REPORT

[To accompany H.R. 6260]

[Including cost estimate of the Congressional Budget Office]

The Committee on the Judiciary, to whom was referred the bill (H.R. 6260) to authorize appropriations to the Patent and Trademark Office in the Department of Commerce, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment strikes out all after the enacting clause of the bill and inserts a new text which appears in italic type in the reported bill.

PURPOSE OF THE BILL

The purpose of H.R. 6260 is to authorize appropriations for the Patent and Trademark Office for fiscal years 1983 through 1985.

STATEMENT

The Subcommittee on Courts, Civil Liberties and the Administration of Justice previously held two days of hearings on the legislation, receiving testimony from a representative group of witnesses including the Commissioner of Patents and Trademarks, the American Bar Association Section of Patent. Trademark and Copyright Law, the American Patent Law Association, the Patent, Trademark and Copyright Section of the State Bar of Virginia, the United States Trademark Association and the General Patent Counsel of the General Electric Corporation.

H.R. 6260 reflects the recommendation of the Administration with three modifications as follows. First, the Administration pro

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posal authorized the Commissioner of Patents and Trademarks to establish fees administratively. The subcommittee approved an amendment to set forth specific fees in the statute and limited the Commissioner's authority to raise fees. Second, the Administration recommended that user fees recover 100% of the costs of actual processing of patents and trademarks. The subcommittee amended the bill to reduce by 50% patent filing and maintenance fees for individual inventors, small businesses and not for profit institutions. The effect of the amendment is to increase by $8 million the authorized appropriation which would have been provided under the original Administration request. Third, the subcommittee adopted a recommendation of the Commissioner of Patents and Trademarks, the American Bar Association and a coalition of corporate patent counsel permitting arbitration of patent disputes.

H.R. 6260 was considered by the Full Committee on the Judiciary on May 11, 1982 and was approved as reported by the subcommittee with an amendment offered by Mr. Frank described below.

SYNOPSIS OF H.R. 6260

SECTIONS 1--3

Authorizes the Patent and Trademark Office for fiscal year 1983 at an appropriations level of $76,000,000 and for fiscal years 1984 and 1985 such sums as may be necessary. This would be augmented by additional fee income under the bill of approximately $79 million for a total budget of $155 million. In fiscal year 1982 the Patent and Trademark Office was authorized at a level of $118,961,000 of which $29,600,000 was provided through fee income. Fiscal year 1983 will be the first year in which fee income under P.L. 96--517 will be credited to the Patent and Trademark Office without being counted as part of its authorized appropriation. Had this new accounting procedure been applied to fiscal year 1982 the authorization and appropriation for the Patent and Trademark Office would have been $89 million. This constitutes the actual level of taxpayer support of the Office. Thus, H.R. 6260 authorizes the expenditure of tax revenue in fiscal 1983 to support the Patent and Trademark Office at a level $21 million lower than for fiscal 1982. H.R. 6260 proposes to double current fees as the means of making up for the difference between a lower level of taxpayer support and an increased total budget. Further, maintenance fees which

were first authorized in P.L. 96--517 and which will not begin to be collected until fiscal year 1986 (October 1, 1985) will also be doubled over the amounts provided for under P.L. 96--517.

The overall objective of H.R. 6260 is to provide for increased user support for the Patent and Trademark Office costs associated with the actual processing of patent applications by fiscal year 1996. The fee schedule is designed to return to the government 100% of actual costs. However, an amendment to the original Administration proposal adopted by the subcommittee would reduce by half the fees for individuals, small businesses and nonprofit inventors. At the present time less than 25% of the actual costs of processing patent applications are supported by fee revenue and under P.L. 96--517, which becomes effective on October 1, 1982, this amount

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will gradually begin to rise but will only reach 50% of actual costs in 1996.

The amendment offered by Mr. Frank and approved by the Committee modifies that portion of Section 3 of H.R. 6260 dealing with Trademark fees. Public Law 96--517 *(35 United States Code, section 31*(a)) provides, "Fees will be set and adjusted by the Commissioner to recover in aggregate 50 per centum of the estimated average cost to the Office of such processing. Fees for all other services or materials related to trademarks and other marks will recover the estimated average cost ... of performing the service or furnishing the material."

The Administration requested that the figure. "50 per centum", be changed to "100 per centum", thus mandating full recovery to the Treasury of all costs associated with processing trademarks. An amendment offered during subcommittee consideration of the legislation proposed to reduce fee generated revenue supporting processing of trademarks to less than the 100 per centum recovery level. The amendment was not agreed to. The author of the amendment, Mr. Frank, then proposed to amend the law to provide a statutory fee schedule which would return revenue to the Patent and Trademark Office at a level designed to recover 100 per centum of costs. However, following consultations with interested parties, Mr. Frank modified his amendment simply to repeal those portions of P.L. 96--517 which mandate a specified level of cost recovery for the processing of trademark registrations. Thus, the level of cost recovery for processing of trademark registrations will be within the discretion of the Commissioner. The Committee is aware of the concerns of users of the Trademark registration system, however, and intends to exercise vigorous oversight with respect to the Commissioner to ensure that fees remain at a reasonable level and that trademark registrations are processed in an efficient and cost effective manner. As part of this oversight, the Committee recommends the following fee structure to the Commissioner for Fiscal Year 1983.

Type of Fee: *Proposed fee* 1983.

Application filing fee per class.....$ 175
Renewal fee.....300
Late renewal.....100
Section 12(c) claim.....100
New certificate.....100
Certificate of correction.....100
Disclaimer to registration.....100
Amendment to registration.....100
Per class combines section 8 and 15 affidavit200
Per class section 8 affidavit alone.....100
Per class section 15 affidavit alone.....100
All petitions to Commissione..... 100
Cancellation opposition per class.....200
TTAB appeal.....100
Certified copies.....10
Copies of trademarks.....1
Assignments.....n1

Section 3(d) also permits the Commissioner of Patents to accept late payment of maintenance fees where it is

established that the delay in payment was unavoidable.

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Section 4 permits the Commissioner of Patents and Trademarks to appoint temporary examiners in chief for the Board of Patent Appeals to deal more flexibly with workload. Section 5 permits late filing of the oath and fee accompanying submission of specifications and drawings which accompany patent claims. Section 6 permits greater flexibility in correcting mistakes in the naming of inventors on a patent application. Section 7 allocates funds from the Patent and Trademark Office to the Department of State to pay the financial obligations of administering the Patent Cooperation Treaty. Section 8 clarifies the Trademark law with respect to what constitutes use of a mark "in commerce". Section 9 deletes the burdensome technical requirement that trademark oppositions be verified. Section 10 makes the date of registration rather than the date of publication the crucial date for purposes of establishing the incontestability of a trademark. This eliminates an ambiguity in the present law. Section 11 limits the declaration of interferences under the trademark law to situations where extraordinary circumstances exist. Section 12 authorizes the Commissioner of the Patent and Trademark Office the flexibility to deal with problems of delay in filing due to postal service breakdowns. Section 13 permits the Commissioner of Patents to enter into cooperative studies, programs, exchanges and similar ventures associated with the administration of the Patent Office.

Section 14 conforms U.S. Patent and Trademark Law to a recent international treaty governing diplomatic or consular legalization of documents.

Section 15 corrects a mistaken citation in P.L. 96--517.

Section 16 creates a uniform term for design patents.

Section 17 establishes the effective dates for provisions of the Act. Increased filing fees would apply to all applications made on or after the date of enactment of H.R. 6260.

SECTION--BY--SECTION ANALYSIS

SECTION 1

This section authorizes appropriations for the Patent and Trademark Office for the payment of salaries and necessary expenses of the Office. For Fiscal Year 1983, this section authorizes appropriations of $76,000,000, and in fiscal years 1984 and 1985 such sums as may be necessary, as well as such additional and supplemental amounts as may be necessary to cover any increases in salary, pay, retirement, or employee benefits which may be authorized by law. Funds made available by these appropriations are to be used to reduce by 50 per centum the amount of the fees to be paid under title *35, United States Code, section 41*(a) and (b) by independent inventors and nonprofit organizations as defined in regulations established by the Commissioner of Patents and Trademarks, and by

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small business concerns as defined in section 3 of the Small Business Act and by regulations established by the Small Business Administration.

In addition, fees collected pursuant to title 35, United States Code, and the Trademark Act of 1946, as amended (15 U.S.C. 1051 et seq.), will augment the authorized appropriation to provide the resources needed to conduct the

operations of the Office for fiscal year 1983. The total resources for the Office in fiscal year 1983, that is, the amount appropriated pursuant to this section plus fees collected pursuant to the patent and trademark laws, which will be available to the Office, are estimated to be $154,934,000. The corresponding levels of fiscal year 1984 and fiscal year 1985 are estimated in the President's Budget to be $167 million and $176 million, respectively. Any additional amounts to cover increases in salary, pay, retirement, or other employee benefits which may be authorized by law will be in addition to, and will therefore increase, those program levels. Finally, any funds appropriated pursuant to this section and all fees collected, when specified in an appropriation act, will remain available without any fiscal year limitation.

SECTION 2

This section provides that, notwithstanding any other provision of law, there is authorized to be appropriated to the Patent and Trademark Office for fiscal year 1982, $121,461,000 and such additional or supplemental amounts as may be necessary for increases in salary, pay, retirement, or other employee benefits authorized by law. This section increases the amount authorized for the Patent and Trademark Office by $2.5 million over that authorized in Public Law 97--35. The President is recommending a supplemental appropriation of $2,500,000 for the Patent and Trademark Office for fiscal year 1982 in order to carry out the program recommendations included in his fiscal year 1983 Budget.

SECTION 3

This section establishes certain statutory fees which are to be charged by the Commissioner and authorizes the Commissioner to establish other fees whose amounts are not specifically set. Thus, the major routine fees which are applicable to patents and patent application processing are established (e.g., filing, issuance, and maintenance fees). The Commissioner is authorized to establish fees for all other processing, services, or materials related to patents which are not specifically established by statute. The processing and service fees which would include such items as fees for filing various petitions to the Commissioner relating to the processing of patent applications, would be established at a level to recover the estimated average costs to the Office. A more specific discussion of the various provisions of this section is set forth below.

Section 3(a) amends section 41(a) of title 35 to provide the amounts of the fees for filing and issuance of patent applications. In addition, the section includes provisions for increasing the filing fees due to increased complexities presented by certain applications, e.g., applications containing more than a specified number of

claims and any application containing a multiple dependent claim. The section also provides that fees will be charged when the number of claims is increased above the specified number or when a multiple dependent claim is first presented, whether on filing or at a later point in processing.

Under section 41(a)1, the filing fee for an original patent, except in design or plant cases, is $300. In addition, on filing or on presentation at any other time, $30 is due for each claim in independent form which is in excess of three, $10 is due for each claim (whether independent or dependent) which is in excess of twenty, and $100 is due for each

application containing a multiple dependent claim. The latter fee is a one--time charge per application due the first time a multiple dependent claim is presented for examination. For the purpose of computing fees, a multiple dependent claim as referred to in section 112 of title 35, United States Code, or any claim depending therefrom, will be considered as separate dependent claims in accordance with the number of claims to which reference is made. Under the section, errors in payment of the additional fees may be rectified in accordance with regulations of the Commissioner. This will enable the Commissioner to establish regulations whereby patent applicants may correct, without prejudice, errors in payment of the additional fees, i.e., those in addition to the basic fees established.

Under section 41(a)2, the fee for issuing all orignal and reissue patents, except in design or plant cases, would be a uniform amount of $500. No supplemental issue fees are required.

Section 41(a)3 establishes fixed fees for filing applications for, and issuance of design and plant patents. For design patent cases, the filing fee would be $125 and the issue fee $175. For plant patent cases, the filing fee would be $200 and the issue fee $250.

Section 41(a)4 relates to fees in reissue cases and establishes a fee of $300 for filing each application for the reissue of a patent. In addition, on filing or on presentation at any other time, $30 is due for each claim in independent form which is in excess of the number of independent claims of the original patent, and $10 is due 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.

Under section 41(a)5, a fee of $50 would be established for filing each disclaimer in a patent or patent application.

Section 41(a)6 establishes a fee due on filing an appeal from the examiner to the Board of Appeals of $115. In addition, a fee of $115 is due on filing a brief in support of the appeal, and a fee of $100 is due for requesting an oral hearing before the Board of Appeals.

Section 41(a)7 establishes two different fees for filing petitions with different standards to revive abandoned patent applications. The same two fees are applicable to petitions to accept the delayed payment of the fee for issuing a patent. The fees set forth in this section are due on filing the petition. Since the section provides for two alternative fees with different standards, the section would permit the applicant seeking revival or acceptance of a delayed payment of the fee for issuing a patent to choose one or the other of the fees and standards under such regulations as the Commis

sioner may establish. Under the section the Commissioner could establish time limits within which petitions under each of the different fees and standards can be filed. The section establishes a fee of $500 for filing each petition for revival or for acceptance of the delayed payment of an issue fee where the abandonment or the failure to pay the issue fee is unintentional. In order to prevent abuse and injury to the public the Commissioner could require a terminal disclaimer equivalent to the period of abandonment and could require applicants to act promptly after becoming aware of the abandonment. The section establishes a fee of $50 for filing a petition under sections 133 or 151 of title 35 in accordance with standards presently in effect requiring that the delay resulting in the abandonment, or the delay in payment of the issue fee, be unavoidable. Under this section a petition accompanied by either a fee of $500 or a fee of $50 would not be granted where the abandonment or the failure to pay the fee for issuing the patent was intentional as opposed to being unintentional or unavoidable. This section would permit the Commissioner to have more discretion than present law to revive abandoned applications and accept late payment of the fee for issuing a patent in appropriate circumstances.

Section 41(a)8 establishes fees for the filing of petitions for extensions of time. Various time periods are set by the Office for taking actions on matters relating to patent applications. These time periods are set pursuant to statute or by regulations established by the Commissioner under the authority granted to the Commissioner by statute. This section would provide for fees for filing petitions to extend the time periods set pursuant to statute or by regulations for taking action within any limitations set by statute.

A fee of $50 is established for filing a request for a first one month extension of time, an additional fee of $100 for filing a request for a second one month extension of time which would expire two months after the end of the time period set for taking action, and an additional fee of $200 for filing a request for a third one month extension of time which would expire three months after the end of the time period set for taking action. A subsequent or fourth extension could be requested if additional time was available under the statute. In no case could a period be extended beyond the maximum time set by statute.

The Commissioner may issue regulations providing when, within any maximum period permitted by statute, petitions

for extensions of time, and the required fee therefor, may be filed. This section does preclude the Commissioner from waiving the fee for filing a petition for an extension of time where the Office extends the period due to equity considerations or sufficient cause.

Section 41(b) provides that the Commissioner charge the following fees for maintaining a patent other than a design or plant patent, in force: at three years and six months after grant, $400; at seven years and six months after grant, $800; and at eleven years and six months after grant, $1,200. Unless payment of the applicable maintenance fee is received in the Patent and Trademark Office on or before the date the fee is due or within a grace period of six months thereafter, the patent will expire as of the end of such grace period. The Commissioner may require the payment of

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a surcharge as a condition of accepting within such six--month grace period the late payment of a maintenance fee.

In order to avoid an inequitable loss of patent rights, the Commissioner is given the authority to accept payment of any maintenance fee after the six--month grace period if it is established that the delay in payment was unavoidable. It is intended that the Commissioner will issue regulations establishing guidelines for acceptance of late payment. After the expiration of a reasonable period of time, the patentee would bear a heavy burden of proof that the delay was unavoidable. A surcharge may be imposed by the Commissioner as a precondition to acceptance of a late fee. This surcharge may be in addition to any surcharge imposed for payment during the grace period.

A provision is included to protect the rights of one who began using or who took steps to begin use of a patent which expired for failure to pay a maintenance fee and which was subsequently reestablished by acceptance of the late payment. The intervening rights provision in section 41(c)(2) is similar to the intervening rights provision in *35 U.S.C. 252* concerning reissued patents.

Section 41(d) provides that the Commissioner establish fees for all other processing services, or materials related to patents not specified in section 41 at an amount calculated to recover the estimated average cost to the Office of such processing, services, or materials. Such processing and other services includes, but is not limited to, the processing of various petitions desiring certain actions to be taken regarding patent applications, recording of assignments, reexamination of patents and the processing of international applications. Fees for materials include the price of patent copies, certifications and other copying services. The yearly fee for providing a library specified in section 13 of title 35 with uncertified copies of the specifications and drawings for all patents issued in that year is set at $50.

Section 41(f) provides that the fees established in subsections (a) and (b) of section 41 may be adjusted by the Commissioner on October, 1, 1985, 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 one per centum may be ignored by the Commissioner in making such adjustments.

Subsection (a) of section 31 of the Trademark Act of 1946, as amended *(15 U.S.C. 1113),* is being changed to grant the Commissioner discretion to establish the level of recovery of office costs related to trademarks. It is expected that the Commissioner will set the fees in a way that the filing fee will be kept as low as possible to foster use of the Federal registration system. This may require that other fees for services or materials related to trademarks recover more than their actual estimated cost in order that the Commissioner achieve in the aggregate adequate cost recovery for the entire trademark operation.

A provision is inserted in section 42(c) of title 35 in order to ensure that the trademark fees collected are used to fund trademark operations only and not the processing of patent applications.

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SECTION 4

Section 3 of title 35 is amended by deleting specific reference to the number of examiners--in--chief in the first sentence. Elimination of the upper limit on the number of permanent members of the Board of Appeals would

provide greater flexibility in filling most of its personnel needs, thereby avoiding an excess of examiner details. The authority to appoint acting examiners--in--chief, however, is maintained in order that temporary fluctuations in the workload of the Board may be accommodated.

SECTION 5

Under revised section 111 of title 35, the filing date of an application would be that on which the specification and any required drawings are received by the Patent and Trademark Office. The oath or declaration and filing fee could be submitted at such later time as established by the Commissioner, without any loss of the original filing date. Under the

amendment, an applicant could either file the oath or declaration (including the applicant's signature) and fee together with an application or submit them at a later time as determined by the Commissioner.

The section would also authorize the imposition of a surcharge as a condition for accepting filing of the oath of payment of the filing fee after the filing date of the application. Since an application filed without the oath or declaration would not be signed or "made" by the applicant, the amendment permits a patent attorney or agent, authorized by the applicant, to submit the specification and drawings for the purpose of obtaining a filing date. Should the applicant, however, fail to file the oath or declaration, or pay the filing fee within the time limits set by the Commissioner, the application would be regarded as having been abandoned.

SECTION 6

The third paragraph of section 116 of title 35 is amended to enlarge the possibilities for correcting misnamed inventive entities. As a consequence, correction would be permitted also in cases where the person originally named as inventor was in fact not the inventor of the subject matter contained in the application. If such error occurred without any deceptive intention on the part of the true inventor, the Commissioner would have the authority to substitute the true inventor for the erroneously named person. Although probably rarer, instances such as changes from a mistakenly identified sole inventor to a different, but actual, joint inventors, conversions from erroneously identified joint inventors to different but actual, joint inventors, and conversions from erroneously identified joint inventors to a different, but actual, sole inventor would also be permitted. In each instance, however, the Commissioner must be assured of the presence of innocent error, without deceptive intention on the part of the true inventor or inventors, before permitting a substitution of a true inventor's name.

The ability to receive a filing date based on a specification and drawings without signature as set forth in revised section 111 of title 35, and to file the oath or declaration and pay the filing fee

within such period as determined by the Commissioner is also available to joint inventors.

Section 256 of title 35, which is a companion to section 116, would be amended to similarly enlarge the possibilities for correction of misnamed inventors in issued patents.

SECTION 7

Section 6(d) of title 35, which provides for the allocation of appropriated Patent and Trademark Office funds to the Department of State for payment of United States financial obligations under the Patent Cooperation Treaty, is deleted. The Department of State has traditionally assumed responsibility for financial obligations for international agreements to which the United States adheres.

SECTION 8

Section 8(a) of the Trademark Act is amended to clarify that the continued use required to be shown in the sixth year be use "in commerce". Although it is believed by some that omission of the words "in commerce" may have been inadvertent in the 1946 Act, this section has been interpreted so that use in a foreign country, or use in intrastate commerce, is sufficient. Such interpretation is fundamentally in conflict with other requirements of the

Act.

Section 8(b) of the Act is also amended to clarify that the continued use required to be shown in the sixth year be use "in commerce". Although it is believed by some that omission of the words "in commerce" may have been inadvertent in the 1946 Act, this section has interpreted so that use in a foreign country, or use in intrastate commerce, is sufficient. Such interpretation is fundamentally in conflict with other requirements of the Act.

Section 8(b) of the Act is also amended to clarify that the continued use required to be shown in the sixth year be use "in commerce" for registrations published under section 12(c) of the Act. (This pertains to registrations issued under the Act of March 3, 1881 and the Act of February 20, 1905).

The word "still" has been deleted from section 8(a) and 8(b). Thus, the owner of a registration issued on the basis of a foreign registration under the provisions of section 44(e) of the Act will have to submit an affidavit to the effect that the mark is in use in commerce. Since the mark need not be used in commerce when it is registered, the requirement cannot be required to state that it is "still" in such use.

SECTION 9

Section 13 of the Trademark Act is amended to delete the requirement that an opposition be verified. The sentence which allowed an unverified application to be verified at a later date has been deleted. In addition, a phrase has been added

to make it clear that any subsequent extension of time to file an opposition, beyond the first extension, must be requested before the end of the preceding extension.

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Section 14 of the Trademark Act would also be amended to delete the requirement that a petition to cancel a registration be verified.

SECTION 10

Section 15 of the Trademark Act is amended to change the term "the publication" to "registration" in the first sentence. This change makes the date of registration rather than the date of publication the crucial date for purposes of incontestability. It will also make section 15 consistent with sections 22 and 33 of the Act.

SECTION 11

Section 16 of the Trademark Act is amended to limit the declaration of interferences to those situations where a petition to the Commissioner shows that extraordinary circumstances exist. Unless extraordinary circumstances exist, the rights of the parties can be determined adequately by the existing opposition and cancellation procedures. Additionally, if an interference is declared between an application and a registration and the applicant wins, a cancellation must still be initiated against the registration.

SECTION 12

A new subsection (a) has been added to section 21 of title 35 to authorize, but not to require, the Commissioner of Patents and Trademarks to give as the filing date of any paper or fee which is required to be filed in the Patent and Trademark Office the date on which the paper or fee was deposited with the United States Postal Service. The Commissioner may also give as the filing date of any paper or fee which was required to be filed in the Patent and Trademark Office the date it would have been deposited with the United States Postal Service but for postal service interruptions or emergencies which the Commissioner designates. The requirements governing whether any given paper or fee may be given the filing date of the day on which it was, or would have been, deposited with the United States Postal Service will be set forth in regulations established by the Commissioner.

Section 21(b) of title 35 is identical to existing section 21 with two minor amendments. The word "federal" has been inserted before the phrase "holiday within the District of Columbia" to clarify the nature of the holiday.

SECTION 13

This section clarifies the authority of the Commissioner in section 6(a) of title 35 to enter into a wide range of cooperative agreements concerning the patent and trademark laws or the administration of the Patent and Trademark Office. These agreements are in addition to the exchange of publications authorized in *35 U.S.C. 11*(b) and 12. These cooperative agreements may take the form of studies, programs, exchanges, and other similar ventures. Thus, the Patent and Trademark Office could, for example, exchange patent copies, non--patent literature, tapes, or services in return for goods or services of value to the Patent and Trademark Office.

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SECTION 14

The amendments of *35 U.S.C. 115* and Section 11 of the Trademark Act of 1946 recognize the Hague "Convention Abolishing the Requirement of Legalization for Foreign Public Documents" which entered into force in the United States on October 15, 1981. The Convention abolishes the requirement of diplomatic or consular legalization for foreign public documents which are sworn to or acknowledged by a notary public in any of the countries adhering to the Convention. For documents executed by a notary public of all other foreign countries, diplomatic or consular legalization will still be required.

The amendment of *35 U.S.C. 261* is intended to give affirmative effect to acknowledgments executed pursuant to the Hague Convention.

SECTION 15

This section corrects an incorrect citation. Public Law 96--517 amended section 41 of title 35, United States Code, in a way which eliminated *35 U.S.C. § 41*(a)(9). Unfortunately, section 13 of title 35, United States Code, was not amended accordingly by Public Law 96--517. This section corrects that oversight.

SECTION 16 This section sets a uniform term of fourteen years for all design patents.

SECTION 17

Sections 17(a) and (c) specify the effective dates of the Act. Section 17(a) also specifies that the maintenance fees provided for in section 3(b) of this Act will only apply to patents in which the application was filed on and after the date of enactment or to maintenance fees later established by law.

Section 17(b) adds a section 294 to title 35 providing for the voluntary arbitration of patent disputes by the parties to the dispute. The section requires that the Commissioner be notified in writing of an award made by an arbitrator or modified by a court. Such notification will be entered in the record of the prosecution of the patent.

At present, agreements to arbitrate some aspects of disputes arising under patent licenses are enforceable by the courts; however, there have been court decisions that have disapproved arbitration of disputes concerning patent validity or infringement. In this regard, see for example, *Zip Mfg. Co. v. Pep Mfg. Co., 44 F.2d 184, 7 U.S.P.Q. 62 (D. Del. 1930)* and *Beckman Instruments, Inc. v. Technical Developments Corp., 433 F.2d 55, 167 U.S.P.Q. 10 (7th Cir. 1965).*

Partly as a reaction to those decisions, during the 93rd Congress both the Department of Commerce and the Department of Justice endorsed a provision specifically authorizing arbitration of validity and infringement disputes. This provision, included in an omnibus patent law revision bill, S. 2504, was never enacted due to the many controversial aspects of that legislation.

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In the view of the Committee, a statutory authorization of voluntary agreements to arbitrate validity and infringement disputes would benefit both the parties to these disputes and the public.

Statutory endorsement of arbitration agreements would assure the parties that they could avail themselves of the numerous advantages of arbitration without the possibility of having to reargue the dispute in court. The advantages

of arbitration are many: it is usually cheaper and faster than litigation; it can have simpler procedural and evidentiary rules; it normally minimizes hostility and is less disruptive of ongoing and future business dealings among the parties; it is often more flexible in regard to scheduling of times and places of hearings and discovery devices; and, arbitrators are frequently better versed than judges and juries in the area of trade customs and the technologies involved in these disputes.

The enforcement of voluntary arbitration provisions would serve the public in two ways. First, the availability of arbitration with its numerous advantages will enchance the patent system and thus will encourage innovation. This view is supported by the Committee for Economic Development in their January 1980 statement entitled "Stimulating Technological Progress." Secondly, arbitration could relieve some of the burdens on the overworked Federal courts. Chief Justice Burger in his speech to the American Bar Association on January 24, 1982, generally endorsed the use of arbitration to reduce the judicial backlog. Also, I think it is important to note that the American Bar Association's Section on Patent, Trademark and Copyright Law has endorsed court enforcement of arbitration agreements calling for arbitration of validity and infringement.

The recommendations of the Secretary of Commerce to increase substantially patent and trademark user fees were made on the promise that such increases "will lay the groundwork for revitalizing the patent and trademark systems." The Secretary committed to three major goals: (1) to reach an average patent application pendency time of 18 months by FY 1987, (2) to issue an examiner's first action on trademark registrability in three months and disposal of an application within 13 months, and (3) to move realistically toward a fully automated Office by the 1990's. In accepting the Administration's recommendations on user fees, the Committee fully expects the Administration to live up to its end of the bargain to bring about a first--class Patent and Trademark Office. To provide an opportunity for timely and effective Committee oversight of progress toward improving the Patent and Trademark Office, the Committee directs that the Secretary of Commerce report annually to the Committee on progress toward achieving the three major goals of the Patent and Trademark Office, as outlined above, and, in addition, promptly inform the Committee at any time it appears that any of the goals, for any reason, is viewed as not attainable.

OVERSIGHT STATEMENT

The Committee on the Judiciary has oversight responsibility over the Patent and Trademark Office in the Department of Commerce. In addition to its ongoing oversight, the Committee's Subcommittee on Courts, Civil Liberties and the Administration of Justice held an oversight hearing with respect to the Patent and Trademark Office

on March 4, 1981, published as Oversight Hearings Before the Subcommittee on Courts, Civil Liberties and the Administration of

Justice of the Committee on the Judiciary, House of Representatives, Ninety--Seventh Congress, First Session on the Copyright Office, The U.S. Patent and Trademark Office, and the Copyright Royalty Tribunal. Serial No. 17.

The Committee expects to continue its oversight activities in this area.

STATEMENT OF THE BUDGET COMMITTEE

No statement has been received on H.R. 6260 from the House Committee on the Budget.

STATEMENT OF THE CONGRESSIONAL BUDGET OFFICE

Pursuant to clause 7, rule XIII of the Rules of the House of Representatives and section 403 of the Congressional Budget Act of 1974, the following is the cost estimate of H.R. 6260, as amended, prepared by the Congressional Budget Office.

U.S. CONGRESS,

CONGRESSIONAL BUDGET OFFICE,

Washington, D.C., May 13, 1982.

Hon. PETER W. RODINO, Jr.,
Chairman, Committee on the Judiciary,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has prepared the attached cost estimate for H.R. 6260, a bill to authorize appropriations to the Patent and Trademark Office in the Department of Commerce, and for other purposes.

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

Sincerely,ALICE M. RIVLIN, *Director*.

CONGRESSIONAL BUDGET OFFICE, COST ESTIMATE

1. Bill number: H.R. 6260.

2. Bill title: A bill to authorize appropriations to the Patent and Trademark Office in the Department of Commerce, and for other purposes.

3. Bill status: As ordered reported by the House Committee on the Judiciary, May 11, 1982.

Bill purpose: H.R. 6260 would authorize 1982 appropriations at a level $2.5 million above the amount already appropriated, and would provide a $76 million authorization level in 1983 to carry out the activities of the Patent and Trademark Office (PTO). In addition, such sums as may be necessary are authorized for fiscal years 1984 and 1985, plus such additional or supplemental amounts as may be necessary for increases in salary, pay, retirement, or other benefits authorized by law for each fiscal year 1983 through 1985. PTO would also have available for obligation offsetting fee collections as provided for in Public Law 95--517, plus the additional fees as specified in H.R. 6260.

[15]

Assuming enactment of H.R. 6260, total PTO collections over time would result in recovery of approximately 100 percent of patent and trademark processing costs. Individuals, small businesses, and non--profit institutions would be exempt from the proposed additional fees, however, but would continue to follow the fee schedule outlined in P.L. 96--517, which assumes the ultimate recovery of approximately 50 percent of all processing costs.

The President's 1982 budget includes a request for a $2.5 million supplemental for the PTO. The Administration has recommended increasing user fees to ultimately recover 100 percent of processing costs beginning in 1983, but does not provide for any exemptions to the proposed fee increases relative to current law. The effect of exemptions is to increases by approximately $8 million the authorized level of appropriations relative to the Administration's request.

In addition, the bill would make a number of other changes that are not expected to have a cost impact.
5. Cost estimate:

[By fiscal years, in millions of dollars]

1982	1983	1984	1985	1986

Authorization level: Specified	2.5	76.0			
Estimated		6.8	86.4	86.8	
Subtotal.	2.5	82.8	86.4	86.8	
Total estimated outlays .	2.4	61.8	82.4	82.2	5.5

Including outlays from appropriations to date for PTO, total 1982 outlays are estimated to be $121.5 million, and total 1983 outlays are estimated to be $79.8.

The costs of this bill fall within budget subfunction 376.

6. Basis of estimate: The authorization levels for PTO for 1982 and 1983 are those specified in the bill. The estimate authorization levels for 1984 and 1985 assume a level of funding sufficient to maintain a program level of $167 million and $176 million, respectively, including offsetting collections. In addition, authorization for increases in pay and other benefits of approximately $6.8 millions, $7.4 million, and $7.8 million for fiscal years 1983 through 1985, respectively, were estimated based on CBO's current inflators. Outlays are based on historical spending patterns.

The estimated collections to PTO as a result of fees charged to cover the costs of processing trademarks and patents were provided by the agency, and assume the fee structure outlined in the bill. The estimated collections, under current law and under H.R. 6260, are shown in the table below.

[By fiscal years, in millions of dollars]

1982 1983 1984 1985 1986

Estimated offsetting collections: Current law.....47.8 52.7 57.7 Added by H.R. 6260.31.2 35.3 39.3

Total----H.R. 6260..79.0 88.0 97.0

+_____

[16] 7. Estimate comparison: None.
1 Previous CBO estimate: None.
2 Estimate prepared by: Mary B. Maginniss.
3 Estimate approved by: C. G. Nuckols (James L. Blum, Assistant Director for Budget Analysis).
COMMITTEE VOTE The Committee on the Judiciary ordered H.R. 6260 as amended reported by a voice vote, without objection being

heard, with a quorum of Members being present.

[Changes in existing law section OMITTED.]

98th Congress, 1st Session To amend title 18 of the United States Code to strengthen the laws against the counterfeiting of trademarks, and for other purposes.

IN THE SENATE OF THE UNITED STATES MARCH 22 (legislative day, MARCH 21), 1983

Mr. MATHLIAS (for himself, Mr. THURMOND, Mr. HEFLIN, and Mr. WARNER) introduced the following bill; which was read twice and referred to the Committee on the Judiciary

FOOTNOTES:

(n1) Footnote 1. 100 plus for each mark in addition to 1.