estimated average cost to the Office of such processing, services, or materials, except that the Commissioner shall charge the following fees for the following services:

"(1) For recording each document affecting title of a patent, $40.

"(2) For each photocopy, per page, $0.25.

"(3) For each black and white copy of a patent, $3.

The yearly fee for providing a library specified in section 13 of this title with uncertified printed copies of the specifications and drawings for all patents in that year shall be $50.".

(c) AUTHORITY TO INCREASE FEES.—Section 41(f) of title 35, United States Code, is amended by striking "1985" and inserting "1994".

(d) NOTICE OF FEES.—Section 41(g) of title 35, United States Code, is amended to read as follows:

"(g) No fee established by the Commissioner under this section shall take effect until at least 30 days after notice of the fee has been published in the Federal Register and in the Official Gazette of the Patent and Trademark Office.".

(e) PATENT AND TRADMARK COLLECTIONS; PUBLIC ACCESS.—(1) Section 41 of title 35, United States Code, is amended by adding at the end of the following new subsection:

"(i)(1) The Commissioner shall maintain, for use by the public, paper or microform collections of United States patents, foreign patent documents, and United States trademark registrations arranged to permit search for and retrieval of information. The Commissioner may not impose fees directly for the use of such collections, or for the use of the public patent or trademark search rooms or libraries.

"(2) The Commisioner may establish reasonable fees for access by the public to the automated search systems of the Patent and Trademark Office. If such fees are established, a limited amount of free access shall be made available to users of the systems for purposes of education and training. The Commissioner may waive the payment by an individual of fees authorized by this subsection upon a showing of need or hardship, and if such a waiver is in the public interest.

"(3) The Commissioner shall submit to the Congress an annual report on the automated search systems of the Patent and Trademark Office and the access by the public to such systems. The Commissioner shall also publish such report in the Federal Register. The Commissioner shall provide an opportunity for the submission of comments by interested persons on each such report.".

(2)(A) The section heading for section 41 of title 35, United States Code, is amended to read as follows:

"§41. Patent fees; patent and trademark search systems".

(B) The table of sections at the beginning of chapter 4 of title 35, United States Code, is amended to read as follows:

"41. Patent fees; patent and trademark search systems.
"42. Patent and trademark office funding.".

(C) The chapter heading for chapter 4 of title 35, United States Code, is amended to read as follows:

"CHAPTER 4—PATENT FEES; FUNDING; SEARCH SYSTEMS".

(D) The items relating to chapters 3 and 4 in the table of chapters for part I of title 35, United States Code, are amended to read as follows:

"3. Practice Before Patent and Trademark Office 31
"4. Patent Fees; Funding; Search Systems ..... 41".

(f) USE OF FEES.—Section 42(c) of title 35, United States Code, is amended to read as follows:

"(c) Revenues from fees shall be available to the Commissioner to carry out, to the extent provided in appropriation Acts, the activities of the Patent and Trademark Office. Fees available to the Commissioner under section 31 of the Trademark Act of 1946 may be used only for the processing of trademark registrations and for other activities, services, and materials relating to trademarks and to cover a proportionate share of the administrative costs of the Patent and Trademark Office.".

(g) TRADEMARK FEES.—During fiscal year 1992, the Commissioner of Patents and Trademarks may, notwithstanding the second and third sentences of section 31(a) of the Trademark Act of 1946 (15 U.S.C. 1113(a)) increase fees established under such section, but only for purposes of making adjustments which in the aggregate do not exceed fluctuations during the previous 3 years in the Consumer Price Index, as determined by the Secretary of Labor. The Commissioner may not establish additional fees under such section during fiscal year 1992.

(h) CONFORMING AMENDMENTS RELATING TO INTERNATIONAL FEES.—(1) Section 376 of title 35, United States Code, is amended—

(A) by amending subsection (a) to read as follows:

"(a) The required payment of the international fee and the handling fee shall be paid in United States currency. The Patent and Trademark Office shall charge a national fee as provided in section 41(a) and may also charge the following fees:

"(1) A transmittal fee (referred to in section 361(d));

"(2) A search fee (referred to in section 361(d));

"(3) A supplemental search fee (to be paid when required);

"(4) A preliminary examination fee and any additional fees (referred to in section 262(b)); and

"(5) Such other fees as established by the Commissioner."; and

(B) in the third sentence of subsection (b) by inserting ", national fee," after "examination fee".

(2) Section 371(c)(1) of title 35, United States Code, is amended by striking "prescribed under section 376(a)(4) of this part" and inserting "provided in section 41(a) of this title".

SEC. 6. USE OF EXCHANGE AGREEMENTS RELATING TO AUTOMATIC DATA PROCESSING RESOURCES PROHIBITED.

The Commissioner of Patents and Trademarks may not, during fiscal year 1992, enter into any agreement for the exchange of items or services (as authorized under section 6(a) of title 35, United States Code) relating to automatic data processing resources (including hardware, software and related services, and machine readable data). The preceding sentence shall not apply to an agreement relating to data for automation programs which is entered into with a foreign government or with an international intergovernmental organization.

SEC. 7. INDEMNIFICATION OF EMPLOYEES.

The Commissioner of Patents and Trademarks is authorized to indemnify any officer or employee of the Patent and Trademark Office who participated in the Law School Tuition Assistance Program of the Patent and Trademark Office, against tax liability incurred as a result of payments made to law schools under that program in tax years 1988, 1989, and 1990.

SEC. 8. DUTIES OF COMMISSIONER.

Section 6(a) of title 35, United States Code, is amended by striking "; and" and inserting ", including programs to recognize, identify, assess and forecast the technology of patented inventions and their utility to industry; and".

SEC. 9. REPEAL OF PRIOR AUTHORIZATION ACTS.

Subsections (b) and (c) of section 104 of Public Law 100-703 are repealed.

SEC. 10. GAO REPORTING REQUIREMENT.

Section 202(b)(3) of title 35, United States Code, is amended by striking "each year" and inserting "every 5 years".

SEC. 11. PATENT INFORMATION DISSEMINATION.

(a) DEFINITIONS.—For purposes of this section—

(1) the term "CD-ROMs" means compact discs formatted with read-only memory, including such discs that make use of advanced optical storage technology;

(2) the term "classified patent information" means patent information organized by the subject matter of the claimed invention according to the United States Patent Classification System or the classification system used by the country or authority that issues a patent;

(3) the term "Commissioner" means the Assistant Secretary of Commerce and Commissioner of Patents and Trademarks; and

(4) the term "patent information" means a complete and exact facsimile of a patent or patent application including the text and all images contained therein, including drawings, diagrams, formulas, and tables.

(b) INFORMATION DISSEMINATION PROGRAM.—No later than January 1, 1992, the Commissioner shall establish a demonstration program which shall make patent information available in accordance with the provisions of this section, through October 1, 1992. The Commissioner shall produce master CD-ROMs containing classified patent information and provide copies of them to the public for purchase.

(c) INFORMATION TO BE DISSEMINATED.—The patent information that shall be disseminated pursuant to this section shall be patent information in the possession of the Commissioner in computer readable form, including information on selected subclasses of United States patents, as determined by the Commissioner

(d) FEES.—The Commissioner shall establish fees for the purchase of CD-ROMs, at a rate sufficient to recover the estimated average marginal cost of producing and processing purchase orders for copies of master CD-ROMs.

(e) REPORT.—On the date that is 1 year after the date of enactment of this Act the Commissioner shall submit to Congress a report on the implementation of this section.

SEC. 12. REFERENCE.

The term "Trademark Act of 1946" as used in this Act refers to "An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provision of certain international conventions, and for other purposes," ap-

proved July 5, 1946 (15 U.S.C. 1051 et seq.), as most recently amended by title I of the "Trademark Law Revision Act of 1988", approved November 16, 1988 (Public Law No. 100-667, 102 Stat. 3935).

SEC. 13. EFFECTIVE DATE.

(a) IN GENERAL.—Except as provided under subsection (b), the provisions of this Act and the amendments made by this Act shall be effective on and after the date of the enactment of this Act.

(b) EFFECTIVE DATE OF FEES.—Notwithstanding any other provision of law, the Commissioner may adjust the fees under subsection 41(d) and section 376 of title 35, United States Code, and section 31 of the Trademark Act of 1946, after the date of enactment of this Act and these adjusted fees shall take effect the day after their publication in the Federal Register.

I. PURPOSE

The purpose of S. 793 is to authorize appropriations for the Patent and Trademark Office in the Department of Commerce for fiscal year 1992. The bill specifies the type of fees charged, collected, and used by the Patent and Trademark Office to offset the agency's obligations and prohibits any fee increases beyond those authorized in the bill. The Patent and Trademark Office is also prohibited from charging fees for the use of the public patent and trademark search rooms or libraries.

The bill codifies certain Office reporting requirements and permits the prior years' unobligated balances to remain available until expended.

II. LEGISLATIVE HISTORY

Senators DeConcini and Hatch introduced S. 793 at the request of the administration, on April 9, 1991. The bill was referred to the Subcommittee on Patents, Copyrights and Trademarks of the Senate Judiciary Committee. The subcommittee held a hearing on S. 793 on April 11, 1991. Testimony was received from Harry Manbeck, Assistant Secretary of Commerce and Commissioner of Patents and Trademarks; Donald W. Banner, president, Intellectual Property Owners, Inc.; Jerome G. Lee, president, American Intellectual Property Law Association; Thomas F. Smegal, Jr., American Bar Association; Richard D. Godown, president, industrial Biotechnology Association; Dr. Herbert S. Goldberg, associate dean, School of Medicine, University of Missouri-Columbia; and Garo Partoyan, president, United States Trademark Association.

Additional written questions were submitted to all of the witnesses by the subcommittee chairman, Dennis DeConcini. In addition, Senators Patrick J. Leahy and Joseph R. Biden, Jr., chairman of the Judiciary Committee, submitted questions in writing to the Patent and Trademark Office and other witnesses.

On October 4, 1991, the Patents, Copyrights and Trademarks Subcommittee approved the bill by a vote of 6 to 0, with an amendment in the nature of a substitute offered by Senator DeConcini. An amendment offered by Senator Grassley was accepted by unanimous consent. The Senate Committee on the Judiciary considered the bill as an amendment in the nature of a substitute offered by Senator DeConcini on October 31, 1991. It was accepted by unanimous consent. On November 21, 1991, the committee reconsidered an amendment in the nature of a substitute to S. 793, incorporating technical changes. It was accepted by unanimous consent.

III. Discussion

The mission of the Patent and Trademark Office is to administer the Nation's patent and trademark laws. It carries out these duties by examining patent and trademark applications against statutory criteria, granting patents and registering trademarks. In keeping with the public benefit underlying the patent clause of the Constitution, the Patent and Trademark Office also "collects, assembles, publishes and disseminates technological and other information disclosed in patents and trademarks." No single Federal agency has more impact on technology-based industries than the Patent and Trademark Office.

1. PATENT AND TRADEMARK OFFICE FUNDING

Congress has the responsibility to enact the patent and trademark laws and ensure through its oversight function that those laws are properly administered and that their purposes are met. Before 1980, the Office was chronically underfunded. Important changes in fees were made by Congress in 1980 and 1982 in order to provide the Office with the stable funding base it needed to provide the service necessary to maintain an effective patent and trademark system.

Presently, the Patent and Trademark Office operates on a 3-year authorization cycle. The current Authorization Act for the Office expired on September 30, 1991. Prior to fiscal year 1991 the Patent and Trademark Office received funds from both appropriations and direct user fees. This system was created by Public Law 97-247. The purpose of the mixed funding system was to provide necessary funding for reducing the pendency period of patent and trademark applications and to modernize the operations of the system through automation.

Over the last few years, many concerns have been expressed in the intellectual property community and the public at large regarding the effectiveness of the patent and trademark system and its ability to fulfill its public purpose. These concerns have been heightened by the recent budget reconciliation surcharge that dramatically altered the funding of the Office.

The Omnibus Reconciliation Act of 1990

The Omnibus Budget Reconciliation Act of 1990 (Budget Act), Public Law 101-508, radically changed the funding scheme of the Patent and Trademark Office. Under that act, in an effort to produce savings in the Federal budget deficit, the Patent and Trademark Office was converted from a partially user-fee funded agency to one almost entirely funded by user fees.

The Committees on the Judiciary in the Senate and House were instructed by the Budget Act to raise the following cumulative amounts: $91,000 in fiscal year 1991; $95,000 in fiscal year 1992; $99,000 in fiscal year 1993; $103,000 in fiscal year 1994; and $107,000 in fiscal year 1995 for a total of $495,000. To achieve the $91,000 for 1991, statutory patent fees had to be raised by 69 percent.

Thus, effective November 5, 1990, section 10101(a) of Public Law 101-508 imposed a 69 percent surcharge on all fees authorized by

35 U.S.C. 41 (a) and (b). These fees include the application filing fees, issue fees, the fees for maintaining a patent in force, as well as several other fees. The result of this increase was dramatic. For example, the cost of filing a patent was increased from $370 to $630.

During the hearing several witnesses expressed grave concerns over the increase in user fees that were imposed by the Budget Act. The committee agrees with a statement by the Chicago Bar Association that "adopting a policy of discouragement of innovation could not come at a worse time economically."[1]

Although the Budget Act of 1991 basically eliminated public funding for the Patent and Trademark Office, Congress did not relinquish its oversight of the Patent and Trademark Office. The committee strongly believes that by enacting the Budget Reconciliation Act of 1990, there was no intent to provide free rein to a user-fee supported agency to dramatically increase spending simply because the Federal Government deficit would not be directly affected.

The Budget Act did not abdicate Congress' responsibility to ensure that the patent and trademark laws of this country are properly administered. Congress has no less concern over how an agency spends user-fee money than it does the spending of public money. The Patent and Trademark Office has a continuing responsibility to be responsive to its users and the American public.

The committee believes that the Omnibus Budget Reconciliation Act should not change the basic mission of the Patent Office. Whether funded by appropriations or through user fees, all activities funded by the Office provide a public benefit. It is the committee's belief that the Office should be partially publicly funded. But, in view of the mandate of the budget resolution from last Congress and the opposition by the administration for any public funding, this is not possible at this time.

The Administration's Authorization Proposal

As introduced by Senators DeConcini and Hatch, by request of the administration, S. 793 proposed a fee structure and level of authorized appropriations that reflects a total Office operating budget of $461,990,000 in fiscal year 1992 and $555,000,000 in fiscal year 1993.

The administration also proposed to restrict partially the current 50-percent reduction for small entities. Under 35 U.S.C. 41(h)(1) universities, independent inventors, and small business concerns pay 50 percent of what large entities pay in patent fees. The administration's proposal would continue to provide a 50-percent reduction for nine fees associated with the initial filing of a patent application. However, it would eliminate the small entity category for 16 subsequent fees associated with the issuing of a patent. Effectively, under the administration's proposal, small entities would pay almost the same overall fees as large entities to obtain and maintain protection over the 17-year life of the patent.

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[1] Correspondence from the Chicago Bar Association to Senator Alan J. Dixon, May 13, 1991, in opposition to the elimination of Small Entity Patent Fee Subsidy.

The administration's objective in reducing the small entity category was to increase revenues by $34 million and $41 million in fiscal year 1992 and 1993. But while effectively eliminating the small entity category, the administration proposed no fee change for large entities. Thus, the administration planned to increase the Office's spending authority for the next 2 years solely on the back of small entities.

Finally, the administration's proposal would give the Office authority to use trademark fees for activities other than the processing of trademark operations. Current law prevents the use of trademark fees for any nontrademark activities in the Office.

In fiscal year 1991, the funding for the Patent Office totaled $351,427,000. For fiscal year 1992, the administration requested a program level of $461,990,000, a $110.5 million increase over last year. This represents a 32-percent increase in its budget for 1992. Accompanying their 1992 request, the administration projected a 1993 budget of $555 million. To finance this program, the President requested $3,300,000 from taxpayer revenues and the rest to be financed through user fees.

Increases of this magnitude, at this time, are not in the public interest. They will discourage, and possibly preclude the use of the patent system by inventors. Knowing full well that these increased budgets will be obtained only through increased user fees, the question must be asked whether the administration has considered at all the negative effect increased fees will have on the American inventor.

Over the last few years, the Office has been generously funded by Congress. With each year, the burden on the users of this system to pay for that funding has been significantly increased, culminating in the 1990, 69-percent surcharge on patent fees. Yet, the committee has witnessed no effort by the administration to propose or initiate any cost-saving measures in the wake of last year's Budget Act.

Instead, the administration has shown little regard for the effect that burdensome patent fees have on the American inventor. Its management of the Office is in some instances highly suspect. The quintessential example is the administration's rent scheme for the Office. For 1992, the General Services Administration is charging the Patent Office $41,590,000 for space rental. That is a 41-percent increase in rent for 1 year. The administration cannot continue to use the fees of the Office to run other operations in the Government.

The substitute amendment agreed to by the committee is a significant reduction from the administration's original request and is a response to concerns raised about the high level of funding for the Office requested by the administration. In light of the 69-percent increase in fees imposed at the end of 1991, the committee recommends total budget authority for the Office in fiscal year 1992 of $420 million, a $68.5 million increase over fiscal year 1991. The subcommittee substitute still represents a major increase in budget authority for the Office and provides sufficient funding for the Office to continue its present services, plus some.

Until fiscal year 1992, the Office operated on a 3-year authorization period. As originally introduced, S. 793 proposed a shorter

year authorization period. The administration contends that a 2-year authorization period would aid the Office in estimating its annual workload and budget.

The subcommittee substitute is limited to a 1-year authorization cycle. The committee believes, that a 1-year authorization is necessary because the effects of the 69-percent surcharge have yet to be completely determined. A 1-year authorization will permit the Office and Congress to fully examine the ramifications that an almost totally user-fee system will have on patent filings and American inventiveness.

Until the changes to the patent fee system and thus the operation of the Office brought about through the Budget Reconciliation Act are fully realized and addressed, the committee supports a 1-year authorization program. The Administration should not take the 1-year authorization program as an opportunity to request higher patent fees without a more disciplined justification.

1. PATENT PENDENCY

Over the last few years, the Department of Commerce has instructed the Office to maintain the average time it takes to issue a patent at 18 months. The Office has been successful in meeting that goal. In 1989, the Office first achieved an average of 18 month pendency and it maintained that average through fiscal year 1990.

The committee wholeheartedly endorses low patent pendency periods for patent and trademark applications. However, the committee is leery of the administration's fixation with maintaining patent pendency at precisely 18 months at the cost of quality. The committee is also concerned that the cost of maintaining this average will price many inventors out of the system.

Little doubt exists that the patent user community is not enamored with the administration's obsession with an 18-month average patent pendency period; an obsession which has resulted in astronomical fees. For example, at the April 11 hearing, the American Bar Association testified that it has always "focused on the quality of the prosecution process in the Patent Office. Whether the process requires a few additional months is of much less concern to [them] than is the quality of patents being issued."

Intellectual Property Owners, Inc., testified that a few years back it had surveyed its members and found that "patent owners ranked shortening the average pendency time of patent applications as sixth in importance of seven objectives of the office." Finally, the American Intellectual Property Law Association, a national society of more than 6,500 intellectual property lawyers, concurred by stating that "between rapid issuance and quality, quality should prevail. It is not essential that patents issue in 18 months on average."

The committee believes that in some emerging areas, patent pendency is essential. The most evident example is biotechnology, an area that has yet to benefit from the 18-month average patent pendency period. As an aside, the committee applauds the Office's 13-point biotechnology catchup plan.

In an effort to provide a patent system that is accessible to all inventors, the committee does not agree with the administration's

funding request to maintain an 18-month pendency average at all costs. To raise fees to maintain the 18-month goal while ignoring the effect this has on filings is a misguided policy. Thus, the committee would support a longer pendency period if tied to a significant reduction in fees.

2. SMALL ENTITY EXEMPTION

Historically, many important innovations have come from individual inventors and other small entities. To encourage the continued use of the patent by independent inventors, universities, and small business concerns, Congress enacted the small entity fee structure in 1982. Under this structure, located in section 41(h) of title 35, these three entities receive a 50 percent reduction in patent fees paid under 35 U.S.C. 41 (a) and (b).

Time after time, the administration has attempted to limit the small entity exemption. In its most recent attempt, the administration proposed in S. 793, as introduced, to apply the 50-percent reduction only to patent application filing and claim fees when those fees are paid upon filing and claim fees when those fees are paid upon filing the application. The administration felt that in light of the limitation on appropriated funds, it was unfair for the large users to subsidize the small entity exemption.

In 1990, 164,000 patent applications were filed. Of that total 35 percent were filed by small entities. The loss of the small entity exemption for the issue fee and the maintenance feeds, added to the 69 percent surcharge imposed last year, would mean that small entity fees would have increased about 200 percent between November 5, 1990 and October 1, 1991, and about 3,500 percent in the last 9 years.

The small inventor is by no means extinct. However, if the Committee had adopted the administration's proposal, we would be on the path eliminating this important contributor to our patent system. In a recent study titled, "Impact of Higher Patent Fees on Small-Entity and Federal Agency Users," the Government Accounting Office states that the higher small entity fees proposed by the administration "would most adversely affect independent inventors because they account for 72 percent of small entity applicants and are less likely than others to have the resources to pay higher patenting fees."

A report by the U.S. Department of Commerce Technical Advisory Board noted that over half of the 61 most important inventions and innovations of the 20th century stemmed from inventions and innovations of the 20th century stemmed from independent inventors or small firms.[2] In testifying on the House counterpart to S. 793, H.R. 1613, Howard Bremer, on behalf of the Association of University Technology Managers and American Council on Education stated that:

> Because of the budgetary constraints under which universities must operate and because their primary missions are education and basic research, universities seldom have unlimited

[2] Technological Innovation: Its Environment and Management; The U.S. Department of Commerce Technical Advisory Board 1967.

discretionary funds available to pursue patenting. Consequently, any increase in the cost of obtaining patent protection is of great concern to their collective technology transfer function.

Another emerging technology that would be harmed by elimination of the two-tier maintenance fee schedule would be biotechnology. The U.S. biotechnology industry is the world leader. But it is an industry of small businesses, an industry still in its nascent stage. Testifying at the April 11 hearing, the president of the Industrial Biotechnology Association, Richard Godown, stated that of the 104 members of his association, 53 percent of those companies qualified as small businesses. Godown also stated in response to written questions that "virtually none of the biotech companies with fewer than 500 employees has earned their first profit."

The committee believes that at a time when the biotechnology industry is facing increasing delays in the examination and issuance of their patent application, the administration without, at a minimum, providing the Congress with other areas in which savings can be realized.

By eliminating the small entity exemption, the administration would price the U.S. patent system out of the market for many of its most important inventors. The United States can not risk the further alienation of this class of inventors if we plan to continue to be internationally competitive.

The elimination of the small entity fee structure would harm the public interest by decreasing the incentive to innovate. The committee wholeheartedly supports the two-tier patent fee structure and thus retains it in the subcommittee substitute to S. 793.

3. AUTOMATION

Presently, the PTO patent filing system and examination process uses a document filing system that is over 165 years old. The "examiner search" files and the "public search" files currently hold over 45 million documents and are growing at a rate of nearly 1 million U.S. and foreign documents each year. Maintaining the complete integrity of these paper files is an unmanageable task. Patents missing from files has become a common occurrence and eventually effects the quality of issued patents.

In fiscal year 1984, the PTO began the development of an automated search system for use by patent examiners to replace the paper search files. The Automated Patent System (APS) was established with two functions in mind; one to allow computer searching of prior art, and one to allow the electronic filing and processing of patent applications. The second element, at this time, has still yet to reach the testing phase. The searching function has been in the testing phase since 1989.

Currently, only two examining groups and part of another have complete access (access to both text and image search systems) to APS. These two groups constitute roughly 15 percent of the examining corp. In response to questioning from Senator DeConcini, the Patent Office stated that "for all practical purposes, the patent automated searching system will be complete by fiscal year 1996 when all foreign data bases will be accessible." That date is 6 years beyond the time predicted to complete the system in 1982.

For fiscal year 1992, the Patent Office's budget request for automation, alone, was $87,400,000, or 18.9 percent of the total budget request. The committee recognizes the Office's desire to provide a state-of-the-art automation system and that they have achieved some success in developing such a product. However, despite the time and resources spent, concerns remain about the system. Furthermore, public access in the foreseeable future appears unlikely. The committee believes that automating the patent system is essential. However, during the hearing, several witnesses representing a broad range of the patent community contended that far less expensive and reliable alternatives exist than the current automation program. Evidently, there is much disagreement within the patent community as to whether the automation system is on the right track.

The committee does not discount the need to automate our patent system. We cannot continue to rely on the limitations and ineffectiveness of a paper filing system. However, the committee cannot condone investing $953,000,000 into an automation system that could be obsolete before it is completed. The intent behind the automation system was to provide a "substantial cost saving to the public by strengthening patent validity." [3] But at the present course of the automation system, the committee fails to see any substantial cost saving on the horizon.

The administration contends that fiscal year 1992 presents a critical juncture for the automation system. They assert that they now have gone beyond the "theoretical" and planning stages and are moving into an implementation stage. From this they conclude that a $87,400,000 budget request for automation in fiscal year 1992 is justified. The committee agrees that the automation system is at a critical juncture. But, unlike the administration, it views this juncture as an opportunity to reevaluate the course of the automation system and not a chance to make a costly and unknown investment.

In view of the escalating costs, effectiveness and timeliness of the Office's automation system, a further independent review as to the current status of the automation effort is necessary. On October 8, 1991, Senator DeConcini, chairman of the Senate Judiciary Subcommittee and Representative Hughes, chairman of the House Judiciary Subcommittee on Intellectual Property and Judicial Administration requested the General Accounting Office to assess whether the Office's automation program is meeting the agency's stated goals. The committee will consider the General Accounting Office's recommendations for future funding of the automation system. In the interim, the paper filing system must be maintained in adequate condition until full automation can be achieved.

4. TRADEMARK FEES

Since 1982, trademark activities and operations have been funded entirely by trademark user fees and therefore, were not affected by the Budget Reconciliation Act. Since 1983, patent and trademark fees have been funded and treated separately. The ad-

[3] S. Rpt. No. 99-305, 99th Cong., 2d Sess. (1986) at 8.

ministration's proposal would have authorized the Commissioner to reprogram monies from revenue generated through trademark fees, as well as reserves, to nontrademark activities.

They believed this was necessary to increase flexibility in operating the Office. This was strongly objected to by the trademark community. Their fear was that if the Commissioner was able to reprogram trademark monies, long-term trademark operational upgrades scheduled to use a portion of trademark revenues would be placed on hold indefinitely if it was determined the funds were needed elsewhere.

The committee believes the risk inherent in this position that funds raised through trademark fees would be used to finance operations of the patent side of the Office is too great. Therefore, this provision was not included in the substitute.

Current law precludes the use of trademark fees for any functions except the processing of trademark registrations and for other services and materials related to trademarks. When this provision was enacted, other operations of the office were to be funded out of a mixture of taxpayer support and fee revenues. Particularly, the Congress recommended that certain other office functions including legislative, international, outreach programs, and similar governmental support functions were expected to be funded from taxpayer support.

Now that all Office operations must be funded essentially out of fee revenues, the committee believes it is appropriate and reasonable for trademark fees to support the actual cost of their portion of common administrative responsibilities, support functions, and activities directly related to the processing of trademark registrations or other services and materials relating to trademarks. Thus, the bill provides that trademark fees may cover a proportionate share, that is, on a full-time equivalent basis of common administrative costs.

5. PATENT INFORMATION DISSEMINATION PROGRAM

Senator Grassley, working with the Office and individuals from the patent community developed a demonstration project to make patent information available to the public. Senator Grassley offered an amendment to the bill which was accepted in subcommittee. This language requires the Commissioner to begin a patent information dissemination program, making new methods of patent information storage and dissemination available to the public. The amendment reflects a desire to ensure that the advances in patent information storage engendered by the Automated Patent System Program be shared with the public.

The Office is required to manufacture "CD-ROM's" (compact disks with read-only memory) in classified form with full text, drawings, diagrams, formulas, and tables. For the demonstration project, which will begin no later than January 1, 1992, and end October 1, 1992, the Commissioner will make available selected subclasses of patents on CD-ROM, at marginal cost. The cost of the CD-ROM's should be set at a reasonable and minimum level consistent with the goal of the project to test and evaluate the interest of the public in this information product.

The subclasses for the demonstration program will be chosen by the Commissioner, after consultation with prospective users and should include sufficient classes to represent chemical, mechanical, and electrical technologies.

The goal of the program is to ascertain the level of demand for patent information in CD-ROM format. One year from the date of enactment of the law, after the program is complete, the Commissioner is required to report back to the Congress on the program. The report should assess the level of demand for the product, the appropriateness of the CD-ROM technology for disseminating computerized patent information, and the prospective cost and timeframe for implementing a full-scale public dissemination program. The report should also discuss the public dissemination efforts of other industrialized nations.

The committee is concerned with the increasing costs associated with obtaining patents. Currently, the classified patent search library exists only at the Office's facilities in Arlington, VA. Use of that library is an essential part of the patenting process. Inventors or attorneys form all parts of the country must either travel to the Office to search the file or pay someone to search for them. If searches of the classified search file could be accomplished through CD-ROM products, efficiency and cost savings will inevitably occur.

6. DUTIES OF THE COMMISSIONER

The committee included language related to the duties of the Commissioner of the Patents and Trademarks Office. The committee amendment allows the Commissioner to establish programs in the Office to more actively develop and disseminate patent information.

The committee provides the Office with the authority to establish programs that reflect the needs of the Office's users and the technological changes that have occurred since the Commissioner's duties were last modified nearly a decade ago. The committee expects the Office will work with user groups in developing programs to recognize, identify, assess, and forecast the technology of patented inventions and their utility to industry.

The Office is urged to explore reasonable alternatives, recognizing the limits that its role in handling confidential information demands. For example, the committee believes the Office should consider helping establish facilities with testing and demonstration equipment appropriate for emerging technologies. Such facilities could expand the ability of the Office and the public to assess the characteristics of new products. Those facilities would be available to all interested parties, and would not be involved in the development of new technologies.

7. GOVERNMENT CORPORATION

At the April 11 hearing, witnesses of organizations representing the patent bar testified in support of a plan to convert the Office to a government corporation. The committee intends to study the idea of making the Office a Government corporation, as recommended in a 1989 report by the National Academy of Public Administra-

tion. That report recommended making the Office a government corporation with more operating and financial flexibility than regular Government agencies. According to the report, the Office is well-suited for Government corporation status because its expenses are supported primarily by user-fee income. The committee believes, however, that the proposal to convert the Office to a government corporation will require a thorough examination.

IV. Vote of the Committee

On November 21, 1991, with a quorum present, by unanimous consent, the Committee on the Judiciary ordered the bill as an amendment in the nature of a substitute favorably reported.

V. Section-by-Section Analysis

Section 1. Short Title

This section provides that this act may be cited as the "Patent and Trademark Office Authorization Act of 1991."

Section 2. Authorization of appropriations

Subsection 2(a) authorizes appropriations for the U.S. Patent and Trademark Office. This subsection only authorizes the Office for fiscal year 1992, unlike the equivalent subsections of the prior authorization acts that created a 3-year authorization and fee program.

In fiscal year 1992, funds from three sources are authorized. First, $95,000,000 is authorized to be appropriated from the Patent and Trademark Office Fee Surcharge Fund (Surcharge Fund) that was established under section 10101 of the Omnibus Budget Reconciliation Act of 1990 (Budget Act), Public Law 101-508, as amended by subsection 2(b) of this act. Second, all fees collected by the Office, but not mandated for deposit in the Surcharge Fund, are credited to the appropriations for the Office and, as such, are directly available. Third, $3,300,000 is authorized to be appropriated out of general revenues from the U.S. Treasury.

Subsection 2(b) amends section 10101 of the Budget Act. As enacted, the Budget Act mandates a 69-percent surcharge in fiscal years 1991 through 1995 on all fees authorized by subsections 41 (a) and (b) of title 35 of the United States Code. (Fees authorized by these subsections include the major fees associated with the patent process, e.g., the fees for filing, issuing, and maintaining a patent.) The income from this surcharge must be credited to the Surcharge Fund, which is a separate U.S. Patent and Trademark Office account established in the Treasury. Amounts credited to this Surcharge Fund in fiscal years 1992 through 1995 are available to the Office only to the extent provided in appropriations acts.

The purpose of this section of the Budget Act is to increase fees collected by the Office and to use these fees to reduce appropriations from taxpayer revenues by at least the deficit reduction targets specified by the Committee on the Budget for each of the 5 years covered by the act. The surcharge was set originally at 69 percent to recover funds sufficient to operate the Office in fiscal

year 1991, but a provision to adjust the surcharge to meet the specified deficit reduction targets was included in the section.

While this scheme meets the instructions provided by the Committee on the Budget in 1990, it is difficult to administer in practice. Therefore, the committee proposes to provide a more practical approach to collect the surcharges which are intended to achieve the deficit reduction targets, while still meeting the substantive goals of the Budget Act.

Instead of imposing a separate surcharge, the committee has set new statutory fees by amending subsections 41 (a) and (b) of title 35 of the United States Code. These new fees have been set at levels to meet the deficit reduction targets and to fund the Office during fiscal year 1992. Under the amendments made in subsection 2(b) of this act, all the fees collected under title 35 and the Trademark Act will be deposited in the Surcharge Fund. Amounts in the Surcharge Fund up to the deficit reduction targets specified in the amended subsection 10101(a) of the Budget Act will be available only to the extent provided in appropriation acts, and all remaining funds will be ascribed as offsetting collections. Thus, the committee ensures that the deficit reduction targets are met and properly "scored" as deficit reductions, while decreasing the administrative burden to the Office and making it clear to the users what the actual fee amounts are.

Section 3. Appropriations authorized to be carried over

This section continues existing provisions that permit fees collected pursuant to title 35, United States Code, and the Trademark Act of 1946, and any amounts appropriated under the authority of section 2 of this act, to be carried over beyond the end of fiscal year 1992 and to remain available until expended.

Section 4. Oversight of the patent and trademark fees

Section 4 requires the Secretary of Commerce to provide to the Congress a report about the U.S. Patent and Trademark Office's finances, when the President submits the annual budget. This report must include information on fee collections, disposition, and carryover. Also, budget plans for significant programs must be submitted. This requirement was also contained in prior authorization acts, Public Law 99–607 and Public Law 100–703. Instead of repeating this provision in successive authorization acts, the committee has codified this reporting requirement as a new subsection 42(e) of title 35 of the United States Code.

Section 5. Patent and trademark fees

This section amends title 35 and the Trademark Act of 1946 to increase fees that are charged by the Office and to change the conditions under which these fees may be established, adjusted, and used.

Subsection 5(a) amends the current provisions that establish statutory patent fees. More specifically, subsection 5(a)(1) amends the current subsection 41(a) that sets fees related to patent filing, issuance, and appeals, among others. This new subsection sets new fees but follows the existing subsection except that certain national fees in international applications filed under the Patent Cooperation

Treaty, formerly set by the Commissioner, are now enumerated in the new subsection 41(a).

Subsection 5(a)(2) amends the current subsection 41(b) that sets the fees for maintaining patents in force. This amendment increases the fees charged and makes all patents issued on applications filed on or after December 12, 1980, subject to the same level of maintenance fees.

Subsection 5(b) amends subsection 41(d) of title 35 to change the conditions for establishing fees for processing, services, or materials that are not specified elsewhere in the law. At present, subsection 41(d) requires the Commissioner to set fees to recover the estimated average cost to the Office of such processing, services, or materials. (It should be noted, however, that prior authorization acts have permitted the Commissioner to adjust these fees "in the aggregate.")

This amendment changes the current scheme. First, the fees for three services (recording certain documents relating to title, certain photocopy charges, and certain black and white patent copies) would be specified in subsection 41(d). Second, the amendment ensures that the Commissioner could set other fees so that the income from all of these subsection 41(d) fees (except those fees enumerated in statute) would recover "in the aggregate" the estimated average cost to the Office of such processing, services, or materials. This is meant to provide the Commissioner with the flexibility needed to round out the actual costs of services. This is not meant to give the Commissioner authority to substantial increase or decrease the costs of providing a service.

Subsection 5(c) amends subsection 41(f) of title 35 which authorizes the Commissioner to adjust certain patent-related fees every 3 years to reflect fluctuations in the Consumer Price Index (CPI). In light of the amendments to subsections 41 (a) and (b) made by this Act, no CPI adjustment should be made to the fees established under these subsections during fiscal year 1992, as is currently permitted. Rather, such adjustments cannot be made until October 1, 1994.

Subsection 5(d) amends subsection 41(g) of title 35 by reducing the minimum notice period for changing fees established by section 41 of title 35 from 60 days to 30 days. Notice of fee changes, however, now will have to be published in the Official Gazette of the U.S. Patent and Trademark Office, as well as the Federal Register.

Subsection 5(e)(1) codifies, with several differences, subsections 104 (b) and (c) of the last authorization act, Public Law 100-703, as subsections 41(i) (1) and (2), respectively. Subsection 104(b) expressly prohibits the Commissioner from imposing fees for the use of certain paper or microform collections of materials or for the use of the public search room or libraries. Also, there was an express requirement to fund these activities from appropriations—in this context, taxpayer revenues, rather than funds appropriated from an account generated by a fee. This requirement was effectively overruled by the Budget Act and Public Law 101-515 that made appropriations to the Department of Commerce and other agencies. Keeping the thrust of the previous authorization act intact, the new subsection precludes the Commissioner from imposing fees directly for the use of these collections and search rooms (such as an

entrance fee), but allows the cost of these activities to be subsidized from income received from other fees.

Subsection 5(e)(1) codifies subsection 104(c) of Public Law 100-703, that permits the Commissioner to set fees for public access to the automated search systems made available by the Office including in its search rooms and libraries and the Patent and Trademark Depository Libraries. Subsection 104(c), however, was subject to subsection 105(a) of Public Law 100-703 which limited the extent to which fee income could be used for automated data processing resources. This limitation expired on September 30, 1991, and is no longer applicable as fee revenues will be used to fund essentially all aspects of the operations of the U.S. Patent and Trademark Office. Thus, this limitation has been eliminated.

Subsection 5(e)(1), lastly, requires the Commissioner to submit a report annually on the automated search systems of the Office and the access by the public to such systems.

Subsection 5(e)(2) makes the appropriate and conforming amendments to the headings and tables in title 35 of the United States Code.

Subsection 5(f) amends subsection 42(c) of title 35 by amending the last sentence that precludes the use of trademark fees for any activity except the processing of trademark registrations and for other services and materials relating to trademarks. When this provision was enacted, other operations of the Office were to be funded out of a mixture of taxpayer support and fee revenues. Particularly, the Congress recommended that certain other activities including, but not limited to, certain administrative, legislative, international, and outreach programs were to be funded from taxpayer revenues. Now that all operations must be funded essentially out of fee revenues, there is no reason to preclude the use of trademark fees from supporting a portion of these other valuable activities of the Office. As a result, this subsection amends subsection 42(c) and thereby confirms the authority of the Office to use trademark fees to cover a proportionate share of the costs of these types of activities.

Subsection 5(g) permits the Commissioner to increase, at any time during fiscal year 1992, trademark fees established under section 31 of the Trademark Act of 1946. This increase, however, is limited to making adjustments which in the aggregate do not exceed fluctuations in the CPI during the previous 3 years. Similar to the last authorization act, the Commissioner cannot establish additional trademark fees during fiscal year 1992, except new fees for new services or materials.

Subsection 5(h) makes conforming amendments to section 376, of title 35, that authorizes the establishment of fees related to applications filed under the provisions of the Patent Cooperation Treaty (PCT). Under current law, section 376 permits the Commissioner to set certain fees related to these applications. Amendments made in subsection 5(a)(1) of this act, however, set some PCT-related fees in the new subsection 41(a). Therefore, section 376 is amended to reflect this change.

Section 6. Use of exchange agreements relating to automatic data processing resources prohibited

This section prohibits the Commissioner during fiscal year 1992 from entering into any agreement for the exchange of items or services relating to automatic data processing resources, except those agreements made in full compliance with all Federal procurement regulations. This prohibition does not apply to agreements with foreign governments or with international intergovernmental organizations. This prohibition was contained in the last two authorization acts. However, the additional provision relating to the termination of such agreements at the time of enactment is not included in the provision because the committee has been informed that the Office does not have any such agreements at this time.

Section 7. Indemnification of employees

During consideration of this act, the committee heard concerns from the public and the private sectors about the Office's inability to retain highly qualified examiners, especially those in rapidly advancing areas of technology such as biotechnology. The committee believes that retention of such individuals not only will improve the quality of issued patents, but will tend to reduce costs of operation in the longer term. One method used by the Office to increase skills and productivity and to retain these employees is to subsidize law school tuition payments. Amendments to the tax code, however, have been interpreted by the Internal Revenue Service to require the money paid to the law schools as part of the Office's program to be considered as taxable, gross income of these low- to middle-income employees. As a result, the value of this program to the Office has been severely diminished.

To remedy this situation, the committee expressly permits the Commissioner to indemnify these employees for tax liability incurred as part of this program for tax years 1988 through 1990. In tax year 1991, it is the committee's understanding that these payments are again excludable or deductible.

Section 8. Duties of the Commissioner

This section amends subsection 6(a), of title 35, that lists the duties of the Commissioner of Patents and Trademarks. In addition to the present duties, the committee has added the authority to identify and assess technological trends and undertake other analyses that would be useful to industry.

Section 9. Repeal of prior authorization acts

This section repeals subsections (b) and (c) of title I of Public Law 100-703. These subsections are codified by subsection 5(e) of this Act.

Section 10. GAO reporting requirement

Currently, subsection 202(b)(3) contains a requirement that the Comptroller General report at least annually to the committees on the Judiciary on the manner in which agencies implement sections 201 through 212 of title 35 regarding patent rights in inventions

made with Federal assistance. This section would amend this subsection to require that the Comptroller General file this report at least once every 5 years.

Section 11. Patent information dissemination

This section directs the Commissioner to establish a test program to disseminate certain patent information using CD-ROM's, as specified in this section. Further, he is authorized to establish fees for these CD-ROM's, consistent with the provisions of subsection 41(d), as amended by subsection 5(b) of this act. Finally, he is to report to the Congress, 1-year after the date of enactment of this act, on the implementation of this section.

Section 12. Reference

This section defines the "Trademark Act of 1946" to which reference is made in this act.

Section 13. Effective date

In general, the provisions of this act and the amendments made by this act shall be effective on and after the date of enactment of this act. In particular, the fees established in the amended subsections 41 (a) and (b) will be effective on the date of enactment. Other fees, that are established by the Commissioner under subsection 41(d) and section 376 of title 35, and section 31 of Trademark Act of 1946 shall take effect on the day after their publication in the Federal Register. In order to facilitate immediate compliance with the provisions of this bill, the committee waives all other requirements of law pertaining to publication, notice, and comment including the provisions of subsection 41(g) of title 35, and subsection 31(a) of the Trademark Act of 1946, as well as the Administrative Procedures Act.

VI. Cost Estimate

In accordance with paragraph 11(a), rule XXVI, of the Standing Rules of the Senate, the committee offers the report of the Congressional Budget Office:

U.S. Congress,
Congressional Budget Office,
Washington, DC, November 25, 1991.

Hon. Joseph R. Biden, Jr.,
Chairman, Committee on the Judiciary,
U.S. Senate, Washington, DC.

Dear Mr. Chairman: The Congressional Budget Office has prepared the attached cost estimate for S. 793, the Patent and Trademark Office Authorization Act of 1991, as ordered reported by the Senate Committee on the Judiciary on November 21, 1991.

Enactment of S. 793 would affect direct spending and thus would be subject to pay-as-you-go procedures under section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

ROBERT D. REISCHAUER,
Director.

1. Bill number: S. 793.

2. Bill title: The Patent and Trademark Office Authorization Act of 1991.

3. Bill status: As ordered reported by the Senate Committee on the Judiciary on November 21, 1991.

4. Bill purpose: S. 793 would authorize appropriations for the Patent and Trademark Office (PTO) for fiscal year 1992. The bill would amend the patent and trademark fee schedules to raise certain fees, specify other fees, permit the PTO to raise all fees not specified by statute, and abolish a 69 percent fee surcharge. It would allow the PTO to use trademark fees to cover a proportionate share of administrative costs. S. 793 also would permit the PTO to raise fees again in fiscal year 1995, one year earlier than under current law.

5. Estimated cost to the Federal Government:

[By fiscal year, in millions of dollars]

	1992	1993	1994	1995	1996
Direct spending [1]					
Estimated budget authority	0	0	0	0	0
Estimated outlays	0	0	0	0	0
Authorizations [2]					
Authorization level	98.3				
Less: appropriations to date	88.4				
Net additional authorizations	9.9				
Estimated outlays	5.5	4.4			

[1] CBO estimates that enactment of S. 793 would result in increased fee collections of $22 million in 1992 and $20 million in 1995. These amounts would be available for spending, so there would be no net effect on the budget.
[2] In addition to the amounts specifically authorized, estimated fee collections of $302 million will also be available for spending under current law.

The costs of this bill fall within budget function 370.

Basis of estimate: CBO assumes that the full amount authorized will be appropriated. Estimated outlays are based on historical spending patterns.

In addition to the authorizations provided in the bill, S. 793 would increase the PTO's fee income by raising certain fees and allowing the PTO to raise others. The additional income would be available to finance PTO's operations, so there would be no net budgetary impact from raising the fees. Assuming that the PTO workload remains roughly the same as in 1991, additional fees would amount to $22 million in fiscal year 1992 and $20 million in 1995. We estimate that fee income in the other years through 1996 would be about the same as under current law, since, in the absence of this bill, we expect that the PTO would raise fees in 1993 and again in 1996.

6. Pay-as-you-go considerations: The Balanced Budget and Emercency Deficit Control Act of 1985 (BBEDCA) sets up pay-as-you-go prodedures for legislation affecting direct spending and receipts through 1995. CBO estimates that enactment of S. 793 would affect

direct spending and thus would be subject to pay-as-you-go procedures under section 252 of the BBEDCA.

The direct spending effect stems from the increased fee collections that would occur in fiscal years 1992 and 1995. Because spending authority already exists for any additional income generated in 1992 by fees increased by the bill, there would be no net effect on spending in 1992. (The appropriations bill that permits the spending was enacted prior to S. 793.)

Enactment of S. 793 also would allow the PTO to raise patent and trademark fees in 1995, rather than 1996, as under current law. This would result in increased fee collections of $20 million in 1995. There would be no net impact on federal spending from this change because the Patent and Trademark Office would have the authority to spend additional income generated by the increased fees.

7. Estimated cost to State and local governments: None.

8. Estimate comparison: None.

9. Previous CBO estimate: On November 15, 1991, CBO prepared a cost estimate for S. 793 as ordered reported by the Senate Committee on the Judiciary on October 31, 1991. The committee made changes in the bill language and reordered the bill reported on November 21, 1991. These changes clarify the classification of certain fee revenue as offsetting collections.

10. Estimate prepared by: John Webb and James Hearn (226-2860).

11. Estimate approved by: C. G. Nuckols for James L. Blum, Assistant Director for Budget Analysis.

VII. Regulatory Impact Statement

Pursuant to paragraph 11(b), rule XXVI, of the Standing Rules of the Senate, the committee, after due consideration concludes that this act will not have direct regulatory impact.

VIII. Changes in Existing Law

In accordance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, changes in existing law made by S. 793, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets; new material is printed in italic; existing law in which no change is proposed is shown in roman):

Public Law 101-508

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TITLE X—MISCELLANEOUS USER FEES AND OTHER PROVISIONS

* * * * * * *

Subtitle B—Patent and Trademark Officer User Fees

SEC. 10101. PATENT AND TRADEMARK OFFICER USER FEES.

[(a) SUBCHARGES.—There shall be a surcharge, during fiscal years 1991 through 1995, of 69 percent, rounded by standard arithmetic rules, on all fees authorized by subsections (a) and (b) of section 41 of title 35, United States Code.

[(b) USE OF SUBCHARGES.—Notwithstanding section 3302 of title 31, United States Code, beginning in fiscal year 1991, all surcharges collected by the Patent and Trademark Office—

[(1) in fiscal year 1991—

[(A) shall be credited to a separate account established in the Treasury and ascribed to the Patent and Trademark Office activities in the Department of Commerce as offsetting receipts, and

[(B) $91,000,000 shall be available only to the Patent and Trademark Office, to the extent provided in appropriation Acts, and the additional surcharge receipts, totalling $18,807,000, shall be available only to the Patent and Trademark Office without appropriation, for all authorized activities and operations of the office, including all direct and indirect costs of services provided by the office,

[(2) in fiscal years 1992 through 1995—

[(A) shall be credited to a separate account established in the Treasury and ascribed to the Patent and Trademark Office activities in the Department of Commerce as offsetting receipts, and

[(B) shall be available only to the Patent and Trademark Office, to the extent provided in appropriation Acts, for all authorized activities and operations of the office, including all direct and indirect costs of services provided by the office, and

[(3) shall remain available until expended.

[(c) REVISIONS.—In fiscal years 1991 through 1995, surcharges established under subsection (a) may be revised periodically by the Commissioner of Patents and Trademarks, subject to the provisions of sectin 553 of title 5, United State Code, in order to ensure that the following amounts, but not more than the following amounts, of patent and trademark user fees are collected:

[(1) $109,807,000 in fiscal year 1991.

[(2) $95,000,000 in fiscal year 1992.

[(3) $99,000,000 in fiscal year 1993.

[(4) $103,000,000 in fiscal year 1994.

[(5) $107,000,000 in fiscal year 1994.]

(a) FEES.—(1) Of the fees authorized under title 35, United States Code, and the Trademark Act of 1946 (15 U.S.C. 1051 et seq.), the following amounts shall be deposited in a separate account established in the Treasury and ascribed to the Patent and Trademark Office activities in the Department of Commerce, and of these amounts, the following shall be available only to the Patent and Trademark Office, to the extent provided in appropriate Acts, for all authorized activities and operations of the Office, including all direct and indirect costs of services provided by the Office:

(A) $95,000,00 in fiscal year 1992.
(B) $99,000,00 in fiscal year 1993.
(C) $103,000,00 in fiscal year 1994.
(D) $107,000,00 in fiscal year 1995.

(2) All other amounts generated by the fees established under title 35, United State Code, and the Trademark Act of 1946 (15 U.S.C. 1051 et seq.) shall be credited to the appropriations for the Patent and Trademark Office.

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UNITED STATES CODE

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TITLE 35—PATENTS

PART I—PATENT AND TRADEMARK OFFICE

Chap.		Sec.
1.	Established, Officers, Functions	1
2.	Proceedings in the Patent and Trademark Office	21
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CHAPTER 1—ESTABLISHMENT, OFFICERS, FUNCTIONS

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§ 6. Duties of Commissioner

(a) The Commissioner, under the direction of the Secretary of Commerce, shall superintend or perform all duties required by law respecting the granting and issuing of patents and the registration of trademarks; shall have the authority to carry on studies, programs, or exchanges of items or services regarding domestic and international patent and trademark law or the administration of the Patent and Trademark Office[; and] *including programs to recognize, identify, assess and forecast the technology of patented inventions and their utility to industry; and* shall have charge of property belonging to the Patent and Trademark Office. He may, subject to the approval of the Secretary of Commerce, established regulations, not inconsistent with law, for the conduct of proceedings in the Patent and Trademark Office.

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[CHAPTER 4—PATENT FEES]

CHAPTER 4—PATENT FEES; FUNDING; SEARCH SYSTEMS

Sec.
[41. Patent fees.
[42. Payment of patent fees; return of excess amounts.] [1]
41. Patent fees; Patent and trademark search systems.

42. Patent and trademark office funding.

§ 41. Patent fees; *patent and trademark search systems*

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

[1. On filing each application for an original patent, except in design or plant cases, $300; in addition, on filing or on presentation at any other time, $30 for each claim in independent form which is in excess of three, $10 for each claim (whether independent or dependent) which is in excess of twenty, and $100 for each application containing a multiple dependent claim. For the purpose of computing fees, a multiple dependent claim as referred to in section 112 of this title or any other claim depending therefrom shall be considered as separate dependent claims in accordance with the number of claims to which reference is made. Errors in payment of the additional fees may be rectified in accordance with regulations of the Commissioner.

[2. For issuing each original or reissue patent, except in design or plant cases, $500.

[3. In design and plant cases:

[a. On filing each design application, $125.

[b. On filing each plant application, $200.

[c. On issuing each design patent, $175.

[d. On issuing each plant patent, $250.

[4. On filing each application for the reissue of a patent, $300; in addition, on filing or on presentation at any other time, $30 for each claim in independent form which is in excess of the number of independent claims of the original patent, and $10 for each claim (whether independent or dependent) which is in excess of twenty 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, $50.

[6. On filing an appeal from the examiner to the Board of Patent Appeals and Interferences, $115; in addition, on filing a brief in support of the appeal, $115, and on requesting an oral hearing in the appeal before the Board of Patent Appeals and Interferences, $100.

[7. On filing each petition for the revival of an unintentionally abandoned application for a patent or for the unintentionally delayed payment of the fee for issuing each patent, $500, unless the petition is filed under sections 133 or 151 of this title, in which case the fee shall be $50.

[8. For petitions for one-month extensions of time to take actions required by the Commissioner in an application:

[a. On filing a first petition, $50.

[b. On filing a second petition, $100.

[c. On filing a third or subsequent petition, $200.]

(a) The Commissioner shall charge the following fees:

(1)(A) On filing each application for an original patent, except in design or plant cases, $670.

(B) In addition, on filing or on presentation at any other time, $60 for each claim in independent form which is in excess of 3, $20 for each claim (whether independent or dependent)

which is in excess of 20, and $210 for each application containing a multiple dependent claim.

(2) For issuing each original or reissue patent, except in design or plant cases, $1,120.

(3) In design and plant cases—

(A) on filing each design application, $270;

(B) on filing each plant application, $450;

(C) on issuing each design patent, $400; and

(D) on issing each plant patent, $560.

(4)(A) On filing each application for the reissue of a patent, $670.

(B) In addition, on filing or on presentation at any other time, $60 for each claim in independent form which is in excess of the number of independent claims of the original patent, and $20 for each claim (whether independent or dependent) which is in excess of 20 and also in excess of the number of claims on the original patent.

(5) On filing each disclaimer, $110.

(6)(A) On filing an appeal from the examiner to the Board of Patent Appeals and Interferences, $260.

(B) In addition, on filing a brief in support of the appeal, $260, and on requesting an oral hearing in the appeal before the Board of Patent Appeals and Interferences, $210.

(7) On filing each petition for the revival of an unintentionally abandoned application for a patent or for the unintentionally delayed payment of the fee for issuing each patent, $1,120, unless the petition is filed under section 133 or 151 of this title, in which case the fee shall be $110.

(8) For petitions for 1-month extensions of time to take actions required by the Commissioner in an application—

(A) on filing a first petition, $110;

(B) on filing a second petition, $210; and

(C) on filing a third petition or subsequent petition, $460.

(9)(A) A basic national fee for an international application where the Patent and Trademark Office was the International Preliminary Examining Authority and the International Searching Authority, $600.

(B) A basic national fee for an international application where the Patent and Trademark Office was the International Searching Authority but not the International Preliminary Examining Authority, $670.

(C) A basic national fee for an international application where the Patent and Trademark Office was neither the International Searching Authority nor the International Preliminary Examining Authority, $900.

(D) A basic national fee for an international application where the international preliminary examination fee has been paid to the United States Patent and Trademark Office, and the international preliminary examination report states that the provisions of the Patent Cooperation Treaty Article 33 (2), (3), and (4) have been satisfied for all claims presented in the application entering the national stage, $90.

(E) For filing or later presentation of each independent claim in the national stage of an international application in excess of 3, $60.

(F) For filing or later presentation of each claim (whether independent or dependent) in a national stage of an international application in excess of 20, $20.

(G) For each national stage of an international application containing a multiple dependent claim, $210.

For the purpose of computing fees, a multiple dependent claim as referred to in section 112 of this title or any claim depending therefrom shall be considered as separate dependent claims in accordance with the number of claims to which reference is made. Errors in payment of the additional fees may be rectified in accordance with regulations of the Commissioner.

[(b) The Commissioner shall charge the following fees for maintaining a patent in force:

[1. Three years and six months after grant, $400.

[2. Seven years and six months after grant, $800.

[3. Eleven years and six months after grant, $1.200.]

(b) The Commissioner shall charge the following fees for maintaining in force all patents based on applications filed on or after December 12, 1980:

(1) Three year and six months after grant, $890.

(2) Seven years and six months after grant, $1,790.

(3) Eleven years and six months after grant, $2,680.

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[(d) The Commissioner will establish fees for all other processing, services, or materials related to patents not specified above to recover the estimated average cost to the Office of such processing, services, or materials. The yearly fee for providing a library specified in section 13 of this title with uncertified printed copies of the specifications and drawings for all patents issued in that year will be $50.]

(d) The Commissioner shall establish fees for all other processing, services, or materials relating to patents not specified in this section to recover in the aggregate (with the exception of the fees described in this subsection) the estimated average cost to the Office of such processing, services, or materials, except that the Commissioner shall charge the following fees for the following services:

(1) For recording each document affecting title of a patent, $40.

(2) For each photocopy, per page, $0.25.

(3) For each black and white copy of a patent, $3.

The yearly fee for providing a library specified in section 13 of this title with uncertified printed copies of the specifications and drawings for all patents in that year shall be $50.

* * * * * * *

(f) The fees established in subsections (a) and (b) of this section may be adjusted by the Commissioner on October 1, [1985], *1994* and every third year thereafter, to reflect any fluctuations occurring during the previous three years in the Consumer Price Index,

as determined by the Secretary of Labor. Changes of less than 1 percentum may be ignored.

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

(g) No fee established by the Commissioner under this section shall take effect until at least 30 days after notice of the fee has been published in the Federal Register and in the Official Gazette of the Patent and Trademark Office.

* * * * * * *

(i)(1) The Commissioner shall maintain, for use by the public, paper or microform collections of United States patents, foreign patent documents, and United States trademark registrations arranged to permit search for an retrieval of information. The Commissioner may not impose fees directly for the use of such collections, or for the use of the public patent and trademark search rooms or libraries.

(2) The Commissioner may establish reasonable fees for access by the public to the automated search systems of the Patent and Trademark Office. If such fees are established, a limited amount of fees access shall be made available to users of the systems for purposes of education and training. The Commissioner may waive the payment by an individual of fees authorized by this subsection upon a showing of need or hardship, and if such a waiver is in the public interest.

(3) The Commissioner shall submit to the Congress an annual report on the automated search systems of the Patent and Trademark Office and the access by the public to such systems. The Commissioner shall also publish such report in the Federal Register. The Commissioner shall provide an opportunity for the submission of comments by interested persons on each such report.

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§ 42. Patent and Trademark Office funding

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

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[(c) Revenues from fees will be available to the Commissioner of Patents to carry out, to the extent provided for in appropriation Acts, the activities of the Patent and Trademark Office. Fees available to the Commissioner under section 31 of the Trademark Act of 1946, as amended (15 U.S.C. 1113), shall be used exclusively for the processing of trademark registrations and for other services and materials related to trademarks.]

(c) Revenues from fees shall be available to the Commissioner to carry out, to the extent provided in appropriation Acts, the activities of the Patent and Trademark Office. Fees available to the Commissioner under section 31 of the Trademark Act of 1946 may be used only for the processing of trademark registrations and for other activities, services, and materials relating to trademarks and to cover

a proportionate share of the administrative costs of the Patent and Trademark Office.

* * * * * * *

(e) The Secretary of Commerce shall, on the day each year on which the President submits the annual budget to the Congress, provide to the Committee on the Judiciary of the Senate and the Committee on the Judiciary of the House of Representatives—

(1) a list of patent and trademark fee collections by the Patent and Trademark Office during the preceding fiscal year;

(2) a list of activities of the Patent and Trademark Office during the preceding fiscal year which were supported by patent fee expenditures, trademark fee expenditures, and appropriations;

(3) budget plans for significant programs, projects, and activities of the Office, including outyear funding estimates;

(4) any proposed disposition of surplus fees by the Office; and

(5) such other information as the committees consider necessary.

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CHAPTER 18—PATENT RIGHTS IN INVENTIONS MADE WITH FEDERAL ASSISTANCE

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§ 202. Disposition of rights

(b)(3) At least once [each year] *every 5 years*, the Comptroller General shall transmit a report to the Committees on the Judiciary of the Senate and House of Representatives on the manner in which this chapter is being implemented by the agencies and on such other aspects of Government patent policies and practices with respect to federally funded inventions as the Comptroller General believes appropriate.

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CHAPTER 37—NATIONAL STAGE

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§ 371. National stage: Commencement

(c) The applicant shall file in the Patent and Trademark Office—

(1) the national fee [prescribed under section 376(a)(4) of this part] *provided in section 41(a) of this title*;

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§ 376. Fees

[(a) The required payment of the international fee and the handling fee, which amounts are specified in the Regulations, shall be paid in United States currency. The Patent and Trademark Office may also charge the following fees:

[(1) A transmittal fee (see section 361(d));

[(2) A search fee (see section 361(d));

[(3) A supplemental search fee (to be paid when required);
[(4) A national fee (see section 371(c));
[(5) A preliminary examination fee and any additional fees (see section 362(b)).
[(6) Such other fees as established by the Commissioner.]
(a) The required payment of the international fee and the handling fee shall be paid in United States currency. The Patent and Trademark Office shall charge a national fee as provided in section 41(a) and may also charge the following fees:
(1) A transmittal fee (referred to in section 361(d));
(2) A search fee (referred to in section 361(d));
(3) A supplemental search fee (to be paid when required);
(4) A preliminary examination fee and any additional fees (referred to in section 262(b)); and
(5) Such other fees as established by the Commissioner.
(b) The amounts of fees specified in subsection (a) of this section, except the international fee and the handling fee, shall be prescribed by the Commissioner. He may refund any sum paid by mistake or in excess of the fees so specified, or if required under the treaty and the Regulations. The Commissioner may also refund any part of the search fee, the preliminary examination fee, *national fee* and any additional fees, where he determines such refund to be warranted.

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PUBLIC LAW 100-703

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TITLE I—PATENT AND TRADEMARK OFFICE AUTHORIZATIONS

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SEC. 104. PUBLIC ACCESS TO PATENT AND TRADEMARK OFFICE INFORMATION.

(a) REPEAL.—Section 4 of Public Law 99-607 (35 U.S.C. 41 note) is repealed.

[(b) MAINTENANCE OF COLLECTIONS.—The Commissioner of Patents and Trademarks shall maintain, for use by the public, paper or microform collections of United States patents, foreign patent documents, and United States trademark registrations arranged to permit search for and retrieval of information. The Commissioner may not impose fees for use of such collections, or for use of public patent or trademark search rooms or libraries. Funds appropriated to the Patent and Trademark Office shall be used to maintain such collections, search rooms, and libraries.

[(c) FEES FOR ACCESS TO SEARCH SYSTEMS.—Subject to section 105(a), the Commissioner of Patents and Trademarks may establish reasonable fees for access by the public to automated search systems of the Patent and Trademark Office in accordance with section 41 of title 35, United States Code, and section 31 of the Trade-

mark Act of 1946 (15 U.S.C. 1113). If such fees are established, a limited amount of free access shall be made available to all users of the systems for purposes of education and training. The Commissioner may waive the payment by an individual of fees authorized by this subsection upon a showing of need or hardship, and if such waiver is in the public interest.]

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