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S. 1657	Aug. 10, 1982	S10136-39

Action:

Remarks by Mr. Schmitt.

A FIRST-CLASS PATENT AND TRADEMARK OFFICE

● Mr. SCHMITT. Mr. President, strong and effective patent and trademark systems are essential to the economic well-being of our Nation. The patent system provides the incentive to invent, invest in, and disclose new technology. It has proved to be the cornerstone for our growth as a leader among industrialized nations. The trademark system allows product identification and prevents consumer confusion in the marketplace.

When this administration took office, the Patent and Trademark Office was in a sorry state, with ever-increasing backlogs of patent and trademark applications and unacceptably long times to get a patent or register a trademark.

Significant steps have been taken over the past year to improve the Patent and Trademark Office and the patent and trademark systems. The Commissioner of Patents and Trademarks, Gerald J. Mossinghoff, outlined these steps in a speech in San Francisco to the American Bar Association's Section on Patent, Trademark and Copyright Law on August 7, 1982. He described progress toward the administration goals to reduce the time it takes to get a patent to 18 months by 1987 and to reduce the time it takes to register a trademark to 13 months by 1985. The Commissioner also cited steps taken toward a fully automated

Patent and Trademark Office in the 1990's.

The key to lasting improvements in the Patent and Trademark Office is to assure adequate and stable funding for the Office through enactment of a new fee structure in H.R. 6260. This measure awaits floor action in the Senate now, having passed in the House.

Enactment of a comprehensive and uniform Federal patent policy under my bill, S. 1657, will also be a significant improvement to the patent system. Presently, the Federal agencies operate under a variety of policies, that generally require that title to a contractor's invention made under a Federal contract be transferred to the Government. Ownership to thousands of inventions have been acquired in this manner, with fewer than 5 percent of these inventions ever being successfully commercialized.

In his speech, the Commissioner noted that contractor-owned patents of Government sponsored inventions are about 20 times more likely to be commercialized than if the Government retains the patent. Mr. President, I believe the citizens of this country deserve a better return on their investment of $40 billion in federally sponsored research and development. My bill will make it possible for more Government-sponsored inventions to be commercialized to the benefit of our economy and to the enhancement of our position as world leaders in technological innovation.

I ask for the text of the Commissioner's remarks be printed in the RECORD.

The text follows:

REMARKS OF GERALD J. MOSSINGHOFF

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

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

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

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

From the Administration's viewpoint, in order to accommodate the concern expressed by the patent bar and others on behalf of individual inventors and small businesses, additional appropriations of $7 million will be required next fiscal year to accommodate the two-tier system of fees which Congress adopted. Also, responding to inventor and bar groups, Congress chose not to give the Patent and Trademark Office the authority to set patent fees administratively; rather major patent fees were written into H.R. 6260. Significantly, those fees can be adjusted administratively every three years, but only to keep pace with inflation.

MANAGEMENT ACHIEVEMENTS

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

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

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

In trademarks it now takes us 9 months on the average to render a first opinion on registrability and 22 months to dispose of an application. That is down from the record high 24 months which it took last year. We will achieve the goal of 3/13—three months to first action and 13 months to disposal—at least by fiscal year 1985. This coming fiscal year we will turn the corner in trademarks and dispose of more cases than we will receive.

We have taken several important steps to move realistically toward a fully automated Patent and Trademark Office in the 1900's. Through a reorganization of the Office we established the senior position of Administrator for Automation, and we appointed Dr. J. Howard Bryant, who has impressive experience both in industry and Government, to that position. Dr. Bryant has overall responsibility for the management of all automation initiatives in the Office—in patents, trademarks and administration. He has spearheaded our efforts to refine our automation blueprint under § 9 of P.L. 96-517. Copies of the final Executive Summary of that study will be available by mid-September. The § 9 plan is based on our conviction that we do not have to sit back passively and wait for the estimated 24 million paper documents we now have to become 50 million paper documents by the turn of the century. One of the most serious problems we now face is that 7% of our 24 million paper documents are either missing or misfiled. Only by moving aggressively toward automated systems in which paper is replaced by advanced technology can we ever hope to achieve anything even approaching 100% file integrity in our vast collection of technical documents.

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

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

We are in the final stages of the full-text search experiment we are conducting in a joint venture with Mead Data Central using the LEXIS system. The full texts of 50,000 patents have been stored in LEXIS and are being accessed through seven LEXIS terminals located in six art units.

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

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

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

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

We are beginning negotiations this month with the Patent Office Professional Associ-

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

LEGISLATION

In the legislative area there have been several significant developments.

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

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

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

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

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

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

Finally, and most significantly, we are gratified that H.R. 6260 specifically authorizes voluntary binding arbitration of patent validity and infringement issues. That authority will provide business executives with an attractive and cost-effective alternative to protracted and complex Federal litigation in patent cases.

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

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

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

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

The U.S. Government owns twice as many active patents—more than 28,000—than any other single entity. Most of these belong to the Department of Defense and most were acquired solely for defensive purposes. In a speech made before the Government Patent Lawyers Association on April 14, I proposed that legislation be enacted to permit the issuance of a patent on a Government-owned invention without the examination required by 35 USC §§ 131 and 132 if the head of the appropriate department or agency or his or her designee waives all remedies of 35 USC §§ 271 through 289 with respect to the patent or any reissue of the patent. A patent so issued would be a U.S. patent for all defensive purposes: the application or the patent could become involved in an interference; it would be a "constructive reduction to practice" under our first-to-invent system; it would be "prior art" under all subsections of 35 USC § 102; and it would be classified and cross-referenced like any other patent, disseminated to foreign patent offices, stored in the PTO computer tapes made available in commercial data bases, and announced in the Official Gazette. In addition, it would serve as the basis for a priority claim in a foreign application. In response to our proposal, we have received many recommendations from industry and the bar. There seems to be general agreement that something needs to be done in this area. We have received recommendations that the defensive patent be made available to industry as well as to Government agencies. Some support the concept, but question whether the term "patent" should be used to describe the document we would issue. Still others would support legislation under which the Government agencies could defend a 28 USC § 1498 action on the basis of prior inventorship. That would obviate the need for the Government to acquire any defensive patents. We are currently weighing these alternatives prior to presenting a formal recommendation to the Congress next January.

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

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

INTERNATIONAL ACTIVITIES

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

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

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

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

In meetings with Chinese officials in Beijing this past May, I discussed with them the transfer of the Chinese Patent Bureau from the State Scientific and Technological Commission to the State Economic Commission. It remains to be seen whether that move will expedite their consideration and enactment of a patent law.

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

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

FIVE-POINT PLAN TOWARD A FIRST-CLASS PTO

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

point action plan. The major elements of this plan are:

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

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

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

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

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

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

CONCLUSION

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